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**A BREAKDOWN OF MANAGEMENT CONTROLS
BY A HOST COUNTRY CONTRACTOR
FOR THE AID-FINANCED
AGRICULTURAL DEVELOPMENT SYSTEMS PROJECT
IN EGYPT
PROJECT NO. 263-0041
Audit Report No.6-263-83-8
August 29, 1983**

\$14 million of AID resources were committed to a host country contract between Egypt's Ministry of Agriculture (MOA) and the Regents of the University of California. Prior to this audit, a number of AID and GOE reviews concluded that the contractor's performance was not adequate.

This report demonstrates the lack of contractor management controls in Egypt over the use of the \$5.4 million of dollar and local currency payments. During the course of the audit, we questioned over \$700 thousand of dollar and local currency payments. In addition, \$467 thousand representing AID local currency advances could not be accounted for at March 31, 1983. By report issuance the contractor had returned local currencies equivalent to \$59 thousand representing refunds, void checks and miscellaneous revenue due AID.

The lack of appropriate contractor supervision over the work of personnel was the major cause for an overall breakdown of management control.

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EXECUTIVE SUMMARY

Introduction

In 1974 the Agency for International Development (AID) and the Government of Egypt (GOE) began discussions regarding agricultural assistance by U.S. universities for Egypt's Ministry of Agriculture (MOA). While general discussions between AID and the GOE were taking place, the U.S. Congress in December 1975 enacted into law Title XII of the Foreign Assistance Act of 1961, as amended. Title XII encourages the participation of U.S. land-grant and other eligible universities in the long-term development efforts of less developed countries. Such participation includes both planning and implementation of projects in agriculture.

After visiting several U.S. institutions during the spring of 1976, Egypt's Minister of Agriculture invited the University of California (UC) to Egypt to discuss ways of working together. Subsequent dialogue, feasibility studies and reviews headed principally by UC resulted in the Agricultural Development Systems (ADS) project.

The ADS project is not Title XII funded. However, it is intended to provide a mechanism whereby collaborating institutions are to be engaged in problem identification, program and subproject design, and implementation. The project is, therefore, in keeping with Title XII policy wherein AID has been encouraged to use U.S. universities in the total development process. According to Policy Determination 4 signed by the AID Administrator on October 5, 1982, AID activities meeting the above criteria are considered to be Title XII regardless of funding source.

On June 10, 1977, the Director of the United States Agency for International Development/Egypt (USAID/Egypt) signed project paper number 263-0041 that earmarked \$11 million of Security Supporting Assistance and local currency (LE) valued at the dollar equivalent of \$3.6 million for the ADS project. AID funds were obligated in a project grant agreement signed by Egypt's MOA and the USAID/Egypt Director on September 29, 1977. A host country contract was entered into, between the GOE and UC on January 11, 1979 to carry out project activities.

At March 31, 1983 AID had obligated \$12.9 million and LE 1.5 million. By March 31, 1983 UC had received \$7.8 million and LE 3.6 million. (In addition to the initial LE 1.2 million, other local currency was purchased with dollars.) All of the LE 3.6 million and \$1.1 million was received by the University's Cairo office for activities in Egypt.

Scope of Audit

The audit was made in accordance with prescribed standards for government audits with emphasis on UC management controls in Egypt of the host country contract. The fiscal period covered by audit was January 11, 1979 (contract inception) through December 31, 1982. However, where deemed relevant we reviewed fiscal transactions through March 31, 1983. By request, we tested contractor motorpool transactions for the period February, March and April, 1983. Contractor performance was covered to report issuance with primary reliance on one GAO review and on two AID evaluations of the project. We are requesting an audit of UC dollar costs controlled in Davis, California.

Findings, Conclusions and Recommendations

Contractor performance was marked by trends of inefficiency, non-compliance, unaccountability, and abuse of AID resources. The contractor did not utilize the \$14 million of project monies in an efficient and effective manner, and the GOE did not receive the benefit of services contracted for. We strongly urge AID's Board for International Food and Agricultural Development (BIFAD) to consider the performance of the University of California under this project as a prerequisite to recommendations for Title XII grants.

Examples of waste and abuse set by the UC contracting team filtered down to its Egyptian administrative employees to a degree that, by the time of our audit, there was a breakdown of management controls regarding the administration of funds in Egypt under the contract. The contractor failed to: account for LE 387,968 of AID advances as of March 31, 1983; document the disposition of subadvances in an amount of LE 68,955 at March 31, 1983; and provide adequate support for LE 128,874 (\$155,270) of claimed airfares, or for \$82,338 of per diem.

Also, because the contractor: did not require expense vouchers in Egypt; permitted dependents to travel at project expense; and permitted unauthorized expatriate spouse travel as well as travel for individuals who were not associated with the project, we concluded that LE 47,887 (\$57,695) of claimed airfares and \$23,675 of per diem payments were ineligible for payment by AID.

In addition, the effectiveness of the motorpool operations was hindered by a lack of management oversight. The net results were waste and abuse of AID-financed resources, poor accountability and incomplete documentation. Our audit identified unreasonable repair and maintenance costs, unaccounted for mileage, excessive gasoline consumption and high driver overtime. We questioned all motorpool expenses.

The University was reluctant to assist the MOA-assigned inventory officer to locate and account for the AID-financed project equipment.

On the host country side, the MOA is not ready to assume project responsibility at contract expiration. There were no formalized commitments to retain physical plant and facilities located at Cairo University, and there was no assurance that administrative and backstop personnel would be made available for project continuation. We have recommended that USAID/Egypt ensure that formalized commitments are obtained as a condition precedent to disbursement of the \$2 million ADS project amendment.

Finally, USAID/Egypt and the MOA need to obtain from the contractor data on the participants who were trained under the ADS project. ADS-sponsored participants were not processed in accordance with AID regulations or USAID/Egypt mission procedures. USAID/Egypt and the U.S. Embassy at Cairo need to coordinate to ensure that all AID participants who apply for visas are routinely sent to the USAID/Egypt Office of Education and Training (HRDC/EDU) prior to visa issuance by the U.S. Embassy.

Summary of Management Comments

On August 22, 1983 USAID/Egypt responded to our draft audit report on the ADS project. USAID/Egypt felt that the audit pointed out some weaknesses in the management procedures followed by the contractor in implementing the project, but it did not mention the highly significant technical contributions the project has made to Egypt. USAID/Egypt said: that the increase in tomato production, attributable directly to the project, increased Egyptian farm incomes by an amount greater than the total U.S. contribution to the project; that large amounts of new plant materials have been tested and introduced from the U.S. and other sources, making up for the 20-year void during which no new plants were brought in; and that the new plant materials will have a significant impact on Egyptian farmers' incomes for years to come. USAID/Egypt also said that the draft audit report did not mention the significant progress and growth achieved in the agricultural economics component or the quality, quantity, distribution, and impact of the technical reports and policy workshops reviewed in the 1983 AID evaluation. They further commented that, prior to the project, there was little collaboration in Egypt between the MOA and local university research scientists. USAID/Egypt said that the ADS project has made collaboration possible and practical, and has served to erode barriers that existed in the past. They contend that this is a significant achievement. Moreover, USAID/Egypt felt that the numerous extension publications developed from project research activities and widely distributed throughout the country continue to impact positively on Egyptian agricultural productivity.

However, on December 1, 1982 the USAID/Egypt project officer viewed the Horticultural activities as useful to Egypt, but expressed disappointment in the thrust and quality of research activities conducted in agricultural economics. The project officer pointed out that the contract did not allow for a sharing of responsibility between UC and participating Egyptian scientists and the contractor had an almost dictatorial role. Moreover, the project officer said that administrative costs were high for services rendered, and productivity of some contractor temporary (TDY) personnel was not up to the standard expected or needed. The project officer recommended that USAID/Egypt not support an extension or renewal of the contract.

Notwithstanding, in our view contractor management and performance in Egypt was not acceptable, and these conditions overshadowed project accomplishments.

BACKGROUND

The ADS project was to achieve by September 1983 a goal of increased agricultural productivity and a total contribution to the agricultural sector of Egypt. The activities outlined in the AID project paper included research, training, feasibility studies, institutional development, policy advice and implementation of selected development activities in agriculture. Horticulture development, agricultural economics, and extension were designated for special consideration. A Joint Policy Planning Board (JPPB) initially composed of 10 Egyptians and five Americans was established shortly before contract signing. The scientists and public officials who made up the JPPB were to provide policy guidance, establish priorities and approve major activity categories. Co-Directors (one Egyptian and one American) were to administer the project and their backstopping was to be provided by an Egyptian coordinator in the MOA and a UC coordinator in California. Full-time associate Egyptian and American co-directors were assigned to each of the three major subprojects (horticulture, agricultural economics, and independent activities). Specific activities falling under the subprojects were to be done on a collaborative basis with Egyptian and American scientists heading selected working teams composed mainly of Egyptian researchers, technicians and trainees. It was expected that these collaborative arrangements would produce immediate results in terms of new knowledge and in upgrading the skills of Egyptian scientists.

An incentive scheme was used to attract Egyptian agricultural experts and participants to the ADS project. The ADS incentives ranged from LE 500 for the Egyptian co-director to LE 45 for junior investigators with average monthly payments of LE 125 per individual. In March 1983 the ADS incentive payroll amounted to LE 39,316 for 310 individuals covering 41 activities under the horticulture, agricultural economics and independent activities project components.

The horticulture component consisted primarily of research in vegetable or fruit crops such as tomatoes, cucumbers, olives, garlic, mangoes and citrus. The agricultural economics component included research and paper presentations about food security, food consumption, marketing, rural labor supply and food subsidies. The independent activities component covered such subjects as sheep fertility, bee genetics, and processing and sales of white soft cheese and tomatoes.

By March 31, 1983 the financial status of the ADS project was:

	<u>Dollars</u>	<u>Local Currency</u>
Obligated	\$12,900,000	LE 1,467,000
Disbursed	<u>10,179,000</u>	<u>1,467,000</u>
Balance	\$ 2,721,000	LE -0-
	*****	*****

The contract expires on September 1, 1983 and contract close-out activities are to be completed 90 days thereafter. The exchange rate used in this report is LE 0.83 equals \$1.00.

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

PROJECT OBJECTIVES NOT ACHIEVED

The overall objectives of the ADS project were to create and institutional capability to plan and implement programs in research, training and extension which would contribute to the solution of agricultural problems and further the development of the agriculture sector in Egypt. In support of the project objectives, the contract purpose require UC to establish a collaborative relationship with the GOE through which UC and the MOA were to discuss, identify, agree upon, and implement activities intended to enhance and strengthen the ability of Egyptian institutions to analyze, plan, organize, implement, and evaluate the development of the Egyptian agricultural sector.

UC received, through a host-country contract, all of the AID resources committed by AID in the project grant agreement. Consequently, UC was not only responsible for project implementation, but for management, administration and accounting requirements as well. To sum up, UC was the ADS project.

While the contractor developed collaborative relationships between MOA professionals and academic scientists, it did not attain the primary project objective, that is, the creation of an institutional capability within the MOA. This conclusion is documented in a 1983 AID evaluation. In part, the evaluators believed that the project objective was not achieved because there was no strategy to integrate the project into the existing MOA research center, and no overall strategy to continually upgrade and reinforce research skills and management capacity. Also, the evaluators noted that about one-third of the 500 scientists who participated in the project were unproductive and not needed, and scientific personnel tended to concentrate their research on commodities, that is, tomatoes, garlic and the like.

The contract university and AID never agreed upon the means of achieving project objectives. To illustrate, a January 1981 AID Evaluation noted that the initial USAID expectation was that the project would generate actionable proposals which the USAID could quickly translate into fundable projects for Washington approval. But, the 1981 Evaluation team noted that it was clear that UC was so basically unacquainted with Egypt that it did not know what it could do on the project nor how it could derive any benefit from what it did undertake.

Resultant communications between the contractor and USAID/Egypt deteriorated and the contractor perceived that there was general disinterest by USAID/Egypt concerning the project. USAID/Egypt did not discourage this perception, and its records reflected little communication on substantive issues, or analysis and use of the professional articles and reports generated under the project. As a result, contractor reporting to USAID/Egypt became almost nonexistent, while monitoring by USAID was reduced to reviews of vouchers for payment.

The consequence of ineffective monitoring of contractor activities by USAID/Egypt was damaging. USAID/Egypt knew early on that the contractor was not equipped with personnel familiar with AID and GOE regulations, policies and procedures. USAID/Egypt was also aware that UC was weak in financial administration. For example, the January 1981 evaluation concluded that UC's financial management, especially reporting, had been inadequate in several respects and that it was extremely difficult to reconcile expenditure figures between USAID accounts and those of UC. Nonetheless, under the host country contract USAID/Egypt continued to take a "hands off" stance. Thus, the contractor managed and implemented the project without overall AID guidance, and as discussed in the remainder of this report, contractor performance was inadequate.

Contractor performance not adequate

Contractor performance was marked by trends of inefficiency, noncompliance, unaccountability, and abuse of AID resources under the project. As a result, the contractor did not utilize the \$14 million of project monies in an efficient and effective manner and the GOE did not receive the benefit of services contracted for.

Assessments of contractor performance have consistently pinpointed problems. To illustrate, an AID March 26, 1980 Contractor Performance Evaluation Report (PES) ranked the contractor fourth on a scale of seven (satisfactory). Another AID PES of May 8, 1980 ranked the contractor third on a scale of seven and the USAID project officer wrote that contractor performance was very close to unsatisfactory. The project officer added that the primary reason for close to unsatisfactory performance was some lack of understanding on the part of the contractor as to just what was to be accomplished, and how it was to be undertaken. He also stated that the untimely selection and placement of key personnel understandably delayed productivity and precluded adherence to the work schedule.

