

PD-ABS-626

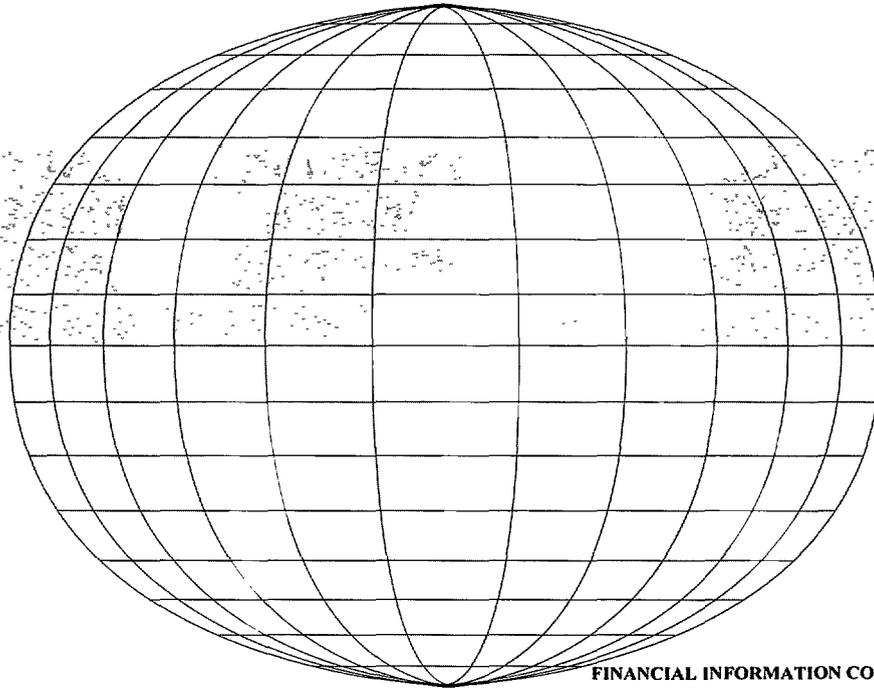
# Report of Audit

---

## Financial Audit of Ronco Consulting Corporation's Local Expenditures Incurred Under Contract No. 263-C-00-96-00053

---

Report No. 6-263-01-001-N  
October 10, 2000



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.

Cairo, Egypt

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

PD-ABS-626

**USAID**



CAIRO, EGYPT

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

**Report No. 6-263-01-001-N  
October 10, 2000**

**MEMORANDUM**

**TO:** USAID/Egypt Director, Willard J. Pearson, Jr.  
**FROM:** Acting RIG/Cairo, Thomas C. Asmus *Thomas C. Asmus*  
**SUBJECT:** Financial Audit of Ronco Consulting Corporation's Local Expenditures Incurred Under Contract No. 263-C-00-96-00053

The attached report, transmitted on July 31, 2000, by KPMG Hazem Hassan, presents the results of a financial audit of USAID resources managed by Ronco Consulting Corporation (Ronco) under the subject contract. The contractor provides technical support to assist the Ministry of Agriculture to improve technologies developed and adopted for the production, processing, and marketing of select agricultural commodities.

We engaged KPMG Hazem Hassan to conduct a financial audit of Ronco's locally incurred expenditures under contract No. 263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000. The purpose of the audit was to evaluate the propriety of the costs incurred and express an opinion on whether the fund accountability statement for the USAID financed contract presents fairly, in all material respects, revenue received and costs incurred for the audit period. The auditors also evaluated the contractor's internal control structure and compliance with applicable laws, regulations and agreement terms as necessary in forming their opinion regarding the fund accountability statement.

The auditors questioned \$625 of project costs incurred under contract No. 263-C-00-96-00053. The entire questioned amount represents ineligible costs. In addition, the auditors noted one matter involving Ronco's internal control structure and operation that is considered to be a reportable condition under standards established by the American Institute of Certified Public Accountants.

