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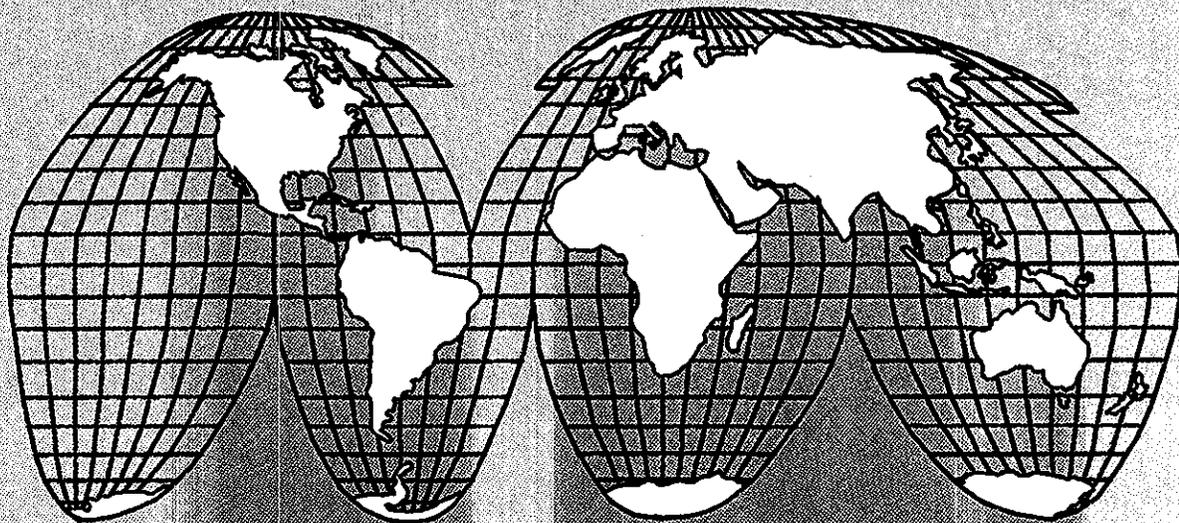
USAID

OFFICE OF INSPECTOR GENERAL

**Financial Audit of the Ministry of International
Cooperation, Expenditures Incurred under Project
Implementation Letters No. 2 and 7, under
USAID/Egypt's Technical Support for Sector Policy
Reform Project (Project No. 263-0233)**

Audit Report No. 6-263-02-001-N

November 5, 2001



U.S. Agency for International Development
Cairo, Egypt



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

CAIRO, EGYPT

Report No. 6-263-02-001-N
November 5, 2001

MEMORANDUM

TO: USAID/Egypt Director, Willard J. Pearson, Jr.

FROM: Acting RIG/Cairo, David H. Pritchard 

SUBJECT: Financial Audit of the Ministry of International Cooperation, Expenditures Incurred under Project Implementation Letters No. 2 and 7, under USAID/Egypt's Technical Support for Sector Policy Reform Project (Project No. 263-0233)

Attached please find the subject audit report performed by the firm of PricewaterhouseCoopers, covering expenditures of \$672,031 (equivalent to LE2,311,777), during the period July 1, 1999 through September 30, 2000.

The Regional Inspector General, Cairo (RIG/Cairo) reviewed the subject audit report to determine if the audit report met the reporting requirements of USAID Office of Inspector General's Guidelines for Financial Audits (*Guidelines*). We did not perform a quality control review of the audit working papers.

The report generally meets the reporting requirements of the Guidelines and does not contain any recommendations for your action.

Attachment: a/s

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**MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM
PROJECT
PROJECT NO. 263-0233**

**PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO. 2 (SPRU) & (‘PIL’) NO. 7(MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION**

FOR THE PERIOD JULY 1, 1999 THROUGH SEPTEMBER 30, 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.”