A January 1981 AID Evaluation concluded that the project as originally conceived would not and could not be expected to achieve all the purposes and goals for which it was originally established, and that an inappropriate contractor was asked to assist in an unusually broad and perhaps unrealistic task.

On March 16, 1981 a United States General Accounting Office (GAO) Audit Report, No. ID-81-19, noted that AID envisaged that the contractor would generate new ideas for new agricultural projects and the contractor would be the cornerstone of the fledging AID agricultural assistance program in Egypt. But the University of California responded that USAID/Egypt expectations of what the university was prepared to do were unrealistic, unpalatable to the faculty, and were never accepted by the university. Nonetheless, AID permitted the execution of a host country contract despite the fact that AID and the university had not reconciled their views and assumptions concerning the project.

The USAID/Egypt Director approved an amendment to the project paper on November 18, 1981. This amendment narrowed the scope of project activities to more accurately reflect what the contractor was attempting to do. In a memorandum transmitting the project paper amendment, the USAID/Egypt Director wrote:

"...Given the historically inadequate performance of the University of California (UCD), confirmed by the Evaluation which we commissioned earlier this year, we had given serious consideration to the deobligation of the project grant funds. We decided against such a course of action for two reasons. First, the length and complexity of the procedures involved are such as to make this, in practice, a punitive rather than an effective remedial action, which ultimately does harm to the development of the Egyptian institution which we seek to support. Secondly, after a very slow and fumbling start, and in response to our prodding and the goad of the Evaluation Report recommendations, UCD has now mobilized its capabilities for an effective joint effort with the Ministry of Agriculture (MOA) in a range of activities under the sub-projects in Horticulture and Agricultural Economics. These activities, over the approximately two years remaining under the contract, are likely to create a basis for the development of a permanent institutional capacity for on-going support in these areas that are important to Egyptian agricultural growth."

Also, a 1983 AID Evaluator concluded in his draft report that the project had developed a decision making structure, was staffed and appeared to be working, progress had been made in "beginning" substantive work in horticulture (especially tomatoes), agricultural economics and certain other activities, and the most significant institutional accomplishment was the formation of collaborative research teams drawing from MOA, the Egyptian academic faculties and American experts. The draft evaluation report further stated that financial management of the contractor seemed inadequate and the evaluation team found it difficult to reconcile budgets with actual expenditures in order to determine whether costs of specific activities were reasonable and in line with initial estimates.

Finally, over 150 reports were issued under project auspices. USAID/Egypt generally did not review report content or question report relevance. For example, reports entitled Production of Winter Tomatoes in Mainland Spain and Production of Winter Tomatoes in the Canary Islands seemed to have no relevance to the ADS project and remained unchallenged by USAID/Egypt.

Management comments

The USAID/Egypt response to our draft audit report pointed out that sustained improvement in programmatic performance had been achieved and that the technical contribution to Egyptian agricultural development was significant in spite of some weak financial management areas. USAID/Egypt believed that project accomplishments greatly outweighed the financial management weakness discussed in the draft audit report. USAID/Egypt also stated that communications with the contractor improved considerably since early 1982 and this improvement was recognized in the 1983 AID evaluation. Moreover, USAID/Egypt believed that the diverse nature of the research activities in the subprojects caused project activities to be scattered in many directions and that it was the university's contractual responsibility to use its own devices to manage and implement the project. Finally, USAID/Egypt stated that it did not challenge the two studies about winter tomatoes because they were appropriate for Egypt, that is, Egypt is a "potential" major exporter of winter tomatoes to Europe, and you need to have knowledge of the competition.

Conclusions

Our report shows that contractor financial management and performance in Egypt was not acceptable, and in our view, these conditions have overshadowed project accomplishments.

In retrospect, the ADS project did not have a chance to succeed in terms of stated objectives. The contractor was not equipped with personnel familiar with AID and GOE regulations, policies and procedures. Under the host country contract USAID/Egypt took a "hands off" attitude and did not effectively monitor the activities of the contractor or the project. Moreover, AID and the contractor did not reconcile their differing views and assumptions concerning the project. Finally, communications links were poor. As a result, the project activities were scattered in many directions, participating personnel were not controlled, and the contractor used its own devices to manage and implement the project.

If AID is to continue to mobilize U.S. universities for institutional development projects, AID must seek to attract and select the most qualified individuals and university contractors and increase its attention to university performance through effective monitoring. The AID Administrator has addressed this concern through more forceful implementation of Title XII legislation and greater use of the Presidentially-appointed Board for International Food and Agricultural Development (BIFAD). Title XII is a law enacted in December 1975 to improve the participation of U.S. agricultural universities in AID's efforts to apply more effective agricultural sciences to the goal of increasing world food production in developing countries. The primary task of BIFAD is to help AID mobilize and use the faculty and institutional resources of Title XII institutions, and to advise and assist AID to develop and implement activities.

The contractor is listed in the May 15, 1983 BIFAD Report to Congress as a new Title XII grantee in 1982. In view of the findings in this report and the critical reviews of UC performance on the project by GAO and by AID, we believe that care should be taken when considering use of UC resources and personnel for future Title XII projects. Although we do not make a formal recommendation in this report, we strongly urge:

AID's Board for International Food and Agricultural Development (BIFAD) consider the performance of the University of California under the ADS project as a prerequisite to recommendations for Title XII grants.

LACK OF CONTRACTOR FINANCIAL AND ADMINISTRATIVE MANAGEMENT CONTROLS

In order to provide technical assistance, it was necessary for the contractor to field a team of long-term expatriates to come to Egypt and fill U.S. co-directorate positions, establish and administrative staff, manage and account for contract resources used, and implement the project. All AID financing for the project was channelled through the UC contract. Thus UC controlled the purse strings. UC's control was used to circumvent and ignore AID and GOE regulations and policies. In our view, and as pointed out in GAO and AID evaluation reports, the contractor's staff had little experience with developing nations or were otherwise not fully qualified to manage and implement the project. For example:

- One of the first project co-directors was asked in February 1980 to resign due to the slow pace of project implementation. At the time, less than one half million dollars of project monies had been disbursed.
- A business officer was involuntarily removed from his post due to Egyptian dissatisfaction with performance.
- Although the GOE and AID had approved nominations for two candidates for the contract chief-of-party position, the university withdrew them. Another contractor-selected chief-of-party arrived in Egypt one year after the project began and since that time there have been three replacements.

The contractor in Egypt circumvented and ignored AID regulations and policies by permitting participants to bring dependents to the U.S. at project expense, by authorizing private use of project vehicles which contradicted contractor as well as AID policy, and by processing travellers not associated with the ADS project as though they were ADS project personnel.

The contractor's accounting system in Egypt actually consisted of (i) a cash receipts and disbursement register, (ii) a check register, and (iii) a subadvance liquidation register. These registers were not complete and generally contained only two columns to post transactions-in and transactions-out. The lack of accounting journals and a ledger caused considerable difficulty in tracing costs claimed to source documentation, and many posting errors were undetected by UC employees. Also, the accounting registers were not used to strike periodic trial balances.

The examples of waste and abuse set by the UC contracting team filtered down to its Egyptian administrative employees to a degree that by the time of our audit there was a breakdown of management controls regarding the administration of funds in Egypt under the contract. As a result, in the draft audit report we questioned \$304,538 and LE 341,382 of contract costs administered by the contractor in Egypt. Also, the contractor had not accounted for LE 387,968 (\$467,431) of AID advances (see Exhibit A). USAID/Egypt acted promptly on some of our interim findings and had recovered LE 49,125 (\$59,187) by report issuance. However, \$232,318 and LE 295,251 are not yet resolved (see Exhibits C and D), and the contractor has not adequately addressed the unaccounted for AID advance. Subsequent sections of this report address contract management inadequacies.

AID Local Currency Advances Not Accounted For

At March 31, 1983 the contractor could not account for LE 387,968 of outstanding advances. This amount was unaccounted for because the contractor had not reconciled his checkbook balance to monthly bank statements since October 1982, accounting records were not accurate, and outstanding subadvances to team leaders were recorded in error.

USAID/Egypt had paid the contractor LE 3,601,212 from contract inception through March 31, 1983 (see Exhibit A). These payments include reimbursements for expenditures claimed, and advances on a replenishment basis to cover the contractor's operating needs in Egypt.

The project grant agreement and the contract require the university to maintain in Egypt and in the U.S. books, records, documents, and other evidence of accounting procedures and practices sufficient to reflect properly all transactions under or in connection with the contract. During mid-May 1983 we met with USAID management to inform them about the lack of adequate contractor financial records. As a result, the USAID Director refused to process contractor vouchers for payment until UC accounted for AID funds.

The contractor's chief financial officer said that the bank account was frequently overdrawn, and that no one on the contracting team reviewed and approved either fiscal reconciliations or statements of outstanding subadvances. The lack of appropriate supervision over the work of fiscal personnel was, in our view, the major cause for the overall breakdown of management control.

In response to our draft audit report the contractor submitted to USAID/Egypt a reconciliation of advances as of June 30, 1983. The reconciliation contained an unaccounted for difference of LE 4,706. The document was not supported by bank statements, reconciliations of checkbook balances to the bank statements, or details to support cash-on-hand or subadvances to team leaders. Moreover, the reconciliation included unaudited costs and cost claims subsequent to March 31, 1983.

Conclusions and Recommendation

As a first step, the contractor's financial records need to be formally prepared, reviewed, and appropriately certified to account for the audited LE 387,968 (that was outstanding and unaccounted for) as of March 31, 1983. Reconciliations of the contractor's financial records to AID payments as of March 31, 1983 must be made and submitted to USAID/Egypt. Therefore, we are retaining the recommendation.

Recommendation No. 1

USAID/Egypt require the contractor to formally reconcile and account for LE 387,968 of USAID/Egypt advances outstanding as of March 31, 1983. The documents of reconciliation should be certified by the contractor's preparer, reviewer, and chief-of-party. Unaccounted for amounts are to be refunded to USAID/Egypt.

Record of outstanding subadvances in error

The contractor did not maintain an adequate control over subadvances made for AID-financed project activities. Subadvances were made to team leaders who supervised the activities falling under the horticulture, agricultural economics, and independent activities subprojects. In addition, subadvance records included deposit accounts with the Misr Petroleum Company for gasoline coupon purchases, the Xerox Company in Egypt for printing, and the Industrial Gas Company for advance payment of gas consumption.

As recipients liquidated their subadvances (either by expenditure or by the return of unused cash to UC) the liquidation was recorded in a register of outstanding subadvances. Ending balances at month's end were posted as beginning balances for the next month. The contractor's chief financial manager said that team leaders were required to submit expenditure reports or refunds at least once monthly. And, in the event a team leader failed to comply, the subadvance was called in.

On May 15, 1983 we analyzed 51 outstanding subadvance accounts for LE 68,955 recorded in the subadvance register as of March 31, 1983. Fifteen subadvances were outstanding for over 90 days. No expense reports or refunds had been submitted during this period. These "90-day accounts" showed no activity for as far back as August 1982 (see Exhibit B). Moreover, we found numerous mistakes in posting monthly ending and beginning balances. To illustrate, in September 1982 the ending balance for subadvance account number 621145 was posted as LE 42,490. The next month's opening balance was LE 24,075 reflecting an unexplained adjustment of LE 18,415. The error, as well as others, was carried forward from month to month and could not be explained.

The accounting for subadvances was not supervised or reviewed by either the chief financial officer or the contractor's chief-of-party. In sum, the work had been unsupervised.

Conclusions and Recommendation

Subadvances need to be verified as of March 31, 1983. The information contained in Exhibit B represents balances obtained by the chief financial officer during our audit work. Shortly after we completed our audit work, the financial officer issued letters to team leaders that showed the outstanding subadvance balances, and requested that either expense reports or refunds be submitted by early June 1983. This action was intended to call in the outstanding subadvances and close out the subadvance register by contract expiration (September 1, 1983).

In response to our draft audit report the contractor submitted to USAID/Egypt a certification that there were five subadvances in an amount of LE 2,721 that were outstanding as of July 31, 1983. The certification submitted to USAID was not supported with details regarding the liquidation of subadvances since March 31, 1983, that is, whether or not the subadvances were liquidated by the submission of expense reports, cash refunds or by charge off. If the subadvances were liquidated by cash refunds, the amounts are due AID, and if the contractor charged off subadvances the burden of loss is the contractor's and the amounts are also due AID. We have revised and combined our draft recommendations accordingly.

Recommendation No. 2

USAID/Egypt require the contractor to show the disposition of outstanding subadvances from March 31, 1983 to contract expiration. The submission should contain evidence to support any liquidations, cash refunds or charge offs including cash receipts, expense vouchers and management determinations.

Accounting Errors Result In Overpayments By AID Of \$56,000

UC billed and was reimbursed \$56,000 by AID for expenditures that UC never actually made. The accounting was in such disarray that: checks were drawn, billed to AID, and then voided; airline tickets were purchased, billed to AID and then cashed in; and, payments by individuals for personal use of official vehicles were not credited to AID.

