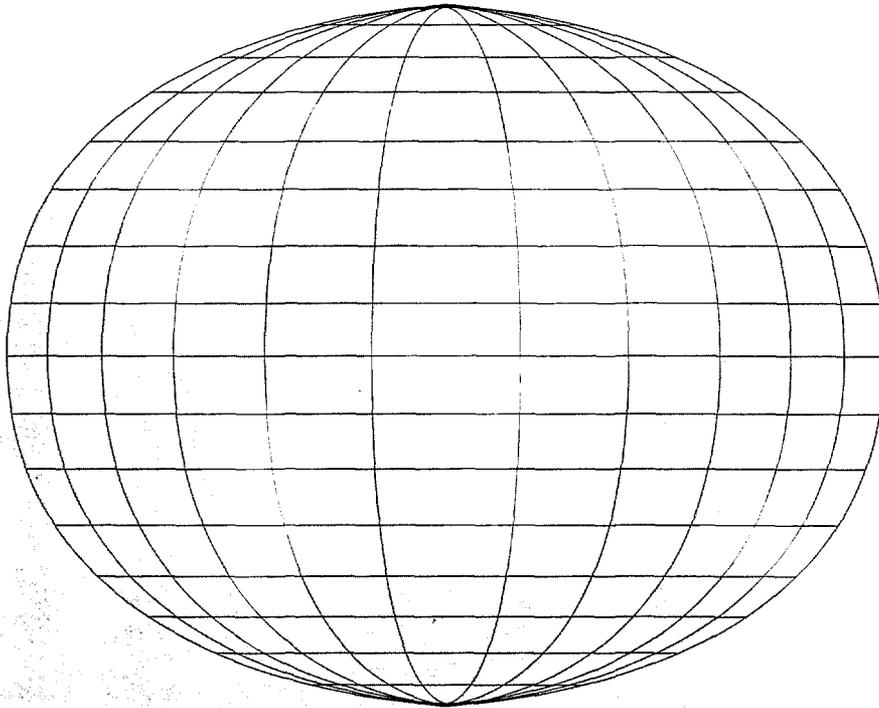


PD-ABP-004

Report of Audit

**Financial Audit of the National Population Council,
Expenditures Incurred Under the Population/Family
Planning II and III Projects (USAID/Egypt Project
Nos. 263-0144 and 263-0227)**

**Report No. 6-263-97-019-N
May 13, 1997**



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

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

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

BEST AVAILABLE COPY



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

CAIRO, EGYPT

May 13, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, Toni Christiansen-Wagner (Acting)

FROM: RIG/A/C, Bruce Boyer (Acting) *Bruce Boyer*

SUBJECT: Financial Audit of the National Population Council, Expenditures Incurred Under the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227)

The attached report, transmitted on February 19, 1997, by Price Waterhouse, presents the results of a financial audit of the National Population Council (Council), under Project Implementation Letters (PILs) Nos. 18 and 6B of the Population/Family Planning II and III Projects (USAID/Egypt Project Nos. 263-0144 and 263-0227). The projects are designed to assist the Government of Egypt in reducing the rate of population growth.

We engaged Price Waterhouse to perform a financial audit of the Council's incurred expenditures of \$1,344,032 (equivalent to LE4,529,388) for the period July 1, 1992 through June 30, 1995 for PIL No. 18 and July 1, 1994 through June 30, 1995 for PIL No. 6B. The purpose of the audit was to evaluate the propriety of costs incurred during these periods. Price Waterhouse also evaluated the Council's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

The audit report questions \$25,402 (equivalent to LE85,604) in costs billed to USAID/Egypt by the Council. The questioned costs related primarily to unapproved salary supplements. Additionally, the auditors noted one instance of material noncompliance regarding the payment of the salary supplements. These supplements were paid under the expired PIL No. 18 and had ceased upon an amendment to the PIL cancelling approval to make such payments from USAID funds. We are therefore making no recommendation in this regard.

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

The following recommendation is included in the Office of the Inspector General's recommendation follow-up system.

Recommendation No. 1: We recommend that USAID/Egypt make a management decision on the ineligible costs of \$25,402 detailed on pages 9 through 11 of the Price Waterhouse audit report, and recover from the National Population Council the amounts determined to be unallowable.

In response to the recommendation, the Mission sustained the questioned costs of \$25,402 and deducted this amount from the Council's March 1997 voucher (see Appendix C). Based on the Mission's management decision and final action, Recommendation No. 1 is closed upon issuance of this report.

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

Attachment: a/s

NATIONAL POPULATION COUNCIL

**PROJECT IMPLEMENTATION LETTERS NO. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION/FAMILY PLANNING PROJECT
GRANT AGREEMENT NO. 263-0144 AND
GRANT AGREEMENT NO. 263-0227**

**FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION
FOR THE PERIODS**

**JULY 1, 1992 THROUGH JUNE 30, 1995 AND
JULY 1, 1994 THROUGH JUNE 30, 1995, RESPECTIVELY**

"Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public"

NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NO. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION/FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND NO. 263-0227

FUND ACCOUNTABILITY STATEMENT
AND ADDITIONAL INFORMATION
FOR THE PERIODS
JULY 1, 1992 THROUGH JUNE 30, 1995 AND
JULY 1, 1994 THROUGH JUNE 30, 1995, RESPECTIVELY

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Price Waterhouse



February 19, 1997

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

Dear Mr. Mundy:

This report presents the results of our financial related audit of project revenues received and costs incurred by the National Population Council ("NPC"). The audit population includes revenues received and costs incurred by NPC under Project Implementation Letters ("PILs") Nos. 18 and 6B, under the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Population Family Planning II Project, Grant Agreement No. 263-0144 for PIL No. 18 and Population/Family Planning III Project, Grant Agreement No. 263-0227 for PIL No. 6B (collectively, the "Grant Agreements" or "Projects"), for the periods July 1, 1992 through June 30, 1995 and July 1, 1994 through June 30, 1995, (collectively, the "audit periods"), respectively.