*U.S. Mailing Address  
USAID-RIG Unit 64902  
APO AE 09839-4902*

*Tel. (202)516-5505  
Fax(RIG/A): (202)516-2530  
Fax(RIG/I): (202)516-5316*

*USAID  
Zahraa El-Maadi  
Maadi, Cairo, Egypt*

2

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 \$625 (all ineligible) detailed on pages 11 through 13 of the KPMG Hazem Hassan audit report, and recover from the Ronco Consulting Corporation the amount determined to be unallowable.

**Recommendation No. 2:** We recommend that USAID/Egypt obtain evidence that Ronco Consulting Corporation in Egypt has addressed the internal control weakness issue (lack of bank reconciliation) and recommendations made by KPMG Hazem Hassan on page 16 of the audit report.

Regarding Recommendation No. 1, USAID/Egypt's Procurement Officer stated the entire questioned ineligible amount of \$625 is unallowable and the amount was deducted from Ronco's August 2000 voucher dated September 18, 2000. Therefore, we consider that USAID/Egypt has taken a final action on Recommendation No. 1 and the recommendation is closed upon report issuance.

Regarding Recommendation No. 2, the Procurement Officer stated the Mission has obtained evidence that Ronco has performed a proper bank reconciliation at its Cairo office for June 2000 and Ronco is currently in the process of preparing bank reconciliation for the months of July and August 2000. Also, Ronco stated that its corporate office will prepare a fund statement reconciliation of funds transferred to the Cairo office. Therefore, we consider a management decision has been reached on Recommendation No. 2. The Mission should provide M/MPI evidence that Ronco Headquarters is preparing a reconciliation of funds transferred to its office in Cairo, Egypt as recommended by the audit firm.

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  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

"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."

Financial Audit of  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Table of Contents

	<u>Page</u>
<u>Introduction</u>	
Background	1
Audit Objectives and Scope	2
Results of Audit	4
Summary of Management Comments	4
<u>Fund Accountability Statement</u>	
Independent Auditor's Report	6
Fund Accountability Statement	8
Notes to the Fund Accountability Statement	9
Details of Questioned Costs	10
<u>Internal Control Structure</u>	
Independent Auditor's Report	14
<u>Compliance with Laws and Regulations</u>	
Independent Auditor's Report	18
<u>Appendices</u>	
Appendix I	Management Comments
Appendix II	Auditor's Comments
Appendix III	Mission's Comments

# **KPMG** Hazem Hassan

Public Accountants & Consultants

72 Mohi Eldin Abul Ezz Street  
Mohandseen, Cairo  
Egypt

Telephone: (202) 336 90 94 - 336 90 98  
Telefax : (202) 349 72 24 - 348 78 19  
E-Mail : hhassan2@rite.com.

Mr. Darryl Burris  
Regional Inspector General/Cairo  
United States Agency for International Development  
Cairo, Egypt.

July 31, 2000

Dear Mr. Burris,

This report represents the results of our financial audit of Ronco Consulting Corporation, USAID/Egypt Agricultural Technology Utilization and Transfer (ATUT) Project No. 263-0240, under Contract No.263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000.

## Background

USAID/Egypt awarded Ronco Consulting Corporation a cost reimbursement plus fixed fee type contract with a total estimated cost of \$24.5 million under the Agricultural Technology Utilization and Transfer (ATUT) Project No. 263-0240. The effective date of the contract was April 16, 1996 and USAID/Egypt has obligated and disbursed \$14.1 million as of January 15, 2000. The estimated completion date of the contract is September 27, 2001.

Ronco works closely with USAID and the ATUT project staff to provide technical support to assist the Ministry of Agriculture to achieve the project's purpose which is to improve technologies developed and adopted for the production, processing, and marketing of select agricultural commodities.