The accounting for cash receipts in the form of cash returned by subadvances was most creative and deserves special mention here. The UC accountant quite properly recorded cash payments by subadvances in his subadvance register as liquidations, and subadvances expenditure reports were also properly recorded in the register as liquidations. However, when the AID vouchers were prepared, the accountant added up the liquidations for the month and billed the total to AID for reimbursement. The cash refunds were included in the total along with the expenditures. Receipts were thus reported to AID as payments and duly reimbursed.

Payments by contract staff for personal use of official vehicles also deserves special mention here. AID paid for the project vehicles and all associated costs of operation including overtime for drivers to chauffeur contract staff to social events. Yet, when contract staff paid a small amount for this personal use, the amounts were not credited to AID.

Details of these erroneous transactions amounting to LE 41,626 (\$50,152) and \$5,482 follow:

- Per diem billed to and paid by USAID in an amount of LE 213 (\$257) was refunded by the traveller, but the refunded amount was not credited to AID.
- International travel for LE 7,788 (\$9,383) was refunded in cash to the contractor because the travellers cancelled their trips. The cash refunds were not credited or returned to AID.
- Payments in an amount of LE 1,146 (\$1,381) for private use of ADS project vehicles were received but not credited to AID.
- Credits of LE 744 (\$896) were received from the contractor's bank but not credited to AID.
- Salaries, local travel and miscellaneous items in an amount of LE 3,030 (\$3,651) billed to and paid by USAID were refunded by the receivers in cash but not credited or refunded to AID.
- Checks issued for salaries, incentives, travel and equipment included LE 9,453 (\$11,389) in overpayments that were billed to and paid by USAID. When the overpayments were refunded by the recipients, the contractor did not credit or refund the amounts to AID.
- Cash was received from sales of ADS project products (cheese, tomatoes, potatoes) in an amount of LE 1,671 (\$2,013). These revenues were not credited to the project.
- Checks were issued in an amount of LE 5,398 (\$6,504) to cover salaries and incentives. The amount was claimed on vouchers and reimbursed by USAID/E. The contractor subsequently voided the checks but failed to refund or credit the LE 5,398 to USAID.
- The contractor issued checks in an amount of LE 2,017 (\$2,430) for airfares claimed on vouchers and reimbursed by USAID. These checks were voided but not credited or refunded to USAID.
- The contractor issued checks in an amount of LE 5,824 (\$7,017) for insurance, vehicle maintenance and other miscellaneous costs. These costs were claimed on vouchers and reimbursed by USAID. These checks were subsequently voided, but the LE 5,824 was not credited to USAID.

- In November 1982 three September 1982 checks in the amounts of LE 2,100 (\$2,530), LE 1,600 (\$1,928) and LE 110 (\$133) representing subadvances were voided. These amounts were claimed as expenditures and were billed to and paid by USAID on the contractor's November voucher.
- In January 1983 two checks in the amounts of LE 350 (\$422) and LE 63.55 (\$77) were voided. Again, the contractor claimed the amounts as expenditures that were billed to and paid by USAID.
- In March 1983 a LE 118.10 (\$142) refund of a subadvance was included as an expenditure and was billed to and paid by USAID.
- For the dollar account, the contractor either voided checks or obtained refunds in an amount of \$5,482. These transactions were not offset on subsequent billings (see Schedule D-1).

Contractor requests to USAID/Egypt for replenishment of their LE advance continually showed an unreconciled surplus of local currency. The project accountant told us in substance that he could not understand why he had a surplus of AID advanced cash on hand over the amount his registers told him he should have had, and why the surplus amount grew larger each month.

Conclusions and Recommendation

The draft audit report contained recommendations that USAID/Egypt recover LE 41,626 (\$50,152) and \$5,482 of refunds, void checks and sales proceeds due AID. In response to our draft audit report the contractor submitted credit claim vouchers to USAID/Egypt in the amounts of LE 45,173 (\$54,316) and LE 3,952 (\$4,750). This amount represents improper local currency claims identified during and subsequent to the audit and results in a \$59 thousand savings to the Agency. Therefore, we have deleted the recommendation.

USAID/Egypt stated that the contractor intended to submit a similar credit claim voucher for the \$5,482 of refunds, void checks and proceeds identified in our audit. This action has not been completed; therefore, we have retained the recommendation.

Recommendation No. 3

USAID/Egypt recover from the contractor \$5,482 of refunds and void checks that were billed to and paid by AID.

Controls Over International Travel Not Adequate

Contractor supervisors did not follow AID policies and travel regulations nor did they review the support for charges to the project for international travel. We found: travellers from Egypt did not submit expense vouchers or passenger copies of airline tickets upon their return; travellers from Egypt were permitted to bring spouses and other dependents along and costs of dependent 1/ airfare were charged to the ADS project; some international trips taken from Egypt by spouses of expatriate personnel were not allowable; and airline tickets were purchased for individuals not associated with the ADS project in order to avoid the GOE 10 percent levy on the price of the ticket. In addition, U.S. dollar per diem payments were not adequately supported. We questioned LE 176,761 (\$212,965) of airfare costs and \$106,013 of per diem costs billed to USAID.

In Egypt, the contractor paid for airfares in local currency and provided U.S. dollar advances to travellers for per diem. The costs questioned are broken down as follows:

	<u>Airfares</u>	<u>Per Diem</u>
Lack of Support	LE 128,874	\$ 82,338
Ineligible	<u>47,887</u>	<u>23,675</u>
	LE 176,761	\$106,013
	*****	*****

Details are included in Schedules C-1 and D-2.

Expense vouchers not required

The contractor did not require travellers to submit expense vouchers or passenger copies of airline tickets upon their return. We were told that the available detail to support charges to the ADS project for international travel consisted of travel authorization, carrier invoices, copies of airline tickets before travel was performed, and telexes between Egypt and the university campus bearing notification of departures and arrivals.

However, contractor's records to support local currency checks issued for airline tickets contained only carrier invoices. We found that copies of tickets and travel authorizations were generally missing from the files. Moreover, the files of supporting documentation were fragmented and there was no cross reference. Finally,

1/ "Dependent" is defined as spouse, children either under 21 or not capable of self-support at any age, and parents and siblings that are at least 51% dependent on the employee.

there were no telexes to support traveller departures and arrivals. We were told by accounting personnel that the telex file was part of the administrative office records.

Consequently, contractor records did not support the costs of airline tickets billed to AID. During April 1983 the audit team met with the contractor's chief-of-party and finance manager to discuss the problem of accounting records used to support international travel. We advised these officials that accounting records were not adequate to verify international travel costs, and therefore, all LE 128,874 claimed for airline tickets was questionable due to the lack of adequate support.

Dependents travel at project expense

The contractor permitted dependents of Egyptian participants to travel to the U.S. at project expense. The project grant agreement, the contract, the sub-project agreements, PILs, and associated budgetary information did not provide for dependent international travel costs to be charged to AID.

Travellers from Egypt associated with the ADS project were considered AID participants. In order to further subproject work, joint research activity, or to provide general training, the ADS project grant agreement permitted study tours, third country or U.S. training, and attendance at scientific conferences for Egyptians who worked on the project.

Most of the international travel taken under the ADS project by Egyptian policy makers, scientists or research personnel was short-term (one to three months) in nature. However, some Egyptians took international trips under the ADS project for long-term training. These participants were commonly called "post-docs" and their training normally was for one year. A criterion used by the contractor to charge dependent airfare to the ADS project was a contractor internal memorandum dated January 13, 1981 which states in part:

"We agree that post-doc's wives who go to Davis with them for the study period should have their way paid by the project... We suggest you put these new payments into effect as of January 1, 1981."

In contrast, AID Handbook 10, Chapter 16 states that AID does not encourage dependents to accompany or join participants unless the host government and the mission approve such action. Even then the participant is required to furnish proof in advance of adequate (personal) financial resources including a roundtrip ticket for the dependent.

We concluded that the international travel costs for dependents of Egyptian policy makers, researchers and post-docs are ineligible for payment under the ADS project. USAID/Egypt agreed with our audit conclusion. In a memorandum to the contractor's chief-of-party dated April 12, 1983 the USAID project officer explained that AID does not fund travel of dependents. Such expense is the responsibility of the traveller. Also AID had not authorized the ADS project to pay for travel of dependents. Funds provided by AID for project use were to be expended for activities leading to achievement of the project purpose and AID rules and regulations applied.

However, the contractor's chief-of-party objected on the basis that the University was operating under a host country contract. On April 21, 1983 he wrote, in part:

"The point of all this is that the decision to cover spouses' travel was not unilateral but bilateral*, and under a host country contract. (An AID officer's)...failure to reply to the letter of November 4, while perhaps not tantamount to approval, certainly indicates no suggestion of disapproval.

"Given all this, your very belated, and quite arbitrary decision to disallow one case specifically, and, by your copy of your letter to the auditors, suggest it as a generality seems to me to be quite unjustified. It would place an entirely unjust and undue burden upon the University of California. It seems to me that the responsibility for this policy must be shared as between ourselves, our Egyptian colleagues, and the USAID mission.

"Please take all of this information into consideration, and reconsider. It seems to me that, even in government operations, circumstances alter cases. We at JCD have been constantly reminded by the USAID mission that ours is a host country contract. At this juncture, it seems appropriate for me to remind the mission of that fact."

Since the project grant agreement established the agreed upon terms and conditions under which AID finances were to be used, our audit conclusion is unchanged.

Expatriate spouse travel

Some of the international trips taken from Egypt by spouses of expatriate personnel are charged to the ADS project and are not allowable. The contract limits dependent travel of expatriates to: travel from place of residence in the U.S. to the employee's post of duty in Egypt and return only if such dependents remain in Egypt for at least nine months; travel for purposes of rest and recuperation as approved, provided that such reimbursement does not exceed that authorized for employees of USAID/E; and travel due to emergency, death, serious illness or injury of an immediate family member. Nonetheless, a spouse traveled to Europe and others traveled to seminars and board meetings (see Note 57 of Schedule C-1 for an example). These costs are being charged to the project, and in our view, are ineligible for payment under the ADS project.

* Meaning between UC and the MOA.

Other travellers avoid government travel tax

International airline tickets were purchased by the contractor for individuals not associated with the ADS project. Contractor officials said that ADS co-directors verbally approved each trip that occurred.

Procedurally, the traveller provided Egyptian pounds to the Cairo accounting office. Contract officials accepted the cash and issued checks to airline companies drawn on the ADS local currency account for international travel. Since the contractor checks were stamped:

"The University of California
At Davis - AID Project (263-0041)
.... A/C
(P.L. 480) Current A/C in L.E."

the carrier had the required documentation to exempt the ticket from a 10 percent GOE levy. The traveller saved money while the GOE lost revenue for which it was entitled. The practice of processing airline tickets for individuals not associated with the ADS project is highly questionable and could result in embarrassment to AID. At the very least, it results in the loss of revenue that should accrue to the GOE.

Moreover, the contractor's accounting practices did not prevent unauthorized billings to AID for these costs. For example, during July 1982 the cost of a ticket in an amount of LE 1,191 was billed AID for a traveller not associated with ADS (see Note 50 of Schedule C-1).

Per diem costs lacked support

We have questioned \$106,013 of claimed per diem payments. Of this amount \$82,338 is questioned due to the lack of support and, in our opinion, \$23,675 is ineligible for payment by AID.

Conclusions and Recommendations

In the draft audit report we recommended that USAID/Egypt require the contractor to provide supporting documentation for questioned airfares and per diem payments. We also recommended that USAID/Egypt issue bills for collection to recover ineligible airfare and per diem costs.

Subsequent to the draft audit finding, the contractor provided USAID/Egypt additional documentation in the form of airline tickets, receipts, vouchers and trip reports. After their review USAID/Egypt responded to us that LE 119,413 of unsupported airfare claims were acceptable as well as the corresponding per diem costs. Also USAID/Egypt stated that LE 35,417 of the ineligible airfares were

project related, substantiated and eligible for AID payment. In conclusion, USAID/Egypt proposed to collect only LE 12,470 and a corresponding sum of per diem costs. In their response USAID did not address the remaining LE 9,461 questioned airfare and the corresponding per diem costs.

We do not agree with USAID's conclusion. The questioned costs in our report included payments by AID for: travel of Egyptian dependents; dependent travel for purposes other than R&R, home or emergency leave; travel of individuals not associated with the ADS project; travel to points not approved, by non-U.S. carrier, and by more than economy class; and amounts refunded after AID had been billed.

To illustrate, we have listed in Schedule C-1 of this report numerous examples of claimed costs for dependent travel not permitted by AID policy (LE 12,490 - Notes 4, 12, 27, 30, 32, 35, 55, 57 and 63).

Schedule C-1 also shows examples of refunds made by travellers that were not credited to AID (LE 7,252 - Notes 11, 24, 28, 50 and 59).

Also, Notes 49 and 56 include references to unused tickets costing LE 728 not refunded to AID. We believe that USAID must reevaluate the documentation provided by the contractor to support international travel costs.

Recommendation No. 4

USAID/Egypt reevaluate the documentation provided by the contractor to support LE 128,874 (\$155,270) of claimed airfares. A bill for collection should be issued for unsupported airfare claims paid by AID. (See Schedule C-1.)

Recommendation No. 5

USAID/Egypt either issue a bill for collection to the contractor for LE 47,887 (\$57,695) of ineligible airfare claims billed to and paid by AID, or justify those costs reinstated. (See Schedule C-1.)

Recommendation No. 6

USAID/Egypt evaluate the documentation provided by the contractor to support \$82,338 of per diem and issue a bill for collection for unsupported per diem claims paid by AID. (See Schedule D-2.)