MINISTRY OF INTERNATIONAL COOPERATION

**TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233**

**PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO. 2 (SPRU) & (‘PIL’) NO. 7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION**

**FOR THE PERIOD
JULY 1, 1999 THROUGH SEPTEMBER 30, 2000**

TABLE OF CONTENTS

<u>INTRODUCTION</u>	<u>PAGE</u>
Background	1
Audit Objectives and Scope	2
Results of Audit	3
Follow up on Prior Audit Recommendations	3
Management’s Comments	4
Independent Accountants’ Response	4
Mission Response	4
 <u>FUND ACCOUNTABILITY STATEMENT</u>	
Report of Independent Accountants	5
Fund Accountability Statements and Notes	7
 <u>INTERNAL CONTROL STRUCTURE</u>	
Report of Independent Accountants	11
 <u>COMPLIANCE WITH AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS</u>	
Report of Independent Accountants	13
 <u>APPENDICES</u>	
Appendix A: Management’s Comments	
Appendix B: Independent Accountants’ Response	
Appendix C: Mission Response	

April 16, 2001

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

Dear Mr. Burris:

This report presents the result of our financial related audit of project revenue received and costs incurred by Ministry of International Cooperation (MIC). The audit population includes revenues received and costs incurred by MIC under Project Implementation Letters ("PIL") No. 2 (SPRU) and ("PIL") No. 7 (MEDA) of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Grant Agreement No. 263-0233 ("Grant Agreement" or "Project") for the period July 1, 1999 through September 30, 2000 (the "audit period").

BACKGROUND

The Grant Agreement between the Arab Republic of Egypt and the United States of America for the Technical Support for Sector Policy No. 263-0233. (The "Project"). Was signed on August 24, 1992 and remains in effect until September 30, 2000. The purpose of the project is to establish a monitoring unit in MIC to monitor performance of the Sector Policy Reform Program and assess the impact of policy reforms and also to establish a separate component for macroeconomic and analysis.

PIL No. 2 was signed between MIC and USAID/Egypt on August 1, 1994; the PIL remains in effect until September 30, 2000. The purpose of the PIL is to provide guidance regarding the establishment of the monitoring unit MIC and the assessment of the impact of policy reforms implemented under the project. The unit is called the Sector Policy Reform Unit (SPRU).

PIL No. 7 was signed between the MIC and USAID/Egypt on July 22, 1996; the PIL remains in effect until September 30, 2000. The Purpose of the PIL is to establish an independent Macro-Economic and Debt Analysis (MEDA) Unit to support MIC in its efforts to reform the Egyptian economy. As part of the support the unit examines issues associated with debt management and both domestic and international financial and economic conditions to determine if Egypt can support additional foreign debt from the World Bank and other lenders whom typically require policy reform before granting loans.

AUDIT OBJECTIVES AND SCOPE

The objective of this engagement was to perform a financial-related audit of project revenues received and costs incurred by MIC under the Grant Agreement for the PILs during the audit period. Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statement for the USAID/Egypt financed project presents fairly, in all material respects, project revenues received, costs incurred, and commodities and technical assistance directly procured by USAID during the period under audit in conformity with the terms of the PILs, and generally accepted accounting principles, or other comprehensive basis of accounting, including the cash receipts and disbursements basis;
2. Determine if the costs reported as incurred under PILs Nos. PIL No. 2 (SPRU) and PIL No. 7 (MEDA) are allowable, allocable, and reasonable in accordance with the terms of the Grant Agreement;
3. Evaluate and obtain a sufficient understanding of the internal control structure of MIC as it relates to the PILs, assess control risk, and identify reportable conditions, including material internal control structure weaknesses;
4. Perform tests to determine whether MIC complied, in all material respects, with the terms of the Grant Agreement and with applicable laws and regulations related to the USAID funded PILs; and
5. Determine if MIC has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in March 2000. These procedures consisted of discussions with personnel from the office of the Regional Inspector General for Audit in Cairo and MIC management. Audit fieldwork was completed in April 10, 2001.

The audit population includes revenues received and costs incurred by MIC under Project Implementation Letters ("PILs") Nos. PIL No. 2 (SPRU) and PIL No. 7 (MEDA) of the USAID/Egypt funded Grant Agreement No. 263-0233 for the period July 1, 1999 through September 30, 2000.

We tested one hundred percent of the revenues and the following percentages of project costs. Amounts are expressed in Egyptian Pounds.