Ronco provides long-term technical assistance and specific short-term consultancies in a variety of fields and disciplines. Ronco is responsible for providing the salary, benefits, allowances, and travel arrangements for all expatriate staff and for procuring office furniture, fax machines, photo copiers, office computers and peripherals, office expendable supplies, and vehicles for expatriate support team use.

Audit Objectives and Scope

The objective of this engagement was to conduct a financial audit of Ronco Consulting Corporation's locally incurred expenditures under Contract No. 263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000. The audit encompassed an examination of Ronco's local expenses (both in US dollars and Egyptian pounds), billed to and reimbursed by USAID/Egypt, in order to determine whether they were in compliance with the terms and conditions of the Contract and applicable USAID/Egypt rules and regulations. We also reviewed internal controls associated with Ronco's management of resources funded by USAID/Egypt through the Contract.

The specific objectives were to:

1. Express an opinion on whether the fund accountability statement for the USAID financed Contract of Ronco presents fairly, in all material respects, project revenues received and local costs incurred for the period 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 of Ronco, assess control risk, and identify reportable conditions, including material internal control weaknesses;
4. Perform tests to determine whether Ronco complied, in all material respects, with the terms and conditions of the Contract and, also, applicable laws and USAID/Egypt rules and regulations; and

Preliminary planning and review procedures started in April 2000 and consisted of:

- Discussions with RIG/Cairo;
- A review of the Contract;

*KPMG* Hazem Hassan

- Interviews and discussions with Ronco's key personnel concerning the status of the Contract, accomplishments during the period, the statutory reporting requirements, the Contract's budget, procedures governing actual expenditures incurred by Ronco's office in Egypt and billed to Headquarters; and
- Review of Ronco's organizational structure and Ronco's established policies and procedures, and controls related to personnel, procurement, financial accounting and reporting, and billing to Ronco Headquarters.

The field work segment of our audit was completed on May 11, 2000. The scope of our work was to audit local costs incurred by Ronco and reimbursed by USAID/Egypt under Contract No. 263-C-00-96-00053. Within each budget line item, we selected transactions on a judgmental basis in order to perform a substantive test of details. We tested expenditures of \$794,051 (equivalent to LE2,698,106) out of total expenditures amounting to \$3,112,887 (equivalent to LE10,577,278).

Our tests of expenditures included, but were not limited to, the following:

1. Reconciling Ronco's accounting records to invoices issued to Headquarters and testing costs for allowability, allocability, reasonableness, and adequate supporting documentation;
2. Determining whether salaries and wages, other direct costs, commodities, travel and transportation, technology transfer, allowances and grants were appropriate and consistent with the terms of the Contract and applicable rules and regulations and were adequately supported and approved.

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 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, because no

*KPMG* Hazem Hassan

such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices.

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

### Results of Audit

#### Fund Accountability Statements

Our audit identified questioned costs amounting to \$625 which represents ineligible costs for the Contract No. 263-C-00-96-00053.

#### Internal Controls

Our audit identified one reportable condition that is required to be reported in accordance with Government Auditing Standards. This matter is more fully described in our report on internal controls. Specifically, Ronco did not reconcile the cash balance shown on its bank statement with the cash balance per its accounting records on a monthly basis.

#### Compliance with Laws and Regulations

Our audit did not identify any material instances of noncompliance with applicable laws and regulations.

#### Summary of Management Comments

We have reviewed Ronco's response to the internal control and questioned costs matters identified as a result of our audit, which is included in Appendix I. Where applicable, we have made adjustments in our report or provided further clarification of our position in Appendix II. For those items not adjusted in our final report, the responses provided by management have not changed our report on the fund accountability statement, our report on internal controls, or our report on compliance with laws and regulations.

*KPMG* Hazem Hassan

This report is intended for the information of the United States Agency for International Development and Ronco's management and others within the organization. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "KPMG Hazem Hassan", followed by a horizontal line extending to the right.