Background

USAID/Egypt entered into Grant Agreement No. 263-0144 with the Government of Egypt ("GOE") on June 30, 1983 establishing the Population and Family Planning II Project. The project was aimed at assisting the GOE in reducing the rate of population growth. One aspect of this project was assistance in the development of the NPC. PIL No. 18, under this Grant Agreement, established the NPC Institutional Development Project ("IDP") and the Research Management Unit. Funds awarded under PIL No. 18 were used to assist NPC, especially at the governorate level, in strengthening management, programmatic and biomedical research, training, information systems and demonstration project functions necessary to effectively carry out NPC's missions.

Grant Agreement No. 263-0227 continued USAID/Egypt's involvement in population and family planning activities under the Population/Family Planning III Project. The agreement, dated September 23, 1992, has as its goal, to assist the GOE in achieving pre-determined fertility reduction goals. The assistance provided to NPC is to continue the Institutional Development Project and the Research Management Unit. Additionally, NPC is to continue its policy outreach efforts through USAID/Egypt funding. PIL No. 6B, dated August 22, 1994 earmarked the first funds for NPC under this Grant Agreement.

Amendment No. 12 of PIL No. 18, dated April 19, 1994, approved USAID/Egypt funding to NPC's Institutional Development Project of \$2,251,632 or 7,588,000 Egyptian Pounds ("LE") through June 30, 1994. Amendment No. 7 to Grant Agreement No. 263-0144, dated May 15, 1991, approved GOE cash contributions to NPC of LE 11,000,000 and LE 7,370,000 in-kind contributions. PIL No. 6B, Amendment No. 1 dated December 5, 1994, approved USAID/Egypt funding of \$1,221,246 or LE 4,115,600 to NPC for its first year implementation plan. For Grant Agreement No. 263-0227, the GOE funding for NPC is LE 15,724,000. The GOE also provides in-kind contributions in the form of personnel, operating cost support and certain fixed assets and commodities.



Audit Objectives

The objective of this engagement was to perform a financial related audit of project revenues received and costs incurred by NPC under PILs Nos. 18 and 6B of the Grant Agreements during the audit periods. Specific objectives were to perform and determine the following:

1. Express an opinion on whether the fund accountability statement for the USAID/Egypt financed NPC project presents fairly, in all material respects, project revenues received and costs incurred for the period under audit in conformity with generally accepted accounting principles or other comprehensive basis of accounting, including the cash receipts and disbursements basis and modifications of the cash basis;
2. Determine if the costs reported as incurred under the PILs are in fact allowable, allocable and reasonable in accordance with the terms of the PILs and the Grant Agreements;
3. Evaluate and obtain a sufficient understanding of the internal control structure of NPC, assess control risk, and identify reportable conditions, including material internal control weaknesses;
4. Perform tests to determine whether NPC complied, in all material respects, with the terms of the Grant Agreements, PILs, and applicable laws and regulations; and
5. Determine if NPC has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures began in April 1996. These procedures consisted of discussions with personnel from the Office of the Regional Inspector General for Audit in Cairo and NPC management, as well as a review of Financial Analysis Support Team and prior Non-Federal Audit reports. Audit fieldwork commenced in July 1996 and was completed in February, 1997.

Audit Scope

The scope of our audit for PIL No. 18 included a population of project costs of \$1,028,764 or LE 3,466,936. On a judgmental basis, we selected and tested \$485,325 or LE 1,635,548 (47%) of these costs. This level of testing was warranted based upon our assessment of control risk due to uncorrected internal control weaknesses that were identified during the prior audit period. Our audit population also included \$978,636 or LE 3,298,005 of project revenues received. We tested one hundred percent of these revenues.

The scope of our audit for PIL No. 6B included a population of project costs of \$315,268 or LE 1,062,452. On a judgmental basis, we selected and tested \$82,185 or LE 276,967 (26%) of these costs. Our audit population also included \$80,477 or LE 271,206 of project revenues received. We tested one hundred percent of these revenues.

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

1. Reconciling NPC project accounting records to billings issued to USAID/Egypt to ensure that project costs were appropriately supported.



2. Testing project costs funded by USAID/Egypt for allowability and allocability.
3. Determining whether appropriate procurement procedures were applied that conformed with the terms of the Grant Agreements, PILs, and applicable laws and regulations.
4. Determining if salary costs were adequately supported and approved.
5. Establishing the adequacy of NPC control procedures to safeguard project funds/assets.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program. This program requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

As part of our examination, we assessed NPC's internal controls, as they relate to the Grant Agreements, in order to determine our auditing procedures. We also reviewed NPC's compliance with applicable laws and regulations.

Results of Audit

Fund accountability statement

Our audit procedures identified \$25,402 or LE 85,604 of questionable project costs relating to PILs Nos. 18 and 6B. These amounts are comprised of: \$25,312 or LE 85,301 of ineligible costs for PIL No. 18 and, \$90 or LE 303 of ineligible costs for PIL No. 6B. No unsupported questionable project costs for PILs Nos. 18 and 6B were identified. The fund accountability statement and the detail of questionable project costs, both as incurred in Egyptian pounds, are included in supplemental schedules to this report.