Recommendation No. 7

USAID/Egypt either issue a bill for collection to the contractor for \$23,675 of ineligible per diem claims billed to and paid by AID, or justify those costs reinstated. (See Schedule D-2.)

Controls Over Petty Cash Were Lacking

The UC motorpool dispatcher was the custodian of a petty cash fund. The amount of the fund was not established. It fluctuated between LE 300 and LE 350. Our unannounced review of the fund on May 15, 1983 showed that the fund balance was LE 348.40 and that the dispatcher was LE 71.15 short. The dispatcher could not account for the shortage.

Subsequent review and discussion with the dispatcher and chief financial officer revealed that no prior cash counts had been made of the subject petty cash fund. There was no petty cash box per se, and the dispatcher had not been instructed as to his personal responsibility for the fund.

In response to the draft audit report the contractor said that another audit of the motorpool petty cash account was made on August 7, 1983. The total LE 300 was accounted for by LE 59 of receipts and LE 241 of cash, and the account was closed. USAID/Egypt suggested that the audit recommendation to recover the unaccounted for LE 71.15 at May 15, 1983 be deleted in light of contractor actions.

Conclusion and Recommendation

In our opinion, the contractor has not adequately addressed the condition. The contractor furnished no evidence that the unaccounted for LE 71.15 identified on May 15, 1983 was replaced, offset or charged off. Furthermore, the contractor did not explain why the petty cash account was reduced from LE 348 at the time of the audit to LE 300 in August 1983. As a minimum, the contractor should show the disposition of the missing monies. Therefore, we have retained our recommendation.

Recommendation No. 8

USAID/Egypt require the contractor to account for the LE 71.15 shortage identified on May 15, 1983 under the custody of the motorpool dispatcher.

MOA Approval Not Obtained For Contract Work

The Egyptian co-director in his capacity as MOA representative informed us that an expatriate was used by the contractor to work on a sporadic basis without MOA authorization. Labor costs were first charged to an activity (Lakes Development) for which no services were provided. When questioned by the MOA, the contractor reallocated the labor costs to Cairo Office expense. We have questioned the local currency and dollar payments made for unauthorized work (see Exhibit E).

Recommendation No. 9

USAID/Egypt recover from the contractor LE 752 and \$3,201 representing the labor costs billed AID for an individual not authorized by the MOA to work on the ADS project.

Misuse Of Gasoline Coupons

Our audit test of gasoline coupon issuance, use and accountability showed a breakdown in internal control. The contractor claimed over LE 41.4 thousand (\$49.8 thousand) for gasoline purchases from contract inception through December 31, 1982 (see Schedule C-2). Other than small cash purchases, gasoline has been obtained from the use of coupons on open account from the GOE-owned Misr Petroleum Company. Gasoline coupons can be used to obtain cash as well as for gasoline purchases.

A breakdown of internal control occurs when one employee has authority to incur expense, record and disburse. The work of placing orders, verifying invoices, recording liabilities, and making disbursements should be divided in a manner that the work of each person serves as a check on the others.

At the contractor's project office in Egypt, a bookkeeper purchased, issued and accounted for gasoline coupons. Most of the gasoline coupons were issued to the motorpool dispatcher. The dispatcher did not maintain an independent record of coupons received nor did he sign the bookkeeper's register for gasoline coupons as he received them. He signed for several days issues after the fact. In most cases, the dates of issue were not recorded in the bookkeeper's register. Also, the bookkeeper issued gasoline coupons without the dispatcher's knowledge to expatriate staff.

Gasoline coupons were issued in books containing 25 coupons each in numerical order. Six digit series represented 40 litres per coupon, and five digit series denoted 20 litres per coupon. A litre of gasoline costs 15 piasters (18 cents). Our audit test of the system showed the following:

- Coupons 776451 through 776475 (25 coupons of 40 litres each) valued at LE 150 (\$181) had been certified by the dispatcher as having been issued to him. The coupon stubs had not been turned in, there were no entries on dispatcher records of distribution to drivers, and the coupons could not be located or accounted for.
- Coupons 772451 through 772475 (25 coupons of 40 litres each) valued at LE 150 (\$181) were signed for by the dispatcher. A Misr Petroleum computer report showed that the coupon series (representing 1,000 litres) had been used at one service station in one day. The coupon stubs showed a distribution that would have put nine of UC's vehicles at the same service station on one day. The stubs did not match dispatcher trip reports and logs for the nine vehicles.
- Coupons 14751 through 14775 (25 coupons of 20 litres each) valued at LE 75 (\$90) had been issued to an expatriate contract team member and could not be accounted for.
- Coupons 14776 through 14800 (25 coupons of 20 litres each) valued at LE 75 (\$90) were issued to another expatriate contract team member and were not accounted for.

Claimed gasoline costs are addressed as part of Recommendation No. 10 in this report.

Waste And Abuse Of Project Vehicles

Contractor staff used ADS project vehicles for private purposes disregarding GOE and USAID instructions as well as UC's own policy. Moreover reimbursements for private use of vehicles were negligible in comparison to actual costs of operation. In our view, the effectiveness of the project motorpool operations has been hindered by a lack of management oversight. The net results have been waste and abuse of AID-financed resources, and lack of accountability and incomplete documentation. Thus a loss of integrity in the use of AID resources has occurred.

There are 17 AID-financed vehicles assigned to the ADS project. Two are utility-type vehicles located in Alexandria, and 15 are located in Cairo. Four of seven passenger-type vehicles are Chevrolet Caprice, four door sedans. Motorpool expenses from October 1979 through December 31, 1982 were LE 117,667 (\$141,765). The following examples illustrate vehicle waste and abuse of the motorpool expenses shown in Schedule C-2.

A 1979 Chevrolet Caprice is assigned to the contractor's chief-of-party and a monthly fee of LE 75 is assessed for private use. During our three month test (February-April 1983) the vehicle was driven 4,125 miles but only 3,416 miles were posted in motorpool records. The difference of 709 miles could not be reconciled or otherwise explained. During the time the chief-of-party was out of the country from February 21 to March 26, 1983, the vehicle registered 1,905 miles, and drivers incurred 214 hours of overtime. Vehicle use records showed that even though the chief-of-party owned a private vehicle, his dependent had exclusive use of the project vehicle during his absence. The estimated cost of operating this vehicle during this time was \$381 as compared to the monthly fee of LE 75 (\$90) assessed.

Vehicle use records showed that the 1979 Chevrolet Caprice assigned to the agricultural economics co-director was used by another project co-director when the agricultural economics co-director was out of town. We noted that excessive mileage was recorded whenever the latter individual used the vehicle. For example, during the three-month period tested 1,580 (54.7%) of the 2,886 miles logged during a span of only two weeks were attributable to use by the other co-director.

Motorpool logs showed that repair and maintenance costs for the above vehicle were not reasonable. For example, more than 20 oil changes were made in 12 months and 15 brake repairs were made during a 13 month period. In addition, repairs costing LE 2,435 were charged to ADS that should have been covered and reimbursed by vehicle insurance. Repairs were made because of reported accidents involving the vehicle. The tabulation below shows the kind and cost of repairs made.

<u>Item</u>	<u>Date</u>	<u>Amount</u>
Steering Wheel Spare	December 1981	LE 299
Body Repair	December 1981	150
Painting	February 1982	150
Windshield Replacement	February 1982	296
Labor	February 1982	40
Spares & Body Repair	July 1982	<u>1,500</u>
Total		LE 2,435 -----

Another 1979 Chevrolet Caprice was assigned to the horticulture co-director. There was no dependent usage. However, repair and maintenance costs were unreasonable. The following expenses were claimed from October 1982 to March 1983 just to repair the brakes:

<u>Date</u>	<u>Days Elapsed</u>	<u>Amount</u>
10/04/82		LE 46.00
10/08/82	4	31.00
10/29/82	21	4.50
10/29/82	0	10.00
12/09/82	41	170.00
12/09/82	0	18.50
01/10/83	31	29.00
01/16/83	6	15.00
03/14/83	57	<u>20.00</u>
	Total	LE 344.00 (\$414)

Again the difference between the 4,527 miles registered and that posted on vehicle use records was 409 miles. This discrepancy could not be reconciled or otherwise explained.

Two vehicles, a 1980 Chevrolet Citation and a 1980 Chevrolet Chevette, were both used by an expatriate member of the contracting team. He was the co-director of the independent activities subproject and as discussed earlier also used a Chevrolet Caprice. Both the Citation and the Chevette have damaged odometers, and both vehicles have high and unreasonable maintenance costs. For example, the cost of a steering wheel for the Citation was purportedly LE 376 (over \$450) and repair and maintenance charges on the Chevette for a 90-day period were about LE 1,600 (over \$1,900). In spite of this, the odometers have never been repaired and actual mileage could not be determined.

Another example of unreasonable repair costs was reported for a 1979 Chevrolet Suburban vehicle. More than LE 540 (\$651) was spent on ignition repairs over a 60-day period.

Our analysis of gasoline purchases and consumption for a 1979 Chevrolet Caprice, assigned full-time to the Egyptian co-director, indicated that gasoline was being misused. For our analysis, we assumed that the tank was empty on the first test day. The vehicle averaged 9.2 miles per gallon based on our calculation over a three-month period. Also, based on information obtained from the Chief Mechanic of the U.S. Embassy motorpool, the maximum fuel capacity of the vehicle model is 18.1 gallons (68.6 litres). The table below illustrates our concern.

<u>Date</u>	<u>Fuel Purchases</u> (Gals.)	<u>Recorded Miles</u>	<u>Fuel Consumed</u> (Gals.)	<u>In-Tank</u> (Gals.)	<u>Over Capacity</u> (Gals.)
4/23/83				-0-	-0-
4/24	63.3	40	4.3	58.9	40.8
4/25	0	250	27.5	31.4	13.3
4/26	10.6	35	3.8	38.2	20.1
4/27	10.6	85	9.3	39.4	21.4
4/28	10.6	70	7.7	42.3	24.3
4/29	0	20	2.2	40.1	22.1
4/30	10.6	40	4.4	46.3	28.3

We concluded that either the vehicle was driven for nonofficial purposes and mileage was not reported, or gasoline coupons were cashed-in rather than being used to make fuel purchases.

Some of these conditions were brought to the attention of the USAID/Egypt project officer while the audit was in progress. For example, we furnished the project officer a trip report to demonstrate abuse of the vehicle assigned to the contract chief-of-party. The trip report showed usage by a dependent from 0830 to 2230 hours on Tuesday, April 19, 1983 (a working day) for unofficial purposes. Expenses included six hours of overtime for the driver. In response to the USAID project officer's questions concerning the contractor's private use of vehicles, the chief-of-party responded that the history of the utilization policy should be reviewed.

The contract chief-of-party provided correspondence he felt would be helpful in this regard. In this correspondence he stated: "...Let me call your attention to my memorandum February 24, 1982, which details that policy and the way in which it is implemented. It is important to you, and the other personnel in the mission to recall that this policy was established with the full knowledge of the mission. I was told ... that ours is a host country contract; that the vehicles we have in our fleet are technically the property of the Ministry of Agriculture, and that our role is purely custodial; so that any policy with reference to their use that would be agreed to by the Ministry would be acceptable. On the strength of that assurance, I proceeded to discuss the matter, in full detail, with ... my counterpart at the time, and he readily agreed to it.

The contract chief-of-party further stated: "...We have adhered to the spirit as well as the letter of the agreement. Only two of our expatriates ... have opted for this arrangement, i.e., the payment of LE 75 for the privilege of personal use with discretion. Furthermore, we have compensated for this in considerable degree with the use of our private automobiles for project purposes. I do not feel that we can be charged with any abuses.

"Beyond all this, the policy was reviewed, in detail, as recently as last November, when the entire issue was aired in the Minister's office, no objection was raised at that time ..."

In his closing remarks, the chief-of-party could see no justification for the stop order, and intended to carry on with the present vehicle policy until good and sufficient reasons were presented for doing otherwise.

On May 26, 1983 the USAID project officer informed the contractor that USAID's position has always been that project vehicles should be used for project purposes. Also under certain circumstances it may be appropriate for project vehicles to be used for personal use, but these circumstances should be the exception and not the rule. Further, USAID did not have on file directions or a policy statement from the Ministry of Agriculture condoning the personal use of project vehicles.

Conclusions and Recommendations

USAID needed to enforce their policy on the use of ADS project funded vehicles. We did not locate a MOA policy statement condoning personal use of project vehicles. However, we did locate objections in writing to this practice. For example, in December 1981 the Egyptian co-director representing the MOA wrote to the contractor concerning the use of project vehicles. He stated that some of the project's cars were rented for LE 400 per month and such cars were used privately. He requested that instructions be issued to stop private use of cars owned or rented, and that cars should be only for official use.

Moreover, vehicle users did not record mileage and periods of use on trip reports, and in many cases, did not sign trip reports in accordance with its own stated practice. As illustrated earlier, discrepancies of hundreds of miles for these vehicles cannot be explained. For example, during the three-month period tested (February, March and April 1983), 8,530 miles for the 15 vehicles located in Cairo were unaccounted for and 1,410 additional miles were recorded for personal use. At 20 cents a mile, the unaccountable and personal use miles equate to \$1,988. Also during the three-month period tested, driver overtime totalled 4,898 hours for a computed value of LE 3,331 (\$4,013). To sum up, the examples of excessive vehicle repair and maintenance costs, unaccounted for and personal use mileage, and excessive gasoline consumption during the three-month period exceeded \$10 thousand and driver overtime \$4 thousand.