KPMG Hazem Hassan  
Cairo, Egypt

FUND ACCOUNTABILITY STATEMENT

# **KPMG** Hazem Hassan

Public Accountants & Consultants

72 Mohi Eldin Abul Ezz Street  
Mohandseen, Cairo  
Egypt

Telephone: (202) 336 90 94 - 336 90 98  
Telefax : (202) 349 72 24 - 348 78 19  
E-Mail : hhassan2@nte.com

## Report on the Fund Accountability Statement Independent Auditor's Report

Mr. Darryl Burris  
Regional Inspector General/Cairo  
United States Agency for International Development  
Cairo, Egypt.

We have audited the accompanying fund accountability statement of funds received and costs incurred locally in Egypt by Ronco Consulting Corporation, USAID/Egypt Agricultural Technology Utilization and Transfer (ATUT) Project No. 263-0240, under Contract No.263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000. This fund accountability statement is the responsibility of Ronco's management. Our responsibility is to express an opinion on this fund accountability statement based upon our audit.

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 statement is free from 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 the significant estimates made by management, as well as evaluating the presentation of the overall fund accountability statement. 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, because no

12

*KPMG* Hazem Hassan

such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices.

As described in Note 1, the accompanying fund accountability statement has been prepared on the cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles. Included in the fund accountability statement are questioned costs of \$625. The basis for questioning costs is fully described in the "Details of Questioned Costs" section in this report.

In our opinion, except for the effects of the questioned costs referred to in the preceeding paragraph, the fund accountability statement, referred to above, presents fairly, in all material respects, the amounts received and the costs locally incurred pursuant to Contract No. 263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000 in conformity with the basis of accounting described in Note 1.



KPMG Hazem Hassan  
Cairo, Egypt

May 11, 2000

Financial Audit of  
RONCO Consulting Corporation  
USAID/Egypt Agricultural Technology Utilization and Transfer (ATUT)  
Project No. 263-0240 under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Fund Accountability Statement

	\$
Amounts received locally from RONCO Headquarters	3,354,497
<hr style="width: 20%; margin: auto;"/>	
Total	3,354,497

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs</u>		<u>Finding and Page No.</u>
			<u>Ineligible</u>	<u>Unsupported</u>	
	\$	\$	\$	\$	
Salaries and Wages	4,203,065	836,700			
Travel/Transportation/Per Diem	1,502,207	137,859			
Allowances	1,195,038	16,533			
Other Direct Costs	766,895	520,920	417		Finding No. 1 Page No. 10
Equipment	916,326	436,185			
Technology Transfer	2,021,829	860,011	24		Finding No. 2 Page No. 11
Miscellaneous	0	116	116		Finding No. 3 Page No. 12
HEIA Grant	576,068	304,563	68		Finding No. 4 Page No. 13
Total	11,181,428	3,112,887	625	0	

The accompanying notes are an integral part of the fund accountability Statement.

14

Financial Audit of  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Notes to the Fund Accountability Statement

Note 1: Accounting Basis

The fund accountability statement has been prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when they are actually received and expenditures are recognized when they are actually paid.

Note 2: Source of Data

The column labeled "Actual" is the responsibility of Ronco management and represents the cumulative costs billed to the headquarters for the period April 16, 1996 through January 15, 2000.

Note 3: Translation Rate

Expenditures paid in Egyptian Pounds (LE) have been translated into US Dollars (\$). The period average exchange rate method was used. This rate was \$1 = LE3.3979.

Note 4: Budget

The column labeled "Budget" includes USAID/Egypt's approved budget in accordance with the most recent budget amendment of the Contract, which was made within the audit period. These amounts represent the budget for both Ronco's Headquarters and Ronco/Egypt and have been reported in the fund accountability statement for presentation purposes only.