Internal control structure

During our audit we noted that the majority of the questioned costs identified in PIL No. 18 resulted from the following weaknesses in the internal control structure:

1. NPC's cash book and project general ledger for PIL No. 18 did not provide a record of all transactions. We noted some receipts, refunds to GOE accounts, cancellation of checks and issuances of replacement checks were not recorded in either the cash book or the general ledger. Also, some transactions did not have sufficient detail to allow NPC to find the necessary supporting documentation.



2. Bank reconciliations were not performed. From the inception of PIL No. 18 through June 30, 1995 bank reconciliations were not completed.

It should be noted that PIL No. 18 and its related Grant Agreement has expired. As a result, corrective actions for the weaknesses noted above cannot be implemented under PIL No. 18. Consequently, we have not provided a report on internal control structure of NPC as it relates to PIL No. 18. PIL No. 6B under Grant Agreement No. 263-0227 continues many activities previously conducted under PIL No. 18. We noted, during our audit that the recommendations to correct the material internal control weaknesses noted in PIL No. 18 have been implemented in the internal control structure of PIL No. 6B. As a result, we noted no material internal control weaknesses relating to PIL No. 6B.

Compliance with laws, regulations, contracts and grants

Our audit procedures identified the following instance of material noncompliance with either the terms of Grant Agreements, PIL No. 18 and applicable laws and regulations or a combination thereof. No instances of material noncompliance were identified for PIL No. 6B.

1. NPC billed USAID/Egypt for salary supplements paid to employees that were not approved by USAID/Egypt.

Follow up on Prior Audit Recommendations

We have reviewed the prior audit report of NPC PIL No. 18 for the period September 1, 1987 through June 30, 1992 (the "Prior Audit"). All prior audit questionable costs, internal control and noncompliance findings and recommendations have been addressed and implemented. Prior audit questionable costs have been reimbursed to USAID/Egypt in November 1995. The internal control structure of PIL No. 18 has ceased to exist. Therefore, we were unable to determine whether recommendations to correct deficiencies in the internal control structure of NPC as it relates to PIL No. 18 have been implemented. However, these recommendations appear to have been used in the design and implementation of the internal control structure of NPC as it relates to PIL No. 6B. Consequently, the findings relating to material weaknesses in NPC's internal control structure relating to PIL No. 18 are considered closed.

Management's Comments

Management's comments have been obtained and are included in Appendix A to this report. In response to management's comments, we either provided further clarification of our position in Appendix B or have adjusted our findings.

Mission Response

The mission response is included in Appendix C to this report.

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

Prisc Waterhouse

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Price Waterhouse



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

February 19, 1997

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

We have audited the fund accountability statement of project revenues received and costs incurred by the National Population Council ("NPC") under Project Implementation Letters ("PILs") Nos. 18 and 6B of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Population/Family Planning II Project Grant Agreement No. 263-0144 for PIL No. 18 and Population/Family Planning III Project Grant Agreement No. 263-0227 for PIL No. 6B (collectively the "Grant Agreements" or "Projects"), for the periods July 1, 1992 through June 30, 1995 and July 1, 1994 through June 30, 1995 (collectively, the "audit periods"), respectively. The fund accountability statement is the responsibility of NPC management. Our responsibility is to express an opinion on this statement based on our audit.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program. This program requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

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



As detailed in the fund accountability statement, and more fully described in Note 5 thereto, our audit procedures identified \$25,402 or LE 85,604 of questionable project costs relating to PILs Nos. 18 and PIL No. 6B. These amounts are comprised of: \$25,312 or LE 85,301 of ineligible costs for PIL No. 18 and, \$90 or LE 303 of ineligible costs for PIL No. 6B. No unsupported questionable project costs for PIL Nos. 18 and 6B were identified. Project costs that are ineligible for USAID/Egypt reimbursements are those that are not program related or are prohibited by PILs Nos. 18 and 6B, the Grant Agreements, or applicable laws and regulations. Unsupported project costs are those lacking adequate documentation.

In our opinion, except for the effects of the questionable project costs discussed in the fifth paragraph, the fund accountability statement referred to in the first paragraph presents fairly, in all material respects, project revenues received and costs incurred by NPC under the PILs Nos. 18 and 6B of the Grant Agreements for the audit periods, in conformity with the basis of accounting described in Note 2.

In accordance with GAS, we have also issued a report dated February 19, 1997 on our consideration of NPC's internal control structure and a report dated February 19, 1997 on its compliance with laws and regulations.

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

Paul Waterhouse

NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS ("PILS") NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
GRANT AGREEMENT NO. 263-0144 FOR PIL NO. 18 AND NO. 263-0227 FOR PIL NO. 6B
FOR THE PERIODS JULY 1, 1992 THROUGH JUNE 30, 1995 FOR PIL NO. 18
AND JULY 1, 1994 THROUGH JUNE 30, 1995 FOR PIL NO. 6B