Item	PIL NO. 2 (SPRU)	PIL NO. 7 (MEDA)	TOTAL
Project Costs	LE 760,955	LE 1,550,822	LE 2,311,777
	US\$ 221,208	US\$ 450,823	US\$ 672,031
Cost Tested	LE 499,287	LE 799,635	LE 1,298,922
	US\$ 145,142	US\$ 232,452	US\$ 377,594
Percent of Total Cost Tested	% 66	% 52	% 56
Receipts From USAID	LE 766,176	LE 1,652,060	LE 2,418,236
	US\$ 222,726	US\$ 480,250	US\$ 702,976

The mentioned PILs are funded 100% from USAID; no cost sharing contribution was required.

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

1. Reconciling project accounting records to billings and reports issued by MIC to USAID/Egypt to ensure that project costs were supported with appropriate books and records;
2. Comparing project costs billed and reported to USAID/Egypt to the approved budget according to the Grant Agreement and PILs;
3. Testing of project costs incurred by the MIC for allowable, allocable, reasonableness and appropriate support; and
4. Determining that procurement was made using sound commercial practices including competition, reasonable prices were obtained, and there were adequate controls on qualities and quantities received.

As part of our examination of MIC, we assessed internal controls, as they relate to PILs Nos. PIL No. 2 (SPRU) and PIL.7 (MEDA), in order to determine our auditing procedures. We also reviewed MIC's compliance with applicable laws, regulations, contracts and grants as they relate to the PILs under the Grant Agreement.

RESULTS OF AUDIT

Fund Accountability Statement

Our Audit procedures identified \$92 or LE 315 of questioned Project costs. These amounts are comprised of ineligible costs of \$92 for PIL No. 2, SPRU, related to the payments of sales taxes.

MIC management issued a check to the USAID with an amount of LE 315 for the total question costs, the check no is 2179759 dated May 20, 2001.

Internal Control Structure

We noted no matters involving the internal control structure and its operation that we consider being material weaknesses. However, we did identify other non-reportable conditions, which we have communicated to the MIC management in a separate letter dated April 16, 2001.

Compliance with Agreement Terms and Applicable Laws and Regulations

The results of our test disclosed no instance of material noncompliance that is required to be reported herein under *U.S. Government Auditing Standards*.

FOLLOW UP ON PRIOR AUDIT RECOMMENDATIONS

One of the audit objectives was to perform a follow up on prior audit recommendation. We reviewed the prior audit report of MIC. Our review revealed the following:

-Fund Accountability Statement

The prior audit report did not identify question costs.

- Internal Control

- The prior audit report identified no material instance of internal controls.

- Compliance with Agreement Terms and Applicable Laws and Regulations

- The prior audit report identified no material instance of noncompliance.

MANAGEMENT'S COMMENTS

Management's comments have been obtained and are included in Appendix A to this report.

INDEPENDENT ACCOUNTANTS' RESPONSE

Independent accountants' response have been included in Appendix B to the report

MISSION RESPONSE

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

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

PriceWaterhouseCoopers

April 16, 2001

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

**REPORT OF INDEPENDENT ACCOUNTANTS
ON THE FUND ACCOUNTABILITY STATEMENT**

We have audited the accompanying fund accountability statements of the Ministry of International Cooperation Monitoring Unit (MIC) relating to the funds received and costs incurred for the period July 1, 1999 through September 30, 2000 (the audit period) under United States Agency for International Development Grant Agreement No. 263-0233. Project Implementation Letter No. 2 (SPRU) and No. 7 (MEDA). These funds accountability statements are the responsibility of the management of MIC. Our responsibility is to express an opinion on these funds accountability statement based on our audit.

Except as discussed in the following paragraph, we conducted our audit of the fund accountability statement in accordance with *U.S. 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 financial 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 *U.S. Government Auditing Standards*, since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the *U.S. Government Auditing Standards* is not material because we participate in the PricewaterhouseCoopers worldwide internal quality control program. This program, requires the PricewaterhouseCoopers Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices and firms.

As described in Note 2, the fund accountability statement has been prepared on the basis of cash receipts and disbursements. Consequently, revenues are recognized when received and expenditures are recognized when paid rather than when the obligations are incurred. Accordingly, the fund accountability statement is not intended to present results in accordance with accounting principles generally accepted in the United States of America.