Financial Audit of  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
1. <u>Other Direct Costs</u>		
Based upon our audit of the other direct costs, we noted an amount of \$417 representing sales taxes which was billed to USAID. Ronco's management indicated that such amount was billed in error. According to the FAR, Section 31.205-41, "Taxes from which exemptions are available to the contractor directly, or available to the contractor based on the exemption afforded the government" are unallowable. The bilateral agreement between the United States and Egypt specifies that no taxes will be paid to the GOE related to USAID/Egypt financed agreements. Accordingly, this amount is considered to be ineligible.	417	
Total Line Item	<u>417</u>	

Financial Audit of  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	\$	\$
2. <u>Technology Transfer</u>		
Based upon our audit of the technology transfer costs, we noted an amount of \$24 representing sales taxes which was billed to USAID. Ronco's management indicated that such amount was billed in error. According to the FAR, Section 31.205-41, "Taxes from which exemptions are available to the contractor directly, or available to the contractor based on the exemption afforded the government" are unallowable. The bilateral agreement between the United States and Egypt specifies that no taxes will be paid to the GOE related to USAID/Egypt financed agreements. Accordingly, this amount is considered to be ineligible.		
	24	
Total Line Item	<u>24</u>	

Financial Audit of  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
3. <u>Miscellaneous</u>		
Based upon our audit of the project expenses, we noted that Ronco/Egypt charged USAID with miscellaneous expenses. The USAID approved budget does not include a line item for miscellaneous expenses. Ronco's management stated that these expenses were charged to USAID in error at the inception of the project. According to USAID rules and regulations, only expenses relating to the approved budget line items should be charged to USAID/Egypt. Therefore, this amount is considered to be ineligible.	116	
Total Line Item	<u>116</u>	

Financial Audit of  
Ronco Consulting Corporation  
USAID/Egypt Agricultural Technology  
Utilization and Transfer (ATUT) Project No. 263-0240  
under Contract No. 263-C-00-96-00053  
For the Period April 16, 1996 through January 15, 2000

Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	\$	\$
4. <u>Grants</u>		
Based upon our audit of grant costs, we noted an amount of \$68 representing sales taxes which were billed to USAID. Ronco's management indicated that such amount was billed in error. According to the FAR, Section 31.205-41, "Taxes from which exemptions are available to the contractor directly, or available to the contractor based on the exemption afforded the government" are unallowable. The bilateral agreement between the United States and Egypt specifies that no taxes will be paid to the GOE related to USAID/Egypt financed agreements. Accordingly, this amount is considered to be ineligible.	68	
Total Line Item	<u>68</u>	
<u>Total Questioned Costs</u>	<u>625</u>	

INTERNAL CONTROL STRUCTURE

# **KPMG** Hazem Hassan

Public Accountants & Consultants

72 Mohi Eldin Abul Ezz Street  
Mohandseen, Cairo  
Egypt

Telephone: (202) 336 90 94 - 336 90 98  
Telefax : (202) 349 72 24 - 348 78 19  
E-Mail : hhassan2@nte.com.

## Internal Control Structure Independent Auditor's Report

Mr. Darryl Burris  
Regional Inspector General/Cairo  
United States Agency for International Development  
Cairo, Egypt.

We have audited the accompanying fund accountability statement of locally incurred costs of Ronco Consulting Corporation, USAID/Egypt Agricultural Technology Utilization and Transfer (ATUT) Project No. 263-0240, under Contract No. 263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000, and have issued our report thereon on dated May 11, 2000.

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 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, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices.

In planning and performing our audit of the fund accountability statement of Ronco related to funds received

*KPMG* Hazem Hassan

and costs locally incurred under USAID/Egypt Contract No. 263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000, we obtained an understanding of the internal control structure associated with Ronco's operations in Egypt. With respect to the internal control structure associated with Ronco's operations in Egypt, we obtained an understanding of the design of relevant polices 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 statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

The management of Ronco 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 the fund accountability statement in accordance with the cash 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 internal control 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.

We noted one matter involving the internal control structure and its operation that we consider to be a reportable condition under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the fund accountability statement.