We concluded that all motorpool expense was questionable. In response to our draft audit report, USAID/Egypt requested the contractor to adequately document motorpool expenses claimed and advised us that those costs determined to be unauthorized would be disallowed. Since the contract expires on September 1, 1983, we have modified the recommendation to include the eight month period subsequent to our cut-off.

Recommendation No. 10

USAID/Egypt should require that the LE 117,667 of motorpool expense claimed by the contractor from contract inception through December 31, 1982 (Schedule C-2), and subsequent motorpool expenses claimed from January 1, 1983 to contract expiration, be adequately documented and justified for project use. Unauthorized costs should be refunded to AID.

Moreover, the contractor had not complied with a basic AID marking requirement and the ADS project vehicles did not have GOE license plates. These omissions increase the chance for vehicles to be used for unauthorized purposes. Also, we could not determine whether or not the contractor filed a claim and received reimbursement from insurance for the vehicle that was damaged due to reported accidents.

In response to our draft audit report USAID/Egypt furnished the contractor 34 AID handclasp emblems to be affixed on 17 project vehicles. They requested that we delete our recommendation. USAID/Egypt concurred with our draft report recommendations regarding costs billed AID that should have been covered by insurance and the need for government license plates for project vehicles. We have retained our recommendations pending verification by USAID/Egypt that AID marking requirements have been met and until other management actions have been completed.

Recommendation No. 11

USAID/Egypt verify that AID handclasp emblems have been placed on each of the 17 project vehicles.

Recommendation No. 12

USAID/Egypt require the contractor to refund LE 2,435 which is claimable from insurance.

Recommendation No. 13

USAID/Egypt require the MOA to affix GOE license plates on the 17 ADS project vehicles.

The provision of home-to-office transportation for employees at a nominal charge of LE 1.50 monthly is common practice within the GOE. The ADS project charged nothing. Since the vehicles transfer to the MOA at contract expiration we are recommending, and USAID/Egypt concurred.

Recommendation No. 14

USAID/Egypt request the MOA to establish fees for collection from ADS employees for home-to-office transportation in accordance with GOE normal practice.

Project Equipment Not Accounted For

As of December 31, 1982 the contractor's home office had billed and AID had paid \$832,714 for equipment under the contract. In addition, the contractor in Egypt had billed and AID had reimbursed \$86,499 for equipment. Also, some equipment had been billed to and paid by AID under the Equipment, Supplies and Materials line items of the contract. Contract costs claimed under these line items totalled LE 1,184,932 (\$1,427,629) and \$1,389,571.

At the close of our audit work the equipment had not been accounted for because neither the contractor nor the MOA had a complete inventory record of equipment shipped and received in Egypt or retained in California.

On November 1, 1982, the MOA assigned a GOE inventory officer to locate, identify, serialize, match to receipts and invoices, and document the existence of equipment shipped. As of May 1983 the MOA inventory officer had located equipment costing \$635.9 thousand and LE 89.7 thousand (over \$108 thousand). He reported that locator cards signed by team leaders had been created for 361 transactions, and that about 85 percent of the information on locator cards had been matched to specific ADS activities.

In completing his assigned tasks, the MOA inventory officer had difficulty obtaining information about equipment purchases and shipments from the contractor. For example:

- Team leaders objected to an inventory and were slow to respond and certify locator cards.
- Contract expatriates resisted a proposed inventory of their residences and only agreed to submit old listings, updated by them with no independent verification.
- The MOA inventory officer sent several telexes to the contract university requesting a complete listing of purchases orders for equipment procured in the U.S., only to be informed that the orders were too voluminous to send.

Our sample of 60 of the locator cards showed six transactions where equipment valued at \$8.6 thousand was listed as "not received." Also other equipment valued at \$79.9 thousand lay idle, unused or in disrepair (see Schedule D-3 for details). From our analysis we found two greenhouses, costing \$64.3 thousand stored in the open behind the central laboratory for about four months. The contract to erect the greenhouses was made effective on May 11, 1983, only three months before UC contract expiration. A diesel generator costing \$11.5 thousand and five photron lights valued at \$3.7 thousand were reported not working.

Conclusions and Recommendations

The contractor needs to reconcile and account for project equipment in order to assure an orderly transfer of AID-financed equipment to the GOE in accordance with the 90-day contract close-out requirement. We reported this problem to the USAID/Egypt project officer for action in May 1983, and he was successful in obtaining a commitment from the contractor to handcarry to Egypt the requested purchase orders for AID-financed equipment. In response to our draft audit report, USAID/Egypt pointed out that the contractor is to be held accountable for equipment worth \$200 or more with a life of one year or more. In order to identify the appropriate equipment to be transferred to the Minister of Agriculture in accordance with contract terms, we have revised our recommendations accordingly.

Recommendation No. 15

USAID/Egypt require UC to identify, locate, and provide a status report for AID-financed equipment costing \$200 or more prior to close-out of the contract.

Recommendation No. 16

USAID/Egypt should issue UC a bill for collection for AID-financed project equipment not received or accounted for.

Recommendation No. 17

USAID/Egypt make arrangements with the Ministry of Agriculture to promptly repair inoperable ADS project equipment, and to provide a plan for use of idle AID-funded equipment.

MINISTRY OF AGRICULTURE NOT READY TO ASSUME PROJECT RESPONSIBILITY

The MOA had not made formal arrangements to extend contracts for physical plant and facilities now occupied at Cairo University. Also, the MOA had no established plans to replace administrative and backstop personnel (accountants, administrators, etc.). Moreover, the MOA is not able to retain the present staff because salaries and incentives paid are too high for the MOA to assume, and many are former GOE employees who are now retired and cannot be reemployed in the public sector. Coupled with these shortfalls, there was no formalized ADS close-out schedule for the host country contract. As a result, the MOA does not have the necessary plans and tools with which to continue the ADS project.

The responsible Egyptian co-director told us that Cairo University is to be reimbursed LE 20,000 annually for continued use of plant and facilities now occupied by ADS personnel. He said that the Minister's approval of the contractual arrangement is pending, but he did not think there would be a problem in obtaining an agreement. The replacement of current ADS administrative personnel seemed, in our opinion, dependent upon future AID funding to the MOA.

The Egyptian co-director provided us with a "Draft Proposed Revision of ADS Close-Out Schedule" prepared by the project contractor. The draft schedule listed close-out activities on an event basis and contained two sets of action dates. The USAID project officer said that neither set of action dates were being followed.

Conclusions and Recommendations

Unless the MOA takes immediate action, the assumption of management functions, use of physical plant, and turnover of ADS supplies and equipment could cause serious problems. Even though the host country contract expires on September 1, 1983, contemplated schedules for close-out and anticipated transition to the MOA were only in the draft and talking stage.

USAID is processing a two million dollar amendment for the ADS project and \$1.8 million was earmarked for the host country contract. During a meeting in May 1983 with the auditors, top USAID officials said that, as a result of our interim findings, the \$1.8 million would go to the MOA rather than to the host country contractor in light of poor contract management. In our opinion, all funding should be withheld until the MOA demonstrates the capability to assume management responsibility.

In response to our draft audit report USAID/Egypt stated that the contractor was advised that all work was to be completed by the expiration date of the contract, and also that the contractor had revised their schedule to conform to the contract close-out date. Therefore, we have deleted our recommendation concerning the revised close-out schedule. USAID/Egypt also stated that the MOA had already taken steps to ensure the continuity of the central laboratory located at Cairo University, and that requirements in our draft report recommendation had been included as a condition precedent in the grant agreement amendment and in the authorization amendment. However, these actions had not been formalized at report issuance. Therefore, we have retained our recommendation pending completion of management actions.

Recommendation No. 18

USAID/Egypt, as a condition precedent to disbursement of the proposed \$2 million ADS amendment, ensure that the MOA has obtained formalized commitments to retain physical plant and facilities located at Cairo University, and ensure that administrative and backstop personnel are available for project administration.

PROCESSING ADS-SPONSORED PARTICIPANTS NEEDED

The number of ADS project participants who visited the U.S. for training is not known. The responsible USAID office has a listing of only 10 Egyptian participants trained in the U.S. while the 1983 AID evaluation showed at least 80 participants visited the U.S. for training under only one project component (Agricultural Economics). As a result, the effectiveness of participant training could not be evaluated.

ADS-sponsored participants were not processed in accordance with AID regulations or USAID/Egypt Mission procedures. Participants obtained B-1 (business) or B-2 (tourist) visas direct from the U.S. Embassy Consular Office in Cairo. While visas normally issued to participants restrict travel to a specific training purpose and for a specified period of time, visas granted ADS travellers provided more latitude. Since ADS sponsored participants bypassed USAID/Egypt, the intended controls and safeguards set forth by AID policy and procedure were missing. For example, AID would not be responsible in the event of injury or death of an unreported participant in the U.S.

The contractor's written procedure instructed short-term (up to three months) researchers and trainees to obtain a business visa. According to the U.S. Consular Office business and tourist visas are normally granted when the period of stay is up to one month. ADS participants received a form letter directed to the U.S. Embassy Consular Office. This letter requested that every assistance be offered to the traveller, and linked the traveller to the AID-financed ADS project.

Records of visa applications, if approved by the Consular Office, are maintained for only one year, and the form letters referred to above are not maintained unless they are deemed questionable.

The host country contract did not contain a clause requiring the contractor to follow the provisions of AID Handbook 10. However, in November 1981 the USAID Director instructed the Assistant Director of USAID's Office of Agriculture to urge the MOA to negotiate a contract amendment that spelled out the need to conform to the provisions of AID Handbook 10 on participants. The contract was not amended as requested. And, more importantly, we found no evidence of a system or dialogue between the U.S. Embassy Consular Office and the responsible USAID office to control AID participant traffic.

AID Handbook 10 provides occupational category codes for participants. These include host country policy makers, agricultural scientists, economists, and related operating and research and development personnel. Travellers from Egypt under the ADS project fit under these category codes. The purpose for their travel has been training or research in horticulture, agricultural economics and independent activities under the project. USAID's Mission Order No. 10-1 issued February 5, 1980 amplifies the provision of AID Handbook 10 and contains criteria regarding the selection of trainees, determination of training needs, and action responsibilities. For host country contracts, the Mission Order states that functional responsibility for implementation of training rests with the contractor while USAID Assistant Directors are responsible for insuring that the contracts contain requirements that the contractor(s) follow the provisions of AID Handbook 10.

Also, the Mission Order requires the USAID training office to authorize the visa for AID-financed participants. The training office, now called the Office of Education and Training (HRDC/EDU), is further responsible for the reporting of statistics on participants to the AID/W Office of International Training (S&T/IT). Since USAID/Egypt records are not complete, the data on the ADS project transmitted to S&T/IT is incomplete as well.

Conclusions and Recommendations

Since the requirements of AID Handbook 10 were not incorporated into the host country contract as requested by the USAID Director, the contractor enjoyed more latitude and assumed more control over participant training and travel than intended. Project accomplishments, in terms of training, could only be verified through contract records and not at USAID/Egypt. The mission concurred with the two recommendations that follow.

Recommendation No. 19

USAID/Egypt in conjunction with the Ministry of Agriculture require the contractor to report to the USAID Office of Education and Training (HRDC/EDU) the names, dates and locations of training, and training subject matter for all ADS project-affiliated host country policy makers, agricultural scientists, economists, and operating and research and development personnel who received training.

The lack of coordination between USAID/E and the U.S. Embassy Consular Section, in our opinion can be easily corrected and corrective measures applied to all USAID/Egypt participant training activities.

Recommendation No. 20

USAID/Egypt coordinate with the U.S. Embassy Consular Office (Egypt) to develop a system whereby all AID participants applying for visas are routinely sent to the USAID Office of Education and Training (HRDC/EDU) prior to visa issuance.