The results of our tests disclosed \$ 92 or LE 315 in questioned costs as detailed in the fund accountability statement. These amounts are comprised of ineligible costs for PIL No. 2 (SPRU). Neither ineligible costs for PIL NO. 7 (MEDA) or unsupported costs for both PILs under the audit were identified. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program related or are prohibited by PILs Nos. 2 and 7, the Grant Agreement, or applicable laws and regulations. Unsupported project costs are those lacking adequate documentation.

In our opinion, except for the effects of the questioned costs discussed in the preceding paragraph, the fund accountability statement referred to above presents fairly, in all material respects, program revenues and costs incurred and reimbursed under PILs Nos. 2 (SPRU) and 7 (MEDA) of the Grant Agreement during the audit period, in accordance with the terms of the agreements and inconformity with the basis of the accounting described in Note 2.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
April 16, 2001

MINISTRY OF INTERNATIONAL COOPERATION
 TECHNICAL SUPPORT FOR SECTOR POLICY REFORM
 PROJECT NO.263-0233 PIL NO.2 (SPRU) & PIL NO.7 (MEDA)
 FOR THE AUDIT PERIOD JULY 1,1999 THROUGH Sept. 30,2000
FUND ACCOUNTABILITY STATEMENT

EXPRESSED IN U.S. DOLLARS (US\$)

	CUMULATIVE BUDGET (NOTE 1)	ACTUAL EXPENDITURES (NOTE 1)	QUESTIONED COSTS INELIGIBLE (NOTE 5)	UNSUPPORTED (NOTE 5)
OPENING FUND BALANCE (Note 4)		(72,078)		
REVENUES (Note 1):				
PIL NO.2 (SPRU)		222,726		
PIL NO.7 (MEDA)		480,250		
<u>Total Revenues</u>		<u>702,976</u>		
EXPENDITURES:				
<u>PIL NO.2 (SPRU)</u>				
Salaries	888,516	158,137		
Maintenance	19,022	1,492		
Stationary	31,856	5,590		
Consultant	22,093	131		
Ext. Auditor	31,977	0		
Travel Inside	13,108	635		
Training	34,884	8,778		
Data Collection	19,767	4,217		
Office Space	47,093	23,960		
Cont./Misc	16,187	0		
Telephone lines	10,465	3,913	92	
Vehicle Maintenance	23,256	7,606		
Medical Insurance	8,721	0		
Furniture	13,081	6,749		
Copier	5,814	0		
<u>Total PIL NO.2 (SPRU) Expenditures</u>	<u>1,185,840</u>	<u>221,208</u>	<u>92</u>	
<u>PIL NO.7 (MEDA)</u>				
Salaries	1,348,489	274,634		
Maintenance	19,811	7,115		
Stationary	46,808	13,636		
Consultant	23,256	0		
Ext. Auditor	29,070	0		
Travel Inside	11,483	2,966		
Training	20,349	6,897		
Data Collection	27,907	6,288		
Office Space	235,203	64,815		
Telephone line	16,860	4,012		
Cont/Misc	32,267	3,593		
Medical Insurance	9,157	4,797		
Severance Pay	65,265	62,070		
<u>Total PIL NO.7 (MEDA) Expenditures</u>	<u>1,885,925</u>	<u>450,823</u>	<u>0</u>	
<u>TOTAL EXPENDITURES</u>	<u>3,071,765</u>	<u>672,031</u>	<u>92</u>	
FUND BALANCE (Note 4)		(41,133)		

MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233
PROJECT IMPLEMENTATION LETTERS
PIL NO. 2 (SPRU) & PIL NO. 7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

NOTES TO THE FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD
JULY 1, 1999 THROUGH SEPTEMBER 30, 2000

NOTE 1 - SCOPE OF STATEMENT:

The fund accountability statement includes project revenues received and costs incurred by MIC under Project Implementation Letters PIL No. 2 (SPRU) and PIL No. 7 (MEDA) of the USAID/Egypt funded Grant Agreement No. 263-0233 ("Grant Agreement" or "Project") for the period July 1, 1999 through September 30, 2000 (the "audit period").

The "Approved Budget" column includes the USAID/Egypt approved project budget in accordance with the most recent budget amendments of the PILs within the audit period, and is presented for informational purposes only.

The "Actual Expenditures" column represents project revenues received and costs incurred by MIC during the audit period.

The "Revenues" includes reimbursements of expenditures received during the audit period.