Audit Finding:

Lack of Reconciliation between Fund Balance and Bank Balance

Based upon our review of cash management practices, we noted that Ronco does not prepare monthly bank reconciliations. Accordingly, as of January 15, 2000 the cash balance per books (i.e., total revenues minus total expenses) could not be reconciled to the cash balance per the bank statements. Lack of such reconciliation may affect Ronco Egypt's ability to maintain proper control over cash and to report accurate data regarding its financial position to Ronco Headquarters. Sound internal control policies and procedures require that bank reconciliations be prepared on a monthly basis to explain the difference between the cash balance per bank statement and the cash balance per the accounting books and records and, also, be reviewed and approved by an authorized person other than the preparer. We recommend that bank reconciliations be prepared on a monthly basis and be subject to supervisory review in order to ensure that reconciling items requiring follow-up are properly disposed of. If local management does not have the capacity to perform such reconciliations, we recommend that monthly bank statements for bank accounts maintained in Egypt be forwarded directly to Ronco Headquarters by the banks and that bank reconciliations be performed by Headquarters on a monthly basis. In addition, we recommend that Ronco Headquarters reconcile funds transferred to Ronco Egypt to amounts expended on a monthly basis.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the 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 statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material weaknesses as defined above.

*KPMG* Hazem Hassan

We also noted other matters involving the internal control structure and its operation that we have communicated to the management of Ronco in a separate letter dated May 11, 2000.

This report is intended for the information of Ronco'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.

*KPMG Hazem Hassan*

KPMG Hazem Hassan  
Cairo, Egypt

May 11, 2000

COMPLIANCE WITH LAWS  
AND REGULATIONS

# **KPMG** Hazem Hassan

Public Accountants & Consultants

72 Mohi Eldin Abul Ezz Street  
Mohandseen, Cairo  
Egypt

Telephone : (202) 336 90 94 - 336 90 98  
Telefax : (202) 349 72 24 - 348 78 19  
E-Mail : hhassan2@rite.com.

## Report on Compliance with Laws and Regulations Independent Auditor's Report

Mr. Darryl Burris  
Regional Inspector General/Cairo  
United States Agency for International Development  
Cairo, Egypt.

We have audited the accompanying fund accountability statement of locally incurred costs of Ronco Consulting Corporation, USAID/Egypt Agricultural Technology Utilization and Transfer (ATUT) Project No. 263-0240, under Contract No.263-C-00-96-00053 for the period April 16, 1996 through January 15, 2000 and have issued our report thereon on dated May 11, 2000.

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 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, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices.

Compliance with laws, regulations, contracts and grants applicable to Ronco is the responsibility of Ronco's

*KPMG* Hazem Hassan

management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of Ronco's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the fund accountability statement 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 noted certain instances of non-compliance that have been reported to Ronco's management in a separate letter dated May 11, 2000.

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



KPMG Hazem Hassan  
Cairo, Egypt

May 11, 2000

APPENDIX I  
MANAGEMENT COMMENTS

# FAX TRANSMISSION SHEET

## RONCO/ATUT

USAID Project No. 263-0240 – Ministry of Agriculture and Land Reclamation  
Agriculture Research Center, 9 Gamaa Street, Giza, Egypt  
Tel. No. (20)-(2)-569-3234 and Fax No. (20)-(2)-569-3238  
E-mail: [ronco@roncoegypt.com](mailto:ronco@roncoegypt.com) and <http://www.atut.gov.eg>

To: Mr. Thomas Malone  
KPMG Hazem Hassan

Fax No.: 349-7224  
Tel. No.: 331-0230

From: Harvey Schartup  
Chief of Party

Fax No.: 20-2-569-3238  
Tel No. : 20-2-569-3234

Subject: Response Letter

Fax Ref. No.: /2000

No. of Pages (including cover page): 2

Date: June 8, 2000

Attached is a copy of the RONCO response letter to KPMG and I will send the original today to you.

Regards.