Agricultural Development Systems (263-0041)
USAID/E Local Currency Payments to UC - Cairo
January 11, 1979 through March 31, 1983

<u>Month/Year</u>	<u>Transactions</u>	<u>Payments Treated as</u>		<u>Outstanding Balance of Advance Payments</u>	<u>Treated as</u>	
		<u>Advances</u>	<u>No Pay</u>		<u>Claims for Reimbursement</u>	<u>Controller Disallowances</u>
<u>Date Unknown</u>	<u>1/LE</u>	15,209-	LE 15,209-	LE		
03/79	134,791-	134,791-		150,000-		
07/79	4,198-				4,198-	
07/79	4,645-				4,645-	
07/79	14,581-				14,581-	
07/79	4,183-				4,183-	
07/79	16,635-				16,635-	
08/79	19,342-				19,342-	
09/79	3,753-				3,753-	
10/79	20,070-				20,070-	
10/79	14,244-				14,244-	
01/80	6,371-				6,371-	
01/80	4,778-				4,778-	
02/80	24,116-				24,116-	
04/80	21,176-				21,176-	
04/80	8,213-				8,213-	
05/80	31,175-				31,175-	
06/80	47,062-				47,062-	330-
06/80	15,000-	15,000-		165,000-		
07/80	40,249-				40,249-	(330-)
08/80	37,304-				37,304-	12,360-
08/80	91,000-	91,000-		256,000-		
08/80	37,836-				37,836-	359-
10/80	25,974-				25,974-	
10/80	55,640-				55,640-	
12/80	44,378-				44,378-	
01/81	50,766-				50,766-	
03/81	50,700-				50,700-	
04/81	56,183-				56,183-	
04/81	90,285-				90,285-	
05/81	72,804-				72,804-	
05/81	209,000-	209,000-		465,000-		
06/81			97,029-	367,971-	97,029-	(5,160-)
06/81	97,029- ^{2/}	97,029-		465,000-		
07/81			96,228-		96,228-	
09/81			101,372-	267,400-	101,372-	390-
09/81	101,372- ^{2/}	101,372-		368,772-		
09/81			67,588-	301,185-	67,588-	
09/81	48,815- ^{2/}	48,815-		350,000-		
c/f	LE1,518,877	LE712,216	LE362,217	LE350,000	LE1,168,878	LE 7,949

<u>Month/Year</u>	<u>Transactions</u>	<u>Payments Treated as</u>		<u>Outstanding Balance of Advance Payments</u>	<u>Treated as</u>	
		<u>Advances</u>	<u>No Pay</u>		<u>Claims for Reimbursement</u>	<u>Controller Disallowances</u>
b/f	LE1,518,877	LE 712,216	LE 362,217	LE 350,000	LE1,168,878	LE7,949
10/81			79,191-	270,809-	79,191-	
10/81	79,191- ^{2/}	79,191-		350,000-		
11/81	104,533-				104,533-	
12/81	68,695-				68,695-	
01/82	72,178-				72,178-	
02/82	69,922-				69,922-	
03/82	76,037-				76,037-	
04/82	110,907-				110,907-	
05/82	101,813-				101,813-	(390-)
06/82	88,480-				88,480-	180-
07/82			183,728-	166,272-	183,728-	72-
07/82	277,320-	277,320-		443,592-		
08/82			107,332-	336,260-	107,332-	
08/82			120,291-	215,969-	120,291-	
08/82	257,623-	257,623-		473,592-		(72-)
09/82			139,905-	333,687-	139,905-	
10/82	159,905-	159,905-		493,592-		
11/82			150,639-	342,953-	150,639-	
11/82			110,503-	232,450-	110,503-	
01/83			151,636-	80,814-	151,636-	
01/83	452,778-	452,778-		533,592-		
02/83			83,277-	450,315-	83,277-	1,461-
02/83			119,676-	330,639-	119,676-	
02/83			105,624-	225,015-	105,624-	
03/83	162,953-	162,953-		387,968-		
Total^{3/}	LE3,601,212	LE2,101,986-	LE1,714,019-		LE3,213,245-	LE9,200-

Advance Balance to be Accounted for:

LE387,968-

Explanatory Notes:

- 1/ Local currencies remaining in AID/W-direct Contract No.AID/NE-C-1269 were shifted to the host country contract. The USAID Controller had retired predecessor contract records.
- 2/ The USAID Controller (i) first treated the claims as "No Pay" in order to liquidate the U.S.-owned excess currency account (FT), and (ii) issued checks to UC - Cairo from local currencies purchased with U.S. dollars.
- 3/ Small differences due to rounding.

Agricultural Development Systems (263-0041)
UC - Cairo Register of Subadvances Outstanding
as of March 31, 1983

<u>Subadvance Account Number</u>	<u>Amount</u>	<u>Over 90 days as at May 15, 1983</u>	<u>No Refunds or Expense Report Since</u>
621 121	LE 49.61		
121	696.43		
131	503.85		
131	1,610.00		
131	618.70	LE 651.70	Nov. 29, 1982
140	2,504.38		
141	822.74		
142	1,361.43		
141/142	407.29		
143	1,538.60	1,538.60	Jan. 11, 1983
143	865.49	865.49	Jan. 17, 1983
143	547.79		
144	6,312.34		
145 <u>1/</u>	3,210.06		
146	1,636.05		
147	7,416.73		
148	1,184.77		
149	1,979.87	1,979.87	Jan. 18, 1983
150	601.21		
151	667.31		
152	624.69		
153	585.43		
154	362.71		
155	1,000.00		
156	782.63		
180	615.67	615.67	Feb. 17, 1983 (2 days short of 90)
191	620.27	620.27	Feb. 3, 1983
196	499.79		
197	3,554.03		
197	302.16		
197	292.54		
197	299.54		
201	3,780.00		
201	3,095.41		
240	884.98	884.98	Dec. 20, 1982
242	728.56		
243	334.04		
244	1,031.98		
246	528.13	528.13	Aug. 8, 1982
c/f	LE52,457.20	LE7,651.71	

EXHIBIT B

<u>Subadvance Account Number</u>	<u>Amount</u>	<u>Over 90 days as at May 15, 1983</u>	<u>No Refunds or Expense Report Since</u>
b/f	LE52,457.20	LE 7,651.71	
621 247	353.26	353.26	Dec. 20, 1982
250	500.00	500.00	Aug. 18, 1982
251	307.73	307.73	Oct. 19, 1982 <u>2/</u>
252	(34.18)	(34.18)	Dec. 8, 1982
254	869.99	869.99	Feb. 8, 1983
255	4,628.90	4,628.90	Dec. 13, 1982
257	513.70		
258	1,981.34		
259	3,008.71	3,008.71	Oct. 11, 1982
260	998.61		
261	493.10		
262	2,427.18	2,427.18	Jan. 10, 1983
201	450.00		
Totals	LE68,955.54 -----	LE19,713.30 -----	
		29 %	

Explanatory Notes:

1/ See page 8 of report.

2/ This subadvance cleared on May 22, 1983.

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Agricultural Development Systems (263-0041)
Summary of Local Currency (LE) Costs Claimed and Audit Adjustments to the
Host Country Contract Between the MOA and UC
January 11, 1979 through December 31, 1982

<u>Category</u>	<u>UC-Cairo</u> <u>Office</u>	<u>Horticulture</u>	<u>Agricultural</u> <u>Economics</u>	<u>Independent</u> <u>Activities</u>	<u>Claimed</u>	<u>Questioned</u>
Salaries and Wages	LE 262,571	LE 586,997	LE 268,556	LE 88,455	LE 1,206,589	LE 752 ^{1/}
Equipment, Supplies and Expenses	418,533	559,224	87,006	119,290	1,184,053	117,738 ^{2/}
Travel	142,609	246,991	153,322	54,378	597,300	176,761 ^{3/}
Total	LE 823,713	LE 1,393,212	LE 508,894	LE 262,123	LE 2,987,942	LE 295,251

Explanatory Notes:

1/ See Recommendation No. 9 and Exhibit E.

2/ See Recommendation No. 8 (LE 71) and Schedule C-2 (LE 117,667).

3/ See Schedule C-1.

AGRICULTURAL DEVELOPMENT SYSTEMS PROJECT NO. 263-0041
SUMMARY OF QUESTIONABLE AIRFARE CLAIMS
INCEPTION THROUGH DECEMBER 31, 1982

<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
January 11, 1979 Through September 30, 1979	1. UC - Cairo did not locate and furnish documents to support any of the travel claims billed to USAID/E for the first fiscal year of the project.	LE14,299-	
December 1979	2. Check No. 187134 was supported only by an invoice from TWA. Travellers and travel purposes are not known.	13,107-	
January 1980	3. Check No. 187169 was supported only by a TWA invoice (CAI-ATH-TLV-ATH-CAI). There was no justification for project-related travel to Israel.		LE 372-
April 1980	4. Check No. 666 was supported only by a TWA invoice for two people to Sacramento. There was no project-related justification. Spouse travel is ineligible unless related to R&R, home or emergency leave.	552-	551-
	5. Check No. 667 was supported only by a TWA invoice for travel of three people to Sacramento.	1,792-	
June 1980	6. Check No. 819 was supported only by a TWA invoice for roundtrip travel CAI-SMF-CAI for four (4) individuals. The UC - Cairo check register identified two of the travellers whose names are identified on payroll records. Two travellers were not on the check register or on the available copies of UC - Cairo payroll records. (Also, see 10, below.)	1,979-	1,979-
	7. Check No. 968 was supported only by a TWA invoice for travel of two people.	1,897-	

<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
July 1980	8. Check No. 4295 included the cost of unscheduled and unauthorized stops for a traveller.		LE 270-
	9. Check No. 4132 was supported only by a TWA invoice.	LE 402-	
	10. Check No. 947 was supported only by a TWA invoice and included additional airfare for two individuals (see 6, above).		166-
August 1980	11. Check No. 6443 was for additional airfare for two people in August 1980 while the UC - Cairo travel memo, attached as support discussed travel in February and March 1982 (18 months later).	620-	
	Also, supporting documents for the check transaction included two refund applications to TWA for cancelled travel in the amounts of LE814.25 each. The refunds were not credited to AID.		1,629-
	12. Check No. 6474 is for participant and dependent travel. The participant's travel is questioned because he was due to return o/a June 1981 but UC - Cairo furnished no evidence. The spouse's travel is ineligible for payment under the ADS project.	1,124-	1,124-
September 1980	13. There was no documentation to support a LE956.80 charge to the project by Check No. 4082 for the travel of two people to Frankfurt, Germany.		957-
October 1980	14. Check No. 6749 for the travel of four people was only supported by a TWA receipt.	3,084-	

<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
November 1980	15. Check No. 6906 was only supported by a letter giving a statement of purpose for a traveller to Holland, Germany, France and England.	LE 366-	
February 1981	16. Check No. 11360 was supported by a letter giving a statement of purpose for a trip to Madrid. The copy of the ticket was xeroxed <u>before</u> travel.	439-	
	17. The airfare for Check No. 17233 was only supported by a Pan Am receipt.	839-	
	18. The airfare for Check No. 17234 was only supported by a Pan Am receipt.	790-	
March 1981	19. Check No. 17250 for four (4) tickets to California was only supported by a Pan Am receipt.	3,030-	
April 1981	20. Check No. 22010 was supported by a letter; copy of a Pan Am invoice; and copy of a ticket xeroxed <u>before</u> travel.	650-	
May 1981	21. Checks No. 24655 and 24656 for LE874 each, were only supported by Pan Am receipts.	1,748-	
	22. The support for a travel Check No. 24657 was inconsistent. While the Pan Am invoice and the copy of the ticket (xeroxed before travel) indicated April/May 1981 dates, the letter to the USAID training office was dated July 29, 1980. The letter requested a six-month stay in the U.S. from August 15, 1980 to January 15, 1981. In addition, the xerox copy of the ticket showed travel class "C" which is business, not economy, class. In our opinion, the xerox copy of the ticket furnished had no relation to the July 29, 1980 request to AID.		1,265-
	23. Check No. 24665 was supported by a copy of the ticket xeroxed before travel. Travel was via non-U.S. carrier (Iberia) to Casablanca.		

<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
June 1981	24. Check No. 33559 paid for the travel of six dependents. AID was billed on UC - Cairo's June voucher. In July 1981, Pan Am refunded LE2,379.60 to UC - Cairo because most tickets were cancelled. Again, UC - Cairo did not credit the refunds to AID. Nonetheless, the cost of all dependent travel billed to AID is ineligible.		LE3,125-
July 1981	25. Check No. 33595 covered seven travellers LE 5,942- and was only supported by a Pan Am invoice.		
September 1981	26. Check No. 38944, covering travel of two people was only supported by a Pan Am invoice and a travel memo.	1,588-	
	27. Check No. 38946 was misrepresented on the UC - Cairo check register. The entry stated that travel was for two project officials. However, the Pan Am invoice stated that travel was for only one official and wife. Dependent travel is ineligible.	820-	820-
	28. An amount of LE350.65 was refunded against Check No. 38948 for spouse travel. However, the refund was not credited to AID.		351-
	29. Even though the Pan Am invoice listed travel cost of LE692.20 to Sacramento, Check No. 38950 was written for LE622.20. We are questioning the lesser amount due to lack of further support.	622-	
	30. Check No. 46486 in an amount of LE9,919.15 covered travel of 15 individuals and is broken down as follows:		
	- The travel cost of 10 of the travellers was only supported by a TWA invoice.	6,540-	
	- The travel cost of one individual included use of a non-U.S. carrier to the U.S. via London without justification.	676-	

<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
	- And, four of the travellers were spouses (LE675.80x4)		LE2,703-
	31. Check No. 46487 covered travel of 13 individuals and was supported by no other documentation other than TWA invoices.	LE12,813-	
	32. Check No. 46488 covered travel of six dependents. Even though UC - Cairo collected the amounts from family members during the month, AID was billed anyway.		4,143-
October 1981	33. Check No. 46492 was for travel of an individual not affiliated with the project via non-U.S. carrier (Japan airlines) CAI-MANILA-CAI.		1,063-
	34. Cash register item no. 62 was for travel via non-U.S. carrier to Casablanca for an individual not affiliated with the ADS project.		399-
January 1982	35. Check No. 71044 was supported by a travel memo and copy of tickets xeroxed before travel. The travel memo indicated that the travellers worked for the Ministry of Agriculture's (MOA) Agricultural Research Center. In our opinion, the MOA--not ADS--should have funded their travel.	1,890-	
March 1982	36. Check No. 61944 included travel for an individual who was not authorized but who took the trip.	1,046-	
April 1982	37. Check No. 66115 was issued to cover expatriate travel (Cairo-San Diego-Cairo) for three (3) persons reportedly for home leave. However, AID paid for routing to Boston, Los Angeles, Dallas, Minneapolis, Frankfurt and Berlin.	3,562-	

As of this printing TWA had not furnished to us the cost of economy airfare by the most direct and expeditious route.