FUND ACCOUNTABILITY STATEMENT
IN US DOLLARS

	APPROVED BUDGET (NOTE 1)	ACTUAL (NOTE 1)	DISALLOWANCES (NOTE 4)	PROJECT COST RECLASSIFICATIONS (NOTE 4)	REVISED ACTUAL (NOTE 1)	QUESTIONABLE COSTS INELIGIBLE (NOTE 5)	UNSUPPORTED (NOTE 5)	FINDING REFERENCE
OPENING FUND BALANCES:								
PIL No 18		185,828	-	-	185,828			
PIL No 6B		-	-	-	-			
TOTAL OPENING FUND BALANCES		185,828	-	-	185,828			
REVENUES USAID/EGYPT:								
PIL No 18		978,636	-	-	978,636			
PIL No 6B		80,477	-	-	80,477			
TOTAL REVENUES		1,059,113	-	-	1,059,113			
EXPENDITURES:								
PIL No 18								
Population Information Center	238,653	250,175	(33,221)	7,933	224,887	89	-	Page 9, I A
Research	163,337	93,806	(25,434)	(178)	68,194	-	-	
Technical Assistance	45,539	64,457	(7,902)	(6,864)	49,694	-	-	
Training	139,438	104,722	(14,367)	(878)	99,477	-	-	
Project Administration	218,649	129,233	(14,419)	6,649	121,463	25,233	-	Page 10, II
Management Development	(13,934)	-	-	-	-	-	-	
Demonstration Project	18,215	-	-	-	-	-	-	
Commodities	216,074	152,522	(4,061)	(7,858)	140,603	-	-	
Renovations	(29,110)	24,969	(1,229)	-	23,740	-	-	
Contingencies	(15,004)	-	-	-	-	-	-	
Government Development Support	168,739	208,880	(8,982)	1,193	201,091	-	-	
Total PIL No 18	1,150,596	1,028,764	(99,615)	-	929,149	25,312	-	
PIL No 6B								
In Country Training	52,463	22,442	-	(1,792)	20,650	-	-	
Project Administration	214,125	79,617	-	1,792	81,409	-	-	
Salaries	41,442	29,315	-	-	29,315	-	-	
Commodities	84,510	9,998	-	-	9,998	90	-	Page 11, II A
Information, Education and Communication	121,662	121,899	-	-	121,899	-	-	
Policy Outreach Conferences	29,674	11,712	-	-	11,712	-	-	
Demographic Health Survey III	130,682	36,016	-	-	36,016	-	-	
Governorate Special Activity	281,899	4,269	-	-	4,269	-	-	
Operations Research	169,614	-	-	-	-	-	-	
DHS 1992 Secondary Analysis	44,510	-	-	-	-	-	-	
Service Statistics and Audits	48,665	-	-	-	-	-	-	
Total PIL No 6B	1,221,246	315,268	-	-	315,268	90	-	
TOTAL EXPENDITURES		1,344,032	(99,615)	-	1,244,417	25,402	-	
ENDING FUND BALANCE								
PIL No 18		135,700	99,615	-	235,315	-	-	
PIL No 6B		(234,791)	-	-	(234,791)	-	-	
TOTAL ENDING FUND BALANCE		(99,091)	99,615	-	524	-	-	

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

NATIONAL POPULATION COUNCIL

**PROJECT IMPLEMENTATION LETTERS NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227**

NOTES TO THE FUND ACCOUNTABILITY STATEMENT

NOTE 1 - SCOPE OF STATEMENT:

The fund accountability statement includes project revenues received and costs incurred by NPC under the Project Implementation Letters ("PILs") Nos. 18 and 6B under Grant Agreement No. 263-0144 for PIL No. 18 and Grant Agreement No. 263-0227 for PIL No. 6B (collectively, the "Grant Agreements" or "Projects"), for the periods July 1, 1992 through June 30, 1995 for PIL No. 18 and July 1, 1994 through June 30, 1995 for PIL No. 6B (collectively, the "audit periods").

"Budget" includes USAID/Egypt approved project costs in accordance with the most recent budget amendments of PILs Nos. 18 and 6B within the audit periods, and is presented for informational purposes only. Amendment No. 12 to PIL No. 18, dated April 19, 1994, approved total project costs in the amount of \$2,251,632 or Egyptian pounds ("LE") 7,588,000 for the period September 1, 1987 through June 30, 1994. NPC's audited records as of June 30, 1992 indicate that expenditures of \$1,101,036 or LE 3,710,494 were incurred from September 1, 1987 through June 30, 1992. Accordingly, total "Budget" during the audit period for PIL No. 18 has been calculated to be \$1,150,596 or LE 3,877,506. Amendment No. 1 to PIL No. 6B approved a budget of \$1,221,246 or LE 4,115,600 for the period July 1, 1994 through June 30, 1995. "Budget" in LE has been converted to US dollars at an average exchange rate of 3.37 LE to one US dollar as explained below in Note 3. Budget line items showing negative balances represent expenditures over the approved budget for the prior audit period.

"Actual" represents cumulative project revenues received and costs incurred, by NPC under PILs Nos. 18 and 6B during the audit periods. "Revised Actual" represents actual project costs adjusted for project cost reclassifications and USAID/Egypt disallowances of costs during the audit periods as explained in Note 4 below. Expenditures in LE have been converted to US dollars at an average exchange rate of 3.37 LE to one US dollar as explained below in Note 3. Actual revenues for PIL No. 6B are less than project expenditures due to timing differences between the receipt of funds from USAID/Egypt and project disbursements. Accordingly, "Actual" and "Revised Actual" for PIL No. 6B have outstanding negative balances of \$234,791 or LE 791,246. In accordance with the terms of PIL No. 6B, actual line item expenditures may exceed budgeted amounts by twenty percent. All adjustments over twenty percent require USAID/Egypt's prior written approval.

NOTE 2 - BASIS OF PRESENTATION:

The fund accountability statement of NPC has been prepared on the basis of cash receipts and disbursements. Consequently, project revenues are recognized when received. Project costs are recognized when paid rather than when the obligation is incurred.

NOTE 3 - FOREIGN EXCHANGE:

Actual and budgeted project revenues and costs incurred in LE have been converted to US dollars at an exchange rate of 3.37 LE to one US dollar. The exchange rate has been calculated by averaging the ending monthly exchange rates during the audit periods.