# RONCO/ATUT

USAID Project No. 263-0240 – Ministry of Agriculture and Land Reclamation  
Agriculture Research Center, 9 Gamaa Street, Giza, Egypt  
Tel. No. (20)-(2)-569-3234 and Fax No. (20)-(2)-569-3238  
E-mail: [ronco@roncoegypt.com](mailto:ronco@roncoegypt.com) & <http://www.atut.gov.eg>

Date: June 8, 2000

Ref. No.: 825/2000

Mr. Thomas Malone  
Partner  
KPMG - Hazem Hassan  
72 Mohie El Din Abul Ezz Street  
Mohandiseen, Cairo  
Egypt.

Dear Mr. Malone,

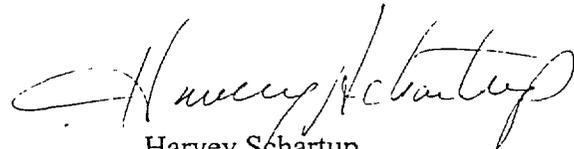
RONCO has reviewed the KPMG's draft report of the audit it conducted of the locally incurred expenditures associated with Contract No. 263-C-00-96-00053 between RONCO Consulting Corporation and USAID/Egypt.

In reference to the Fund Accountability Statement Report, RONCO will:

1. Do monthly bank reconciliations at the RONCO/Cairo Office;
2. Do Funds Statement reconciliation by RONCO's Corporate Office of funds transferred to the RONCO/Cairo office; and
3. Credit the questioned costs of \$625 in a future RONCO Voucher to USAID.

Please contact me should there may matters to discuss in reference to the above before issuing your report to USAID.

Sincerely,



Harvey Schartup  
Chief of Party  
RONCO Consulting Corp.  
ATUT/USAID Project

APPENDIX II  
AUDITOR'S COMMENTS

**AUDITOR'S COMMENTS**

Page 1 of 1

**Fund Accountability Statement-Questioned Costs**

**Finding No. 1**

Based on management response provided to us, this amount will be subsequently refunded to the USAID. Therefore, this questioned cost is included in our final report.

**Finding No. 2**

Based on management response provided to us, this amount will be subsequently refunded to the USAID. Therefore, this questioned cost is included in our final report.

**Finding No. 3**

Based on management response provided to us, this amount will be subsequently refunded to the USAID. Therefore, this questioned cost is included in our final report.

**Finding No. 4**

Based on management response provided to us, this amount will be subsequently refunded to the USAID. Therefore, this questioned cost is included in our final report.

**Internal Controls**

Based on documents and clarifications provided to us by Ronco's management, bank reconciliations are prepared on monthly basis subsequent to the completion of our audit field work. However, for the period covered by our audit, the cash balance per books could not be reconciled to the cash balance per bank statements. Therefore, this finding is included in our final report.



## UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

01 OCT 2000

CAIRO, EGYPT

MEMORANDUM

TO: RIG/Cairo, Darryl T. Burris

FROM: FM/FA, Division Chief, Mark Hunter *MH*

SUBJECT: Financial Audit of Ronco Consulting Corporation's Local Expenditures Incurred Under Contract No. 263-C-00-96-00053. Draft Audit Report dated August 9, 2000

Following is the Mission response to Recommendation Nos 1 and 2 under the subject audit.

Recommendation No. 1:

We recommend that USAID/Egypt make a management decision on the questioned costs of \$625 (all ineligible) detailed on pages 11 through 13 of the KPMG Hazem Hassan audit report, and recover from the Ronco Consulting Corporation the amount determined to be unallowable.

Mission Response:

Attached is a copy of the Procurement Office's response dated October 1, 2000 (Attachment 1), determining that the entire questioned ineligible amount of \$625 is sustained. Ronco Consulting Corporation deducted the sustained amount from their August 2000 Voucher, Log No. 0-8171, dated September 18, 2000. Deduction was observed under different budget categories. Accordingly, Mission requests closure of Recommendation No. 1.