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<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
April 1982	38. There was no support for travel claims for LE1,002.95 and insufficient support for travel claims of LE1,735.20 under Check No. 66122.	LE 2,738-	
	39. Check No. 66123 was for the cost of extra stops (Munich, Vienna, and Budapest) taken by an expatriate in June 1981. We understand the purpose of the June 1981 trip was to attend the JPPB conference in California. The traveller did not take the most direct and expeditious route.		360-
May 1982	40. Check No. 72009 in the amount of LE14,849.65 includes two separate claims for travellers with the same surnames (LE956.60 and LE1,085.20) who did not appear to be associated with ADS, and another traveller who was not associated with ADS.		957- 1,085-
	In August 1982 UC - Cairo reduced expenditures against the two LE1,085 claims (see item 53, below).		
	In addition, other airfares for two expatriates were questioned due to the lack of any documents to support travellers:		
	- S _____	821-	
	- G _____	1,274-	
	41. Check No. 72011 in the amount of LE10,777.65 for 20 travellers:		
	-- was supported only by a TWA invoice for 17 travellers.	8,707-	
	-- had no support whatever for:		
	- G _____		916-
	- N _____		1,025-
	- D _____		129-

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<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
May 1982	42. Check No. 72014 in the amount of LE11,826.45 was supported by a memo signed January 14, 1982 that discussed a Joint Economics Technical meeting in San Diego at the end of January 1982. Based on UC/D-Cairo records the tickets for nine (9) persons were for May 1982 travel.	LE11,826--	
	43. Check No. 74341 in an amount of LE7,663.20 covered travel to the U.S. for eight individuals whose itineraries included diverse stops such as Pittsburg and Las Vegas. There were travel memos for seven of the travelers and copies of airline tickets, xeroxed before travel, for six of them. We are questioning the cost of one traveller for which there was no documentation (LE954.607) and another traveller for which there was no ticket (LE954.60).	1,909--	
	44. Check No. 158724 was only supported by a Pan Am invoice and names were not fully identified.	5,400--	
June 1982	45. The ticket was obtained with cash in June 1982. The UC support claimed that the traveller attended an AID/W course in late April-early May 1982.		LE1,085--
July 1982	46. Check No. 158764 issued to Pan Am covered three (3) tickets. We addressed this transaction as Note 1 of our Record of Audit Finding (RAF) dated April 7, 1983. The audit review of reconstructed UC - Cairo records resulted as follows:		
	-- One traveller was to go to Davis, California from July 15 to August 15, 1982 to visit vegetable seed production companies and seed testing laboratories in California and to attend a meeting in Ames, Iowa. The traveller's route, however, included stops in Los Angeles, Las Vegas and Denver. UC did not		1,248--

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<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
	furnish a copy of the ticket or itenary enabling a determination of how long the traveller stayed at any one point. The absence of adequate support prevented verification that the trip was ever taken even though billed to AID.		
	-- The second ticket was copied before travel. The same conditions noted above apply.		LE1,656-
	-- The third ticket was copied before travel and the above conditions apply.		1,023-
July 1982	47. Check No. 158765 represented the difference in airfare for stops not on the travel memo. The traveller was to go to Cairo-California-Nevada-Cairo to visit his counterpart and to attend a food dairy technology meeting. However, the traveller stopped in Salt Lake City, San Jose, (Costa Rica), Washington D.C., Pittsburgh, St. Louis and Decatur.		189-
	48. Check No. 158769 represented charges to AID for the travel of a non-ADS individual.		1,684-
	49. Check No. 158770 covered travel of an individual whose relationship to the project was questionable. Also, LE509 of the ticket was unused but UC - Cairo had not pursued collection.		2,088-
	50. UC received cash, from a relative of one of the expatriates, for travel. UC charged the cost of her airfare to AID, and failed to credit cash receipts. This unauthorized billing is due AID.		1,191-

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<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
July 1982	51. Cash item 20 was the additional cost billed AID for a TDYer to stop in Israel while enroute to California.		LE 95-
August 1982	52. Check No. 158961 was issued for the travel of three (3) individuals via non-U.S. carrier CAI-HAMB-CAI with no justification.		1,379-
	53. Check No. 158974 represented net charges for travel to the U.S. of seven persons supported only by a TWA invoice. The transaction included offsets for cancelled travel of: - M _____ - F _____ (See note 40, above.)	LE 2,925-	
	54. Check No. 158985 in the amount of LE7,105.50 for seven (7) travellers to the U.S. (CAI/USA/CAI) included: - Insufficient support for four travellers at LE997.50 each, and - No support for two travellers at LE898.60 each.	3,990-	
	55. Check No. 158986 in the amount of LE3,543 included airfare for spouse travel that was ineligible for payment by AID.		1,797-
	56. Check No. 158987 in an amount of LE5,237.25 included airfare for an individual for which: - the invoiced cost of the ticket was LE980.60 instead of the LE1,200 billed AID, and - there was no other support for travel.		1,397- 219- 981-

<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
August 1982	57. Check No. 158988 in an amount of LE4,312.25 included:		
	- airfare charges for two (2) persons at LE920.55 each for which there was no support.	LE 1,841-	
	- unauthorized travel of an expatriate spouse to Europe.		LE 510-
	58. Travel Check No. 158989 was only supported by a TWA invoice.	959-	
	59. Travel Check No. 158994 was not supported. The UC check register indicated that the amount was refunded. Nonetheless, AID was billed.		956-
	60. Check No. 172004 in the amount of LE2,349.95 included airfare for a person not affiliated with the ADS project.		510-
	61. Check No. 172398 in an amount of LE23,442.30 included:		
	- Ambassador instead of economy airfare.		443-
	- Ineligible spouse travel to the JPPB meeting:		
	- Mrs. S _____		1,365-
	- Mrs. M _____		1,380-
	62. Check No. 172399 was supported by a LE689.40 TWA receipt, a LE1,691.50 TWA invoice and a LE1,584.25 copy of a ticket made before travel. We were told that the traveller cancelled part of the trip; but the traveller did not remit to UC the cancelled ticket or the passenger copy of a reissued ticket. We are questioning the amount billed to AID by UC.	689-	

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<u>PERIOD</u>	<u>TRANSACTION DESCRIPTION</u>	<u>COSTS QUESTIONED</u>	
		<u>LACK OF SUPPORT</u>	<u>INELIGIBLE</u>
September 1982	63. Check No. 94941 in the amount of LE8,158.90 included:		
	- Ineligible spouse travel that was billed AID.		LE1,242-
	- Insufficient support for project officials:		
	- G _____	LE 1,014-	
	- G _____	1,583-	
	- No support for Egyptian officials:		
	- A _____		143-
	- K _____		143-
November 1982	64. Check No. 103744 covered the travel to Saudi Arabia for which there was no justification or support.		579-
	65. Check No. 103389 covered travel to Amsterdam via non-U.S. carrier for which there was no justification or support.		690-
AIRFARES QUESTIONED DUE TO LACK OF SUPPORTING DOCUMENTATION		LE128,874-	
AIRFARES QUESTIONED THAT ARE INELIGIBLE FOR PAYMENT BY AID			LE47,887-
TOTAL QUESTIONED AIRFARE CLAIMS		LE176,761-	

Agricultural Development Systems (263-0041)

Motor Pool Expense

January 11, 1979 through December 31, 1982

Month	Car Rent	Gasoline	Repair & Parts	Tyres	Sundry Expenses	Use of POVs	Insurance	License & Registration	Others	Total
Cash Register prior to Oct. 79	LE 220	260	-0-	-0-	-0-	-0-	-0-	-0-	12 LE	492
October '79-Sept. '80	50	7,873	2,688	1,032	421	-0-	2,424	651	923	16,062
October	135	-0-	67	-0-	627	-0-	-0-	-0-	-0-	829
November	137	4,080	446	576	-0-	-0-	895	-0-	-0-	6,134
December	1,335	81	839	-0-	25	-0-	-0-	397	55	2,732
January 1981	1,582	-0-	1,155	-0-	49	59	-0-	-0-	-0-	2,845
February	525	-0-	-0-	-0-	183	61	-0-	-0-	130	899
March	1,175	-0-	470	-0-	339	-0-	410	199	-0-	2,593
April	1,584	96	17	-0-	517	-0-	1,859	149	-0-	4,222
May	1,105	-0-	992	-0-	337	-0-	206	310	300	3,250
June	861	4	801	-0-	377	-0-	-0-	151	-0-	2,194
July	-0-	5,350	302	-0-	482	-0-	-0-	155	-0-	6,289
August	400	-0-	583	-0-	499	-0-	1,835	388	-0-	3,705
September	800	-0-	280	-0-	1,489	98	-0-	133	-0-	2,800
October	1,000	-0-	80	-0-	1,104	-0-	-0-	-0-	-0-	2,184
November	800	4,600	-0-	-0-	1,452	-0-	257	-0-	-0-	7,109
December	-0-	9	772	-0-	729	226	-0-	52	-0-	1,788
January 1982	-0-	-0-	-0-	-0-	623	-0-	-0-	157	-0-	780
February	-0-	4,753	562	1,013	723	42	-0-	-0-	-0-	7,093
March	-0-	-0-	-0-	1,290	1,307	103	-0-	140	-0-	2,840
April	40	-0-	-0-	200	683	199	1,856	-0-	-0-	2,978
May	-0-	-0-	80	220	908	79	206	127	-0-	1,620
June	-0-	4,600	-0-	220	1,433	-0-	-0-	14	10	6,277
July	-0-	-0-	479	-0-	1,031	93	-0-	170	-0-	1,773
August	-0-	-0-	475	405	1,085	-0-	1,462	-0-	-0-	3,427
September	350	5,262	2,314	-0-	895	98	-0-	298	-0-	9,217
October	-0-	-0-	1,056	-0-	1,061	84	-0-	159	-0-	2,360
November	25	-0-	351	834	1,887	159	1,378	451	-0-	5,085
December	55	4,500	1,687	525	1,164	159	-0-	-0-	-0-	8,090
Total	LE12,179	41,468	16,496	6,315	21,430	1,460	12,788	4,101	1,430	LE117,667

Agricultural Development Systems (263-0041)
Summary of U.S. Dollar Costs Claimed for the UC - Cairo Office
and Audit Adjustments to the Host Country Contract between the MOA and UC
January 11, 1979 through December 31, 1982

<u>Category</u>	<u>Costs</u>	
	<u>Claimed</u>	<u>Questioned</u>
Salaries and Wages	\$ 416,238	\$ 3,201 <u>1/</u>
Employee Benefits	119,772	
Supplies and Materials	206,030)	
Equipment	86,499)	94,053 <u>2/ 4/</u>
Domestic Travel	4,471)	
Foreign Travel	65,315)	106,013 <u>3/ 4/</u>
Other Direct Costs	1,749)	
 Subtotal	 \$ 900,074	 \$203,267
Overhead	215,831	29,051 <u>5/</u>
 Subtotal	 \$1,115,905	 \$232,318
December 1982 Voucher <u>6/</u>	22,517	
Total	\$1,138,422	\$232,318

Explanatory Notes:

- 1/ See Recommendation No. 9 and Exhibit E.
- 2/ See Recommendations No. 15, 16 and 17, and Schedule D-3 for \$88,571 of inoperable and not received equipment. See Recommendation No. 3 and Schedule D-1 for \$5,482 of refunds and void checks due AID.
- 3/ See Recommendations No. 6 and 7, and Schedule D-2.
- 4/ Exceeds amounts listed as claimed because costs were either buried in other contract line items such as salaries and wages, or in supplies and materials; or, costs were included in the UC home office budget.
- 5/ Questioned overhead is 26.6 percent of direct costs less expenditures for equipment as per the contract.
- 6/ UC did not submit the December 1982 claim by contract line item.