NOTE 4 - PROJECT COST RECLASSIFICATIONS/DISALLOWANCES:

Certain project costs associated with various budget line items were recorded in the Project's accounting records in the incorrect budget line item. These misclassified project costs were isolated incidents. They have been reclassified to the proper budget line item to facilitate a more appropriate comparison between actual and budgeted project costs. In accordance with the approved budget for PILs Nos. 18 and 6B, actual line item expenditures may exceed an individual budget line item by twenty percent. Adjustments over twenty percent require USAID/Egypt's prior written approval. Disallowances represent project costs disallowed by USAID/Egypt during the audit periods. These costs have not been actually reimbursed to NPC by USAID/Egypt and have been reduced from the actual expenditures to reflect expenditures actually reimbursed to NPC.

NOTE 5 - QUESTIONABLE PROJECT COSTS:

Questionable project costs are presented separately, by respective PIL number, and budget line item, in two categories, ineligible and unsupported. Project costs that are ineligible for USAID/Egypt reimbursement are those that are not program related or are prohibited by the PILs, the Grant Agreements, or applicable laws and regulations. Unsupported project costs are those lacking adequate documentation. Questionable project costs identified as either ineligible or unsupported are detailed as follows:

<u>ITEM DESCRIPTION</u>	<u>Questionable Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
I. PIL NO. 18		
A. Population Information Center		
1. Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information this finding has been removed from the final report.	\$ -	\$ -
2. Salary payments were made to non-IDP staff under this line item. Section B.3 of Annex 2 of the Grant Agreement states that "Any resources financed under the grant will, unless agreed in writing by AID, be devoted to the project...." Therefore, salary payments of \$89 made to non-IDP staff have been questioned as ineligible. Management agrees that this payment was for non-project purposes, and stated this was an error.	89	-
Total Population Information Center	\$ 89	\$ -
B. Research		
1. Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information this finding has been removed from the final report.	-	-
Total Research	\$ -	\$ -
C. Technical Assistance		
1. Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information this finding has been removed from the final report.	-	-
2. Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information this finding has been removed from the final report.	-	-
3. Subsequent to the issuance of our draft report, we were provided additional support relating to this item. Based on our review of this information this finding has been removed from the final report.	-	-
Total Technical Assistance	\$ -	\$ -

ITEM DESCRIPTION

Questionable Costs

II. PIL NO. 6B

A. Commodities

1. Sales tax was paid as part of the cost of installing a telephone line for NPC's office in Southern Sinai. According to Section B.4 of Annex 2 of the Grant Agreement, taxes added to the value of goods and services will be paid "from funds other than those provided under the Grant." Management stated that they were unable to obtain exemption from the tax and were required to pay it. They are seeking a refund with the help of USAID/Egypt. However, as the tax of \$90 has been paid with grant funds, it is therefore, an ineligible cost.

Total Commodities

TOTAL PIL 6B QUESTIONABLE COSTS

TOTAL QUESTIONABLE COSTS

		Questionable Costs	
		<u>Ineligible</u>	<u>Unsupported</u>
		\$ 90	\$ -
	Total Commodities	\$ 90	\$ -
	TOTAL PIL 6B QUESTIONABLE COSTS	\$ 90	\$ -
	TOTAL QUESTIONABLE COSTS	\$ 25,402	\$ -

15

4, Road 261,
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Cairo, Egypt.

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Price Waterhouse



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

February 19, 1997

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

We have audited the fund accountability statement of project revenues received and costs incurred by the National Population Council ("NPC") under Project Implementation Letters ("PILs") Nos. 18 and 6B of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Population/Family Planning II Project, Grant Agreement No. 263-0144 for PIL No. 18 and Population/Family Planning III Project, Grant Agreement No. 263-0227 for PIL No. 6B (collectively, the "Grant Agreements" or "Projects") for the period July 1, 1992 through June 30, 1995 and July 1, 1994 through June 30, 1995 (collectively, the "audit periods"), respectively, and have issued our report thereon dated February 19, 1997.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program. This program requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

We did not assess the internal control structure of NPC as it related to PIL No. 18, as required by GAS chapter 5, paragraph 26, to identify material weaknesses in the internal control structure under standards established by the American Institute of Certified Public Accountants. This is due to the fact that the internal control structure of NPC as it related to PIL No. 18 has ceased to exist and activities financed by the PIL have been completed. As a result, corrective actions for any deficiencies noted in, and recommendations to improve, the internal control structure of NPC relating to PIL No. 18 cannot be implemented. We believe the effect of this departure is not material because we assessed the internal control structure of NPC as it relates to PIL No. 6B. Many of the activities conducted under PIL No. 6B are a continuation of those conducted under PIL No. 18. As PIL No. 6B is an ongoing activity, corrective actions for any deficiencies noted in, or recommendations to improve the, internal control structure can be implemented.



The management of NPC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that the assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the fund accountability statement in accordance with the terms of the Grant Agreements and the basis of accounting described in Note 2 of the report on the Fund Accountability Statement. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

In planning and performing our audit of the fund accountability statement of NPC for the audit periods we obtained an understanding of the internal control structure as it relates to PIL No. 6B. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the fund accountability statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure of PIL No. 6B and its operation that we consider to be material weaknesses as defined above.