NOTE 2 - BASIS OF PRESENTATION

The fund accountability statement has been prepared on the cash disbursement method of accounting. Consequently, project revenues are recognized when received rather than when earned and project costs are recognized when paid rather than when the obligation arises.

NOTE 3 - FOREIGN EXCHANGE:

Actual and budgeted Project revenues and costs incurred in LE have been converted to US dollars at an exchange rate of LE 3.44 to one US Dollar. The exchange rate has been calculated by averaging the ending monthly exchange rates, obtained from the Central Bank of Egypt, during the audit period.

NOTE 4 - FUND BALANCE

The fund accountability statement of MIC includes the adjusted opening fund balance as of July 1, 1999, due to using the average exchange rate calculated for the audit period. The opening fund balance has been adjusted accordingly:

	<u>LE expressed in US \$</u>
Unadjusted Opening Fund Balance	\$ (72,926)
(As obtained from last year's audit report)	
Difference due to average exchange rate	848
Adjusted Opening Fund Balance (July 1, 1997)	<u>\$ (72,078)</u>

The "Ending Fund Balance" represent project revenues received and opening fund balance less costs incurred during the audit period.

The fund balance at September 30, 2000 consists of the:

Bank Balance @ 9/30/2000:

1. PIL 2 (SPRU)	LE 182,649
2. PIL 7 (MEDA)	LE 175,862
Total (A)	<u>LE 358,511</u>
(-) Line of Credit at NIB	LE (500,000)
Ending Fund Balance	<u>LE (141,489)</u>

NOTE 5 – QUESTIONED COSTS:

Questioned project costs are presented, separately, by respective PIL number, in two categories; ineligible and unsupported. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not project related or are prohibited by the PILs, Grant Agreement, or applicable laws and regulations. Questioned project costs identified as ineligible are detailed as follows:

Entry #	Date	Amount LE	Amount in US\$
JV1/2	1/13/00	53	
JV 6/3	6/25/00	65	
JV 9/6	9/25/00	125	
-	1/10/00	72	
Total		315	92

After our draft report, MIC management issued a check to the USAID with an amount of LE 315 for the total questioned costs, the check no is 2179759 dated May 20, 2001.

NOTE 6 – ACCUMULATED ACTUAL AND BUDGETED EXPENDITURES:

Total cumulative budget approved by USAID/Egypt according to the last amendment of PILs Nos. 2 and 7 is presented here for comparison purposes only with cumulative expenditures through September 30, 2000.

The details are as follows:

PIL No. 2 (SPRU)

Budget Line Item	Cumulative Budget LE	Total Expenditures as of 9/30/2000 LE
Salaries	3,056,496	1,582,774
Maintenance General	65,434	25,608
Stationery & Printing	109,584	60,257
Consultants	76,000	14,250
External Auditor	110,000	10,000
Travel-in country	45,091	15,526
Data Collection	68,000	18,312
Cont. / Misc.	55,683	12,107
Telephone Lines	36,000	23,167
Vehicle Maintenance	80,000	58,208
Training	120,000	40,244
Medical Insurance	30,000	0
Office Space	162,000	118,512
Furniture	45,000	23,216
Copier	20,000	0
Total	4,079,288	2,002,181

PIL No. 7 (MEDA)

Budget Line Item	Cumulative Budget LE	Total Expenditures as of 9/30/2000 LE
Salaries	4,638,803	2,582,737
Maintenance	68,150	60,189
Stationary	161,020	144,393
Consultant	80,000	0
Ext. Auditor	100,000	0
Travel Inside	39,500	26,541
Training	70,000	44,518
Data Collection	96,000	65,340
Office Space	809,100	787,360
Telephone Line	58,000	13,800
Cont. / Misc.	111,000	34,032
Medical Insurance	31,500	31,500
Cum. Compensation	224,510	213,520
Total	6,487,583	4,003,930

April 16, 2001

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

**REPORT OF INDEPENDENT ACCOUNTANTS
ON INTERNAL CONTROL STRUCTURE**

We have audited the accompanying fund accountability statements of the Ministry of International Cooperation Monitoring Unit (MIC) relating to the funds received and costs incurred for the period July 1, 1999 through September 30, 2000 (the audit period) under United States Agency for International Development Grant Agreement No. 263-0233. Project Implementation Letter No. 2 (SPRU) and No. 7 (MEDA). We have issued our report thereon dated April 16, 2001.