Recommendation No. 2:

We recommend that USAID/Egypt obtain evidence that Ronco Consulting Corporation in Egypt has addressed the internal control weakness issue (lack of bank reconciliation) and recommendations made by KPMG Hazem Hassan on page 16 of the audit report.

Mission Response:

Based on the Procurement Office's response dated October 1, 2000, it is considered that a management decision has been made. Accordingly, Mission requests resolution of Recommendation No. 2.

Thank you for your cooperation.

Att: a/s

cc: D/DIR, A. Aarnes  
AD/EG, R. Mahoney  
OD/SCS, D. McCloud  
Controller, M. Tanamly  
OD/LEG, P. Weisenfeld  
OD/PROC, G. Kinney  
PROC, C. Fulgham  
EG/ED, A. Osman



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

MEMORANDUM

01 OCT 2000

TO: FM/FA, Mark Hunter

FROM: PROC, Celeste Fulgham *Cef*

SUBJECT: Financial Audit of Ronco Consulting Corporation's Local Expenditures Incurred Under Contract No. 263-C-00-96-00053. Draft Audit Report dated August 9, 2000

Following is the Mission response to Recommendation Nos 1 and 2 under the subject audit.

Recommendation No. 1:

We recommend that USAID/Egypt make a management decision on the questioned costs of \$625 (all ineligible) detailed on pages 11 through 13 of the KPMG Hazem Hassan audit report, and recover from the Ronco Consulting Corporation the amount determined to be unallowable.

Mission Response:

Mission has determined that the entire questioned ineligible amount of \$625 is sustained. Ronco Consulting Corporation deducted the sustained amount from their August 2000 Voucher, Log No. 0-8171, dated September 18, 2000, (Attachment A). Deduction was observed under different budget categories. Accordingly, Mission requests closure of Recommendation No. 1.

Recommendation No. 2:

We recommend that USAID/Egypt obtain evidence that Ronco Consulting Corporation in Egypt has addressed the internal control weakness issue (lack of bank reconciliation) and recommendations made by KPMG Hazem Hassan on page 16 of the audit report.

Mission Response:

In its response to the audit report, Ronco Consulting Corporation stated that monthly bank reconciliation will be done at the their Cairo's office. In addition, their Financial and Administrative advisor issued a memo dated June 7, 2000 to the Administrative assistant/Accounting, stating that bank reconciliation is a planned monthly activity, and that a standard reconciliation statement for the dollar and the LE account will be prepared no

later than the fifteenth of the month for the previous month's bank statements. (Attachment B).

Further, Mission obtained a copy of the reconciliation, bank statements, and cash accounts ledgers for the month of June 2000, (Attachment C). The bank reconciliation provided evidence that Ronco Consulting Corporation has properly and adequately performed June's bank reconciliation. Ronco Consulting Corporation is currently in the process of preparing bank reconciliations for the months of July and August 2000. In addition, the auditors attested in the audit report, that based on the documents and clarifications provided to them by the management of Ronco Consulting Corporation, bank reconciliations are being prepared on a monthly basis subsequent to the completion of their fieldwork.

Also, in its response to the audit report, Ronco Consulting Corporation stated that its corporate office will prepare a fund statement reconciliation of funds transferred to the Cairo office. An E-mail dated September 26, 2000 was sent from the Financial and administrative advisor for Ronco/Egypt to Ronco's Headquarters requesting submission of the funds statement reconciliation, (Attachment D).

**In view of the above, Mission requests resolution of Recommendation No. 2 under the subject audit.**

Closure of Recommendation No. 2 will be requested from M/MPI/MIC upon Ronco's submission of evidence that the corporate office fund statement reconciliations are being prepared.

Thank you for your cooperation.

Att: a/s

cc: D/DIR, A. Aarnes  
OD/SCS, D. McCloud  
Controller, M. Tanamly  
OD/LEG, P. Weisenfeld  
AD/EG, R. Mahoney  
EG/ED, A. Osman