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

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Price Waterhouse



**REPORT OF INDEPENDENT ACCOUNTANTS
ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS AND GRANTS**

February 19, 1997

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

We have audited the fund accountability statement of project revenues received and costs incurred by the National Population Council ("NPC") under Project Implementation Letters ("PILs") Nos. 18 and 6B of the United States Agency for International Development Mission to Egypt ("USAID/Egypt") funded Population/Family Planning II Project, Grant Agreement No. 263-0144 for PIL No. 18 and Population/Family Planning III Project, Grant Agreement No. 263-0227 for PIL No. 6B (collectively, the "Grant Agreements" or "Projects") for the periods July 1, 1992 through June 30, 1995 and July 1, 1994 through June 30, 1995 (collectively, the "audit periods"), respectively, and have issued our report thereon dated February 19, 1997.

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

We did not have an external quality control review by an unaffiliated audit organization as required by paragraph 33 of Chapter 3 of GAS since no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of GAS is not material because we participate in the Price Waterhouse worldwide internal quality control program. This program requires the Price Waterhouse Cairo office to be subjected, every three years, to an extensive quality control review by partners and managers from other Price Waterhouse offices and firms.

Compliance with laws, regulations, contracts and grants applicable to NPC is the responsibility of NPC management. As part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement, we performed tests of NPC's compliance with certain provisions of laws, regulations, contracts and grants. However, the objective of our audit of the fund accountability statement was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion. For purposes of this report, we have categorized the provisions of laws, regulations, contracts, and grants we tested as part of obtaining such reasonable assurance into the following categories:

- Procurement policies and procedures
- Restrictions on billing taxes
- Deposit and investment restrictions
- Budgetary expenditure limitations
- Maintenance of accounting books, records and documents
- Compensation limitations



Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contracts, or grants that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the fund accountability statement. The results of our tests of compliance disclosed the following material instances of noncompliance (shown separately by PIL):

MATERIAL INSTANCE OF NONCOMPLIANCE

PIL No. 18:

1. NPC billed USAID/Egypt for salary supplements paid to employees that were not approved by USAID/Egypt.

We noted that during the period July 1992 through September 1993, NPC billed USAID/Egypt for salary supplements. USAID/Egypt Mission Order No. 3-32 requires that salary supplements to GOE employees be approved in advance of the payment. Amendment No. 3 to Grant Agreement No. 263-0144 authorized the payment of salary supplements to employees working on the project. Accordingly, NPC sent to, and received from, USAID/Egypt approval to pay salary supplements to selected employees and contracted staff. However, NPC also paid supplements to other employees and contracted staff not included on the USAID/Egypt approved list.

NPC management acknowledged their noncompliance with USAID/Egypt regulations. However, they said that these payments were for additional work that was performed and were not for salary supplements. We were not able to review support substantiating this. We also noted that these payments ceased after the issuance of Amendment No. 9 to PIL No. 18, which canceled the approval to pay salary supplements from USAID/Egypt funds. As such, there was no continuing noncompliance noted as of June 30, 1994.

Recommendation No. 1

We recommend that NPC continue to comply with USAID/Egypt regulations regarding the payment of salary supplements.

* * * * *

PIL No. 6B:

We did not note any instances of material noncompliance for PIL No. 6B.

* * * * *



We considered the material instance of noncompliance noted for PIL No. 18 in forming our opinion on whether NPC's fund accountability statement is presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated February 19, 1997, on that statement.

We also noted other matters involving NPC's compliance with laws, regulations, contracts and grants that we have reported to management in a separate letter dated February 19, 1997.

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

Price Waterhouse

NATIONAL POPULATION COUNCIL

PROJECT IMPLEMENTATION LETTERS NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227
MANAGEMENTS' COMMENTS

The National Population Council



Secretary General :
Prof. Dr. Maher Mahran
F.R.C.S., Ph.D. (EDIN.) F.R.C.O.G., (LOND.)

February 19, 1997

Price Waterhouse
4, Road 261
New Maadi, Cairo

Subject: Financial Audit Report on the National Population Council, PILs
Nos. 18 and 6B under USAID / Egypt Project No. 263-0144
and 263-0227

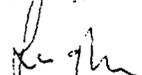
Dear Sirs,

Thank you for sharing the draft report on your audit of the Institutional Development Project (IDP), conducted on behalf of the United States Agency for International Development, and for giving us the opportunity to respond to your draft.

We have thoroughly examined the report and our response to the questioned costs is attached to this letter.

If you have any questions regarding our response, please contact us.

Sincerely,


Fawzy Abdel-Ghany
Project Director

cc. : Richard Martin , Director, Population Office, HRDC
Amani Selim , USAID Project Officer
Walid El-Khateeb , PPC Chief of Party
Margaret Rowan , PPC Deputy Chief of Party
Diaa Hammamy , IDP Resident Advisor
Nabil Ramzy , NPC Financial Director
Salwa El-Khatib , Project Financial Manager

P.O.B. 1036 Cairo

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NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227
MANAGEMENTS' COMMENTS

Financial Audit Report on the IDP

For the Periods July 1, 92 Through June 30, 95
And July 1, 94 Through June 30, 95

Response to Questionable Project Costs

I. PIL No. 18

Finding No.	Tot. Finding Amount	Date	PV.No.	Allowable LE	Unallowable LE	Justification
<u>A. Population Information Center</u>						
1.	3,000					
		7/21/93	152	1,000		Actual document taken by the Central Audit Organization for the NPC audit Copy of AID approval for staff payment is attached
		9/27/93	1062	1,000		
		11/1/93	1597	1,000		
2.	300				300	
<u>Total A.</u>				<u>3,000</u>	<u>300</u>	