Agricultural Development Systems (263-0041)
U.S. Dollar Refunds and Void Checks Originally Billed and Not Later Credited AID
January 11, 1979 through December 31, 1982

CONTRACTOR CHECK/CASH REGISTERS

<u>Item No.</u>	<u>Date Posted</u>	<u>Description</u>	<u>Amount</u>
None	03/20/80	Adjustment: Checks 167977 & 167980 payable to shipping agency sent without cashing	\$ 118.90
5	10/12/80	Received from three people	1,996.00
2	11/02/80	Draft drawn Oct. 26 cancelled	360.00
3	11/02/80	Check No. 100920 voided	80.00
5	11/02/80	Bank charges on item 4 collected	4.00
2	12/02/80	Collected Service Charge on Oct. 80 item 4	4.00
2	01/29/81	Cr. Deposit, remainder of Check No. 100925	500.00
23	03/25/82	Refund for one day p/d in Amsterdam \$80 minus \$25 subscription (to) Foliage Digest in cash	55.00
42	04/28/82	Check No. 107124 dtd. 1/20/82 item 28, statement (ct. - Jan. 82)	512.00
15	07/28/82	Partial refund Check No. 107185	451.60
4	08/03/82	Cash refund of Check No. 104116 (\$350) and Check No. 123011 (\$750)	1,100.00
6	09/16/82	Refund received minus travel of spouse Decatur/ Chicago	300.00
			\$5,481.50

**Agricultural Development Systems (263-0041)
 Summary of Questionable Per Diem Payments
January 11, 1979 through December 31, 1982**

<u>Period</u>	<u>Corresponding Schedule C-1 Note if Applicable</u>	<u>Transaction Description</u>	<u>Costs Questioned</u>	
			<u>Lack of Support</u>	<u>Ineligible</u>
<u>September 1980:</u>				
13		Per diem paid on: - Check No. 100917, and - Check No. 100918	\$	\$ 500 500
<u>November 1980:</u>				
15		Travel to Germany, France, and England: - Check No. 100923 - Check No. 100929	2,000 621	
NA		No record of related travel for per diem paid to an individual for a planned Florida trip.		341
<u>February 1981:</u>				
16		Per diem March 1 to March 23, 1981	1,378	
NA		No record of travel for per diem paid to two people for a trip to Italy.		500 500
NA		No record of travel for per diem paid to two people for a trip to Greece.		792 792
<u>May 1981:</u>				
21		Travel not supported.	500	
23		Travel to Casa Blanca not supported.	700	
NA		No record of travel for per diem paid for a trip to France.		500

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<u>Corresponding Schedule C-1 Note if Applicable</u>	<u>Transaction Description</u>	<u>Costs Questioned</u>	
		<u>Lack of Support</u>	<u>Ineligible</u>
<u>Period</u>			
<u>July 1981:</u>			
25	Per diem paid to four of seven travellers whose travel was unsupported.	\$ 3,258	\$
NA	No record of expatriate travel for two days per diem at Davis and one day in Vienna.	204	
<u>August 1981:</u>			
NA	No record of travel for four weeks per diem paid to a person for a trip to Davis, California.	1,400	
<u>September 1981:</u>			
26	Per diem paid for unsupported travel of two people.	2,316	
27	Per diem paid for questionable travel of an individual.	1,129	
30	Unsupported per diem paid to three persons.	2,999	
31	Per diem for the 12 persons whose travel was unsupported.	11,136	
<u>October 1981:</u>			
33	Per diem paid for ineligible travel of one person.		1,024
34	Per diem paid for ineligible travel of one person.		558

<u>Corresponding Schedule C-1 Note if Applicable</u>	<u>Transaction Description</u>	<u>Costs Questioned</u>	
		<u>Lack of Support</u>	<u>Ineligible</u>
<u>Period</u>			
<u>January 1982:</u>			
35	Per diem paid for questionable travel of two people.	\$ 2,230	\$
NA	No record of travel for per diem paid to an official to cover 21 days in the U.S. and to cover 22 days at Davis for another official.	962 1,012	
NA	No related travel documentation for per diem paid to three people, and		2,762
42	travel for another person that did not take place until May 1982 was questionable.	598	
<u>March 1982:</u>			
36	Per diem paid for an unauthorized trip.	900	
NA	No record of travel for per diem paid to an official to cover 30 days at Davis.	1,500	
<u>April 1982:</u>			
38	Per diem paid for unsupported travel of two people.	2,102	
39	Per diem paid for an expatriate's extra stops.	204	
NA	No record of travel for per diem paid to an official to cover 15 days in the U.S. and one day in Rome. An additional payment is unexplained.	846 956	

<u>Corresponding Schedule C-1 Note if Applicable</u>	<u>Transaction Description</u>	<u>Costs Questioned</u>	
		<u>Lack of Support</u>	<u>Ineligible</u>
<u>Period</u>			
<u>May 1982:</u>			
40	Per diem paid for unsupported travel by an expatriate.	\$ 450	\$
41	Per diem paid for: - Questionable travel of six of 17 travellers, and - Unsupported travel for three people.	6,048	1,600
42	Questionable per diem paid to six travellers.	2,642	
43	Per diem paid for unsupported travel of two people.	2,550	
NA	Unexplained per diem payments for: - Advance per diem in Cairo - Balance of 21 days for June 1982 - 30 days per diem and one day travel - Balance for August 1982 in Los Angeles - 16 days per diem for FSTC meeting	1,000 470 1,506 31 800	
	(Beyond the above descriptions, there was no other detail.)		
<u>June 1982:</u>			
44	Per diem paid to travellers not fully identified.	850	
45	Per diem for ineligible travel		1,050
46	Per diem for ineligible travel.		1,649
NA	No record of travel for: - 42 days per diem in the U.S. - 25 days per diem at a rate of \$12 daily	2,100 300	

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<u>Corresponding Schedule C-1 Note if Applicable</u>	<u>Transaction Description</u>	<u>Costs Questioned</u>	
		<u>Lack of Support</u>	<u>Ineligible</u>
<u>Period</u>			
<u>July 1982:</u>			
48	Per diem for ineligible travel.	\$	\$ 1,500
49	Per diem for ineligible travel.		1,559
NA	No record of travel for per diem: - covering 25 days in the U.S. - covering 15 days in D.C.	1,406 750	
<u>August 1982:</u>			
52	Per diem for ineligible travel of three people.		2,619
53	Per diem paid to six people whose travel was not supported.	3,650	
54	Per diem for: - Unsupported travel of six people, - Ineligible travel of two people.	5,800	1,168
56	Per diem for questionable travel.	1,050	
59	Per diem for travel that was refunded.		350
60	Per diem paid to a person not affiliated with ADS.		1,164
62	Net amount (\$1,856.60 less \$300.00 refunded) of questionable per diem regarding expatriate travel.	1,557	
NA	No record of travel and no further explanations regarding: - Per diem in the U.S., London, Amsterdam and Hamburg, - 21 days per diem in the U.S., and unexplained balance for September 1982.	2,468 1,050 167	

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<u>Corresponding Schedule C-1 Note if Applicable</u>	<u>Transaction Description</u>	<u>Costs Questioned</u>	
		<u>Lack of Support</u>	<u>Ineligible</u>
<u>Period</u>			
<u>August 1982 (Cont'd):</u>	- 21 days per diem in the U.S. and unexplained balance for September 1982	\$ 1,050 167	\$
	- Nine days per diem in Hamburg and registration.	1,111	
	- 15 days per diem in the U.S., and unexplained balance for September 1982.	750 144	
<u>October 1982:</u>			
NA	No record of travel for four days per diem in Hamburg.	420	
<u>November 1982:</u>			
62	Per diem for ineligible travel to Saudi Arabia.		1,858
65	Per diem for ineligible travel to Amsterdam.		389
NA	No record of travel for 20 days per diem in the U.S.	1,240	
<u>December 1982:</u>			
NA	No record of travel for 30 days per diem in the U.S.	1,860	
	Per Diem Questioned Due to Lack of Support	\$82,338	
	Per Diem Ineligible for Payment by AID		\$23,675
	Total Questioned Per Diem Claims	\$106,013	

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Agricultural Development Systems (263-0041)
Equipment

<u>Items Listed As Not Received</u>	<u>\$e</u>
Bebearder, Laboratory	\$ 3,198.-
Counter, Seed, Count-A - PAC	4,115.-
Shelter Instrument	339.-
Shelter Instrument	339.-
Recorder (Marshal Town)	323.-
Recorder (Marshal Town)	323.-
	<hr/>
Total	\$ 8,637.- *****
 <u>Items Idle Or Not Working</u>	
2 Greenhouses (lay behind the building)	\$32,130.-
	32,130.-
Meter, Corning Model (in the Central Lab not working)	428.-
Diesel Generator not working	11,521.-
5 Photron Lights @ 745 each not working	3,725.-
	<hr/>
Total	\$79,934.- *****

EXHIBIT E

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Agricultural Development Systems (263-0041)
Payments to Expatriate (L.E. and \$)
During 1982 without MOA Approval

<u>Item</u>	<u>Month</u>	<u>L.E.</u>	<u>Check #</u>
35	September 1982	752.-	172386

		LE 752.-	

<u>Item</u>	<u>Month</u>	<u>U.S. \$</u>	<u>Check #</u>
36	April '82	696.60	107173
1	May '82	389.00	107176
12	May '82	750.00	107188
24	Aug. '82	682.45	123035
25	Aug. '82	682.45	123036

		\$3,200.50	

LIST OF REPORT RECOMMENDATIONS

	<u>Page</u>
<u>Recommendation No. 1</u>	8
USAID/Egypt require the contractor to formally reconcile and account for LE 387,968 of USAID/Egypt advances outstanding as of March 31, 1983. The documents of reconciliation should be certified by the contractor's preparer, reviewer, and chief-of-party. Unaccounted for amounts are to be refunded to USAID/Egypt.	
<u>Recommendation No. 2</u>	9
USAID/Egypt require the contractor to show the disposition of outstanding subadvances from March 31, 1983 to contract expiration. The submission should contain evidence to support any liquidations, cash refunds or charge offs including cash receipts, expense vouchers and management determinations.	
<u>Recommendation No. 3</u>	11
USAID/Egypt recover from the contractor \$5,482 of refunds and void checks that were billed to and paid by AID.	
<u>Recommendation No. 4</u>	16
USAID/Egypt reevaluate the documentation provided by the contractor to support LE 128,874 (\$155,270) of claimed airfares. A bill for collection should be issued for unsupported airfare claims paid by AID. (See Schedule C-1.)	
<u>Recommendation No. 5</u>	16
USAID/Egypt either issue a bill for collection to the contractor for LE 47,887 (\$57,695) of ineligible airfare claims billed to and paid by AID, or justify those costs reinstated. (See Schedule C-1.)	

	<u>Page</u>
<u>Recommendation No. 6</u>	16
USAID/Egypt evaluate the documentation provided by the contractor to support \$82,338 of per diem and issue a bill for collection for unsupported per diem claims paid by AID. (See Schedule D-2.)	
<u>Recommendation No. 7</u>	16
USAID/Egypt either issue a bill for collection to the contractor for \$23,675 of ineligible per diem claims billed to and paid by AID. or justify those costs reinstated. (See Schedule D-2.)	
<u>Recommendation No. 8</u>	17
USAID/Egypt require the contractor to account for the LE 71.15 shortage identified on May 15, 1983 under the custody of the motorpool dispatcher.	
<u>Recommendation No. 9</u>	17
USAID/Egypt recover from the contractor LE 752 and \$3,201 representing the labor costs billed AID for an individual not authorized by the MOA to work on the ADS project.	
<u>Recommendation No.10</u>	22
USAID/Egypt should require that the LE 117,667 of motorpool expense claimed by the contractor from contract inception through December 31, 1982 (Schedule C-2), and subsequent motorpool expenses claimed from January 1, 1983 to contract expiration, be adequately documented and justified for project use. Unauthorized costs should be refunded to AID.	
<u>Recommendation No.11</u>	23
USAID/Egypt verify that AID handclasp emblems have been placed on each of the 17 project vehicles.	
<u>Recommendation No.12</u>	23
USAID/Egypt require the contractor to refund LE 2,435 which is claimable from insurance.	

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APPENDIX I

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	<u>Page</u>
<u>Recommendation No. 13</u>	23
USAID/Egypt require the MOA to affix GOE license plates on the 17 ADS project vehicles.	
<u>Recommendation No. 14</u>	23
USAID/Egypt request the MOA to establish fees for collection from ADS employees for home-to-office transportation in accordance with GOE normal practice.	
<u>Recommendation No. 15</u>	25
USAID/Egypt require UC to identify, locate, and provide a status report for AID-financed equipment costing \$200 or more prior to close-out of the contract.	
<u>Recommendation No. 16</u>	25
USAID/Egypt should issue UC a bill for collection for AID-financed project equipment not received or accounted for.	
<u>Recommendation No. 17</u>	25
USAID/Egypt make arrangements with the Ministry of Agriculture to promptly repair inoperable ADS project equipment, and to provide a plan for use of idle AID-funded equipment.	
<u>Recommendation No. 18</u>	26
USAID/Egypt, as a condition precedent to disbursement of the proposed \$2 million ADS amendment, ensure that the MOA has obtained formalized commitments to retain physical plant and facilities located at Cairo University, and ensure that administrative and backstop personnel are available for project administration.	

APPENDIX I

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Page

Recommendation No. 19

27

USAID/Egypt in conjunction with the Ministry of Agriculture require the contractor to report to the USAID Office of Education and Training (HRDC/EDU) the names, dates and locations of training, and training subject matter for all ADS project-affiliated host country policy makers, agricultural scientists, economists, and operating and research and development personnel who received training.

Recommendation No. 20

28

USAID/Egypt coordinate with the U.S. Embassy Consular Office (Egypt) to develop a system whereby all AID participants applying for visas are routinely sent to the USAID Office of Education and Training (HRDC/EDU) prior to visa issuance.

LIST OF REPORT RECIPIENTS

Assistant To The Administrator For Management (AA/M)	1
Assistant Administrator/Bureau For Near East (AA/NE)	5
Board For International Food And Agricultural Development (BIFAD)	2
Director, USAID/Egypt	5
Audit Liaison Office (AA/NE)	1
Office Of Egypt Affairs (NE/E)	1
Office Of Financial Management (M/FM/ASD)	2
Directorate For Program And Management Services (M/DAA/SER)	6
Bureau For Program And Policy Coordination (PPC/PDPR/PDI)	1
General Counsel (GC)	1
Office Of Legislative Affairs (LEG)	1
Office Of Public Affairs (OPA)	2
Office Of Evaluation (PPC/E)	1
Office Of Development Information And Utilization (S&T/DIU)	4
Office Of International Training (S&T/IT)	1
Inspector General (IG)	1
RIG/A/Dakar	1
RIG/A/Karachi	1
AAP-New Delhi	1
RIG/A/Latin America/W	1
RIG/A/Manila	1
RIG/A/Nairobi	1
RIG/A/Washington	1
Office Of Policy, Plans And Programs (IG/PPP)	1
Executive Management Staff (IG/EMS)	12
Assistant Inspector General For Investigations And Inspections (AIG/II/W)	1
Regional Inspector General For Investigations And Inspections (RIG/II/W)	1