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 statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 31 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 PricewaterhouseCoopers worldwide internal quality control program. This program requires the PricewaterhouseCoopers Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices.

The management of MIC 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 the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and in accordance with the terms of the agreements; and transactions are recorded properly to permit the preparation of the fund accountability statement in accordance with the basis of accounting described in Note 2 of the report on the fund accountability statement. Because of 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 statement of MIC for the audit period, we obtained an understanding of the internal control structure as it relates to the PILs under audit. 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 statement 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 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.

However, we noted certain matters involving the internal control structure and its operation that we have reported to the management of MIC in a separate letter dated April 16, 2001.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
April 16, 2001

April 16, 2001

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

**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH AGREEMENT TERMS
AND APPLICABLE LAWS AND REGULATIONS**

We have audited the accompanying fund accountability statements of the Ministry of International Cooperation Monitoring Unit (MIC) relating to the funds received and costs incurred for the period July 1, 1999 through September 30, 2000 (the audit period) under United States Agency for International Development Grant Agreement No. 263-0233. Project Implementation Letter No. 2 (SPRU) and No. 7 (MEDA). We have issued our report thereon dated April 16, 2001.

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 statement is free of material misstatement.

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 31 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 PricewaterhouseCoopers worldwide internal quality control program. This program requires the PricewaterhouseCoopers Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other PricewaterhouseCoopers offices.

Compliance with Grant Agreement and PILs terms and laws and regulations applicable to MIC is the responsibility of MIC management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of MIC's compliance with certain provisions of laws, regulations, contracts and Grant Agreement terms. 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 instances of noncompliance that are required to be reported herein under *U.S. Government Auditing Standards*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers
April 16, 2001

MINISTRY OF INTERNATIONAL COOPERATION

TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO. 2 (SPRU) & (‘PIL’) NO. 7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0235

MANAGEMENT COMMENTS

Ministry of International Cooperation

Macroeconomic & Debt Analysis Unit - MEDA

Ms. Exa Snow
Director
PricewaterhouseCoopers L.L.C
22 El Nasr Street
New Maadi, 11431
Cairo, Egypt

May 20, 2001

Dear Ms. Snow

Thank you for your cooperation and services provided to the MEDA and SPRU. This is to notify you by our concurrence regarding your draft audit report for project revenue received and costs incurred by the Ministry of International Cooperation under Project Implementation Letters (PIL) No.2 (SPRU) and (PIL) No.7 (MEDA) of the United States Agency for International Development Mission to Egypt (USAID/Cairo), funded Grant Agreement no. 263-0233 (Grant Agreement or Project) for the period July 1, 1999 through September 30, 2000..

Please find enclosed copy of the personal cheque no. 2179759 in the name of USAID/Cairo to cover the ineligible costs of L.E. 315 for PIL No.2 and an acknowledgment receipt from the USAID.

Thus, you can finalize your report as long as the minor discrepancies will not affect the final report and send it to the USAID.

We appreciate your courtesy and look for further cooperation in the future.

Best regards

Sincerely yours.



Dr. Lottallah Salah
Executive Director of SPRU



Dr. Abdallah Marzban
First Under Secretary
Dep. of Economic Cooperation
with USA and
MEDA Unit's Supervisor

11, Gamal El Din Abu El Marassen St., Garden City - Cairo, Egypt
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MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO. 2 (SPRU) & (‘PIL’) NO. 7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

MANAGEMENT COMMENTS

Ministry of International Cooperation

Macroeconomic & Debt Analysis Unit - MEDA

The Cashier
USAID
Cairo

May 20, 2001

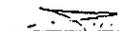
Dear Sir

Please find enclosed the original personal cheque no 2179759 in the name of USAID/Cairo to cover the amount of L.E. 315 for PIL No 2 (SPRU) for the period July 1, 1999 through September 30, 2000.

Please acknowledge receiving the above-mentioned cheque.

Thank you in advance for your cooperation.