B. Research

1.	23,700	(Note: in audit report wrong dates & wrong amount in item 4 ; total will change)				
		3/6/94	3472	300		Technical review committee of final report of the Egyptian Junior Medical Practitioner's Role in family planning that was conducted by CAPMAS and funded under PIL 18 line item Research same as above Post Partum IUD insertion research conduc- ted by El-Gataa Hospital THO. Advance of LE.21,600 and settlement, no balance. Wrong amount listed in audit report all allowable payments to RMU consultants
		3/6/94	3473	300		
		6/19/94	5313	21,600		
		6/20/94	5497	1,500		
<u>Total B.</u>				<u>23,700</u>	<u>0</u>	

C. Technical Assistance

1.	150	2/7/93	3685	150		AID approved salary supplement of LE.420 for the IDP Project Director Payments to PIC staff who contributed in the centre renovation, list attached same finding as no. C.1.
2.	1,250	8/3/93	287	1,250		
3.	600	2/7/93	3685 to be cancelled			
<u>Total C.</u>				<u>1,400</u>	<u>0</u>	

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NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227
MANAGEMENTS' COMMENTS

<u>I. PIL No. 18</u>					
Finding No.	Tot. Finding Amount	Finding Date	PV.No.	Allowable LE	Unallowable LE Justification
<u>D. Training</u>					
1.	21,600	9/18/93	904		21,600 Document with Central Audit Organization NPC is attempting to retrieve the documents
2.	4,020	8/5/92	287	4,020	Approved activity misclassified should be under governorate support grants
<u>Total D.</u>				<u>4,020</u>	<u>21,600</u>
<u>E. Project Administration</u>					
1.	1,000				
		10/24/93	1429	250	Authorized travel of eng. Samia Sadek for the installation of service statistics computerized system funded by IDP
		5/11/94	4600	750	Per diem for procurement committee for purchase of publications for PIC approval attached
2.	113,790				
		7/18/92	64		150 unallowable
		12/9/92	2419	611	allowable per AID approved list
		12/9/92	2422	458	allowable per AID approved list
		12/8/92	2413		2,845 unallowable
		12/9/92	2420		2,547 unallowable
		12/9/92	2421		2,811 unallowable
		12/9/92	2788	1,270	allowable
		1/5/93	3048		2,649 unallowable
		1/5/93	3123		751 unallowable
		1/5/93	3125		908 unallowable
		1/5/93	3128		637 unallowable
		1/9/93	3178		862 unallowable
		1/9/93	3185		961 unallowable
		1/9/93	3188		1,229 unallowable
		1/10/93	3227		660 unallowable
		1/10/93	3230		447 unallowable
		2/8/93	3661	429	allowable per AID approved list
		2/8/93	3680		1,393 unallowable
		2/8/93	3679		957 unallowable
		2/8/93	3664	953	allowable per AID approved list
		2/8/93	3660		2,431 unallowable
		2/8/93	3663	382	allowable per AID approved list
		2/8/93	3658	1,185	allowable per AID approved list
		2/8/93	3659		2,947 unallowable
		2/8/93	3656		2,645 unallowable
		2/8/93	3657		2,636 unallowable
		7/2/93	3687		2,188 unallowable

NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227
MANAGEMENTS' COMMENTS

I. PIL No. 18

Finding No.	Tot. Finding Amount	Date	PV.No.	Allowable LE	Unallowable LE	Justification
<u>E. Project Administration</u>						
2.						
		1/2/93	3606			651 unallowable
		7/2/93	3683	550		allowable per AID approved list
		7/2/93	3708	569		allowable
		9/2/93	3746			428 unallowable
		9/2/93	3755			533 unallowable
		9/2/93	3754			664 unallowable
		9/2/93	3752			519 unallowable
		9/2/93	3751			772 unallowable
		9/2/93	3765			479 unallowable
		9/2/93	3758			711 unallowable
		9/2/93	3766			787 unallowable
		9/2/93	3767	161		allowable per AID approved list
		9/2/93	3768			525 unallowable
		9/2/93	3771			615 unallowable
		9/2/93	3773			443 unallowable
		9/2/93	3775			486 unallowable
		9/2/93	3777			701 unallowable
		9/2/93	3790			686 unallowable
		8/3/93	4062			2,109 unallowable
		10/3/93	4145			2,110 unallowable
		10/3/93	4146	703		allowable per AID approved list
		10/3/93	4344			2,217 unallowable
		3/22/93	4353			2,691 unallowable
		3/22/93	4352			2,836 unallowable
		3/22/93	4341			2,837 unallowable
		3/22/93	4339	703		allowable per AID approved list
		4/28/93	4831	455		allowable per AID approved list
		4/28/93	4832	429		allowable per AID approved list
		4/28/93	4840	328		allowable per AID approved list
		4/28/93	4838	637		allowable per AID approved list
		4/28/93	4829	1,040		allowable per AID approved list
		4/28/93	4839			2,139 unallowable
		4/28/93	4835			1,355 unallowable
		4/24/93	4827			2,638 unallowable
		4/24/93	4825			2,444 unallowable
		4/24/93	4826			2,157 unallowable
		4/28/93	4833			834 unallowable
		4/26/93	4836			707 unallowable
		4/4/93	4521			638 unallowable
		4/4/93	4510			679 unallowable
		4/4/93	4524			664 unallowable
		4/28/93	4887			651 unallowable

NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NOS. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227
MANAGEMENTS' COMMENTS

<u>I. PIL No. 18</u>					
Finding No.	Tot. Finding Amount	Finding Date	PV.No.	Allowable LE	Unallowable LE Justification
<u>E. Project Administration</u>					
2.					
		4/28/93	4890		672 unallowable
		4/4/93	4523		519 unallowable
		4/4/93	4516		712 unallowable
		4/4/93	4515		533 unallowable
		4/4/93	4518		436 unallowable
		4/4/93	4492		428 unallowable
		4/28/93	4914		483 unallowable
		4/28/93	4889	461	allowable per AID approved list
		5/25/93	5305	703	allowable per AID approved list
		5/25/93	5306		1,560 unallowable
		5/26/93	5330		1,340 unallowable
		5/26/93	5331	157	allowable per AID approved list
		5/26/93	5332		1,764 unallowable
		5/26/93	5308		2,206 unallowable
		5/26/93	5309		1,245 unallowable
		5/26/93	5310		1,743 unallowable
		5/29/93	5354	1,311	allowable per AID approved list
		7/17/93	58	1,761	allowable, approved by project director
		7/17/93	60	1,722	allowable, approved by project director
		7/17/93	62	703	allowable per AID approved list
		7/17/93	68	2,180	allowable, approved by project director
		7/18/93	82	1,197	allowable per AID approved list
		7/18/93	66	187	allowable per AID approved list
		7/18/93	65	452	allowable per AID approved list
		3/8/93	288	880	Special event approved activity : "Menia Initiative"
		8/25/93	662	3,307	allowable per AID approved list
		8/9/93	826	50	allowable per diem
		6/20/94	5758	2,855	allowable per AID approved list
2. Total	113,790			28,789	85,001
<u>Total E.</u>				<u>29,789</u>	<u>85,001</u>
Subtotal PIL 18				Allowable 61,909	Unallowable 106,901
 <u>II. PIL No. 6B</u>					
A.1.	303	6/14/95	6285	303	AID approved the refund of sales tax & sent a letter to tax dept. Ministry of Finance requesting the refund of sales tax
Total PILs 18 & 6B				62,212	106,901

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NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NO. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227

INDEPENDENT ACCOUNTANTS' RESPONSE

Management of the National Population Council ("NPC") of the Population and Family Planning Project provided comments to our report presented at the exit conference held on November 9, 1996. These comments have been included, unedited, in Appendix A of this report. We have reviewed management's comments and have either adjusted our final report or clarified our positions. Our response below parallels the audit report findings and management's comments.

**RESPONSE TO NPC MANAGEMENT COMMENTS TO QUESTIONABLE COSTS AS
DETAILED IN SUPPLEMENTAL SCHEDULE NO. 2**

PIL No. 18

A. Population Information Center

1. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$890 or LE 3,000 previously questioned as unsupported.
2. Management concurs with our finding.

B. Research

1. Based on our review of additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$12,997 or LE 43,800 previously questioned as unsupported.

C. Technical Assistance

1. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$44 or LE 150 previously questioned as ineligible.
2. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$371 or LE 1,250 previously questioned as ineligible.
3. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$178 or LE 600 previously questioned as unsupported.

D. Training

1. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$6,409 or LE 21,600 previously questioned as unsupported.

2. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to reclassify the amount of \$1,193 or LE 4.020 previously questioned as ineligible.

E. Project Administration

1. Based on our review of the additional support provided by management subsequent to the exit conference, we have adjusted our report to exclude the amount of \$297 or LE 1000 previously questioned as ineligible.
2. Based on our review of additional support provided by management subsequent to the exit conference, we have adjusted this finding to exclude \$8,542 or LE 28,789 of costs included in the total previously questioned amount of \$33,765 or LE 113,790. Management was able to provide adequate support for these costs. Accordingly, the total revised questionable cost amount is now \$25,223 or LE 85,001. This amount was concurred to by management.

PIL No. 6B

A. Commodities

1. NPC concurred that the amount questioned is unallowable. Management is making attempts to recover this from the tax authorities, and has provided to us a letter from USAID/Egypt to the tax authority requesting a refund of the tax paid. As the refund has not been received, the finding remains unchanged and the amount questioned as shown.

NATIONAL POPULATION COUNCIL
PROJECT IMPLEMENTATION LETTERS NO. 18 AND 6B
UNDER THE USAID/EGYPT FUNDED
POPULATION AND FAMILY PLANNING PROJECT
GRANT AGREEMENTS NO. 263-0144 AND 263-0227

MISSION RESPONSE

USAID



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

CAIRO, EGYPT

MEMORANDUM

07 MAY 1997

DATE: May 7, 1997

TO: L. Mundy, RIG/A/C

FROM: For Shirley A. Hunter, OD/PM/FA

SUBJECT: Financial Audit of the National Population Council,
Expenditures Incurred under the Population/Family
Planning II and III Projects (USAID/Egypt Project No.
263-0144 and 263-0227)
Draft Report dated April 10, 1997

Following are the actions taken by the Mission to close
Recommendation No. 1 under the subject audit:

Recommendation No. 1:

We recommend that USAID/Egypt make a management decision on the
ineligible costs of \$25,402 detailed on pages 9 through 11 of the
audit report, and recover from the National Population Council
the amounts determined to be unallowable.

Mission Response:

NPC has accepted the amount of LE 85,301, and the LE 303 was
determined by the Mission as ineligible since it represents
identifiable taxes (Attachment #1).

Therefore, the entire amount of \$25,402 (LE 85,604) questioned
under PILs 18 and 6B is determined to be sustained and was
deducted from the March 1997 Voucher dated 4/21/97 (Attachment
#2).

Based on the above, Mission requests closure of Recommendation
No. 1 upon issuance of the final audit report.

Att: a/s

cc: HRDC/P: A. Selim

106 Kasr El Aini Street
Garden City
Cairo, Egypt

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