Best regards


Fouad Marzouk
Financial Manager
MEDA & SPRU

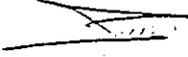
*Received
Cheque # 2179759
Dated 5/19/01
Total 421
7/2/01*

MINISTRY OF INTERNATIONAL COOPERATION

TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO. 2 (SPRU) & (‘PIL’) NO. 7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

MANAGEMENT COMMENTS

	البنك المصري التجاري EGYPTIAN COMMERCIAL BANK	2179759	خالص القيمة	Date 20/05/2001
Catro Branch	فرع القاهرة			
Pay to	USAID / Cairo			Or order
The sum of	LE Three hundred and Fifteen only			
0000-19421		LE	315/=	Amount
السيد / فؤاد احمد عبدالله مرزوق		CCY		
* 2179759 * 10018000051 000019421 *				

MINISTRY OF INTERNATIONAL COOPERATION

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INDEPENDENT ACCOUNTANTS’ RESPONSE

Management of the Ministry of International Cooperation (MIC), provided comments to our draft reports on the audit of the (PILs’) Nos. 2 SPRU, and 7 MEDA. These comments have been included, unedited, in appendix A of this report. We have reviewed these comments and our response below parallels the audit report findings and management’s comments.

RESPONSES TO MIC MANAGEMENT COMMENTS TO QUESTIONED COSTS
AS DETAILED IN NOTE NO. 5

MIC management issued a check to the USAID with an amount of LE 315 for the total questioned costs, the check no is 2179759 dated May 20, 2001 and was received by USAID on May 20, 2001.

MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM PROJECT
PROJECT NO. 263-0233

PROJECT IMPLEMENTATION LETTERS
(‘PIL’) NO. 2 (SPRU) & (‘PIL’) NO. 7 (MEDA)
UNDER THE USAID/ EGYPT FUNDED
GRANT AGREEMENT NO. 263-0233

MISSION RESPONSE

USAID/EGYPT had no comments on the audit report.

MINISTRY OF INTERNATIONAL COOPERATION
TECHNICAL SUPPORT FOR SECTOR POLICY REFORM
PROJECT NO.263-0233 PIL NO.2 (SPRU) & PIL NO.7 (MEDA)
FOR THE AUDIT PERIOD JULY 1,1999 THROUGH Sept. 30,2000
FUND ACCOUNTABILITY STATEMENT
EXPRESSED IN EGYPTIAN POUND (L.E.)

	CUMULATIVE	ACTUAL	QUESTIONED COSTS	
	BUDGET (NOTE 1)	EXPENDITURES (NOTE 1)	INELIGIBLE (NOTE 5)	UNSUPPORTED (NOTE 5)
OPENING FUND BALANCE (Note 4)		(247,948)		
REVENUES (Note 1):				
PIL NO.2 (SPRU)		766,176		
PIL NO.7 (MEDA)		1,652,060		
Total Revenues		2,418,236		
EXPENDITURES:				
<u>PIL NO.2 (SPRU)</u>				
Salaries	3,056,496	543,990		
Maintenance	65,434	5,131		
Stationary	109,584	19,231		
Consultant	76,000	450		
Ext. Auditor	110,000	0		
Travel Inside	45,091	2,185		
Training	120,000	30,196		
Data Collection	68,000	14,507		
Office Space	162,000	82,424		
Cont./Misc	55,683	0		
Telephone lines	36,000	13,461	315	
Vehicle Maintenance	80,000	26,165		
Medical Insurance	30,000	0		
Furniture	45,000	23,215		
Copier	20,000	0		
Total PIL NO.2 (SPRU) Expenditures	4,079,288	760,955	315	
<u>PIL NO.7 (MEDA)</u>				
Salaries	4,638,803	944,740		
Maintenance	68,150	24,474		
Stationary	161,020	46,909		
Consultant	80,000	0		
Ext. Auditor	100,000	0		
Travel Inside	39,500	10,203		
Training	70,000	23,724		
Data Collection	96,000	21,629		
Office Space	809,100	222,963		
Telephone line	58,000	13,800		
Cont/Misc	111,000	12,360		
Medical Insurance	31,500	16,500		
Severance Pay	224,510	213,520		
Total PIL NO.7 (MEDA) Expenditures	6,487,583	1,550,822	0	
TOTAL EXPENDITURES	10,566,871	2,311,777	315	
FUND BALANCE (Note 4)		(141,489)		