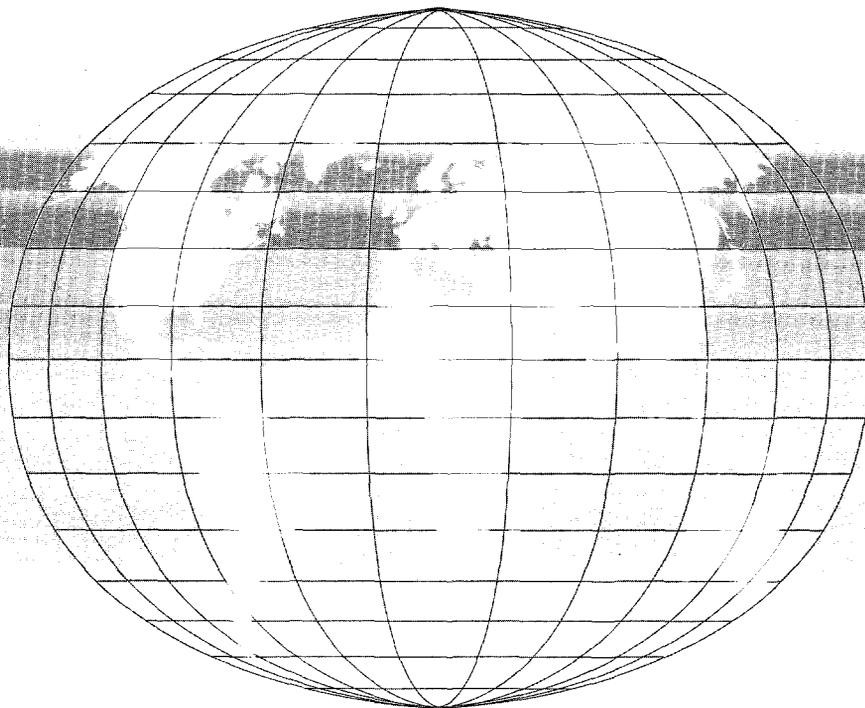


PD-ABP-939

Report of Audit

**Financial Audit of Curative Care Organization,
Expenditures Incurred Under Cooperative Agreement
No. 263-0170-A-00-1024-00 and
Project Implementation Letters Nos. 6, 9, and 20 Under
USAID/Egypt's Cost Recovery for Health Project**

**Report No. 6-263-98-002-N
October 30, 1997**



**FINANCIAL INFORMATION CONTAINED
IN THIS REPORT MAY BE PRIVILEGED.
THE RESTRICTION OF 18 US 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**

USAID



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

CAIRO, EGYPT

October 30, 1997

MEMORANDUM

TO : DIRECTOR USAID/Egypt, John R. Westley
FROM: RIG/A/C, Lou Mundy *Lou Mundy*
SUBJECT: Financial Audit of Curative Care Organization, Expenditures Incurred Under Cooperative Agreement No. 263-0170-A-00-1024-00, and Project Implementation Letters Nos. 6, 9, and 20 Under USAID/Egypt's Cost Recovery for Health Project

The attached report, transmitted on September 17, 1997, by KPMG Hazem Hassan, presents the results of a financial audit of Curative Care Organization (CCO) related to expenditures under the subject cooperative agreement and project implementation letters (PILs). The purpose of the cooperative agreement was to extend technical assistance to the Government of Egypt's Ministry of Health for staff development and training under USAID/Egypt's Cost Recovery for Health Project. The purposes of the PILs included project budget support and pre-installation training costs in the areas of computer systems and English typing skills, as well as translation services.

We engaged KPMG Hazem Hassan to perform a financial audit of USAID/Egypt resources managed by CCO related to expenditures under USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00 and PILs Nos. 6, 9, and 20. Expenditures subject to the audit included \$208,146 (equivalent to LE 691,044) for the cooperative agreement during the period January 1, 1991 through June 30, 1994, \$706 (equivalent to LE 2,400) for PIL No. 6 during the period January 1, 1995 through January 31, 1995, \$848 (equivalent to LE 2,882) for PIL No. 9 during the period July 1, 1994 through January 31, 1995, and \$245,552 (equivalent to LE 834,875) for PIL 20 during the period February 1, 1995 through December 31, 1996. The purpose of the audit was to evaluate the propriety of costs incurred during these periods. KPMG Hazem Hassan also evaluated CCO's internal controls and compliance with applicable laws, regulations and agreement terms as necessary in forming an opinion regarding the Fund Accountability Statement.

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a

The audit report questioned a total of \$22,210 (equivalent to LE 73,823) in costs billed to USAID/Egypt under the cooperative agreement and PIL No. 20. The majority of these questioned costs related to ineligible expenditures for advertisements, equipment rental, utilities and vehicle fuel, and unsupported expenditures for equipment and materials. The auditors noted no material weaknesses in CCO's internal control structure, but did identify one material instance of noncompliance with applicable laws, regulations, and agreement terms.

In response to the draft report, CCO officials provided additional documentation and explanations to the report findings. KPMG Hazem Hassan reviewed CCO's response to the findings and, where applicable, made adjustments to the report (see Appendices I and II).

The following recommendations are 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 questioned costs of \$22,210 (\$12,128 ineligible and \$10,082 unsupported) detailed on pages 16 through 20 of the KPMG Hazem Hassan audit report, and recover from Curative Care Organization the amounts determined to be unallowable.

Recommendation No. 2: We recommend that USAID/Egypt obtain evidence that Curative Care Organization has addressed the material noncompliance issue (lack of prior USAID/Egypt approval when exceeding an approved line-item budget) detailed on page 25 of the KPMG Hazem Hassan audit report.

In response to Recommendation No. 1, the Mission reported that it is working with CCO to determine the amount of questioned costs allowed and sustained. The recommendation is open and will be considered to have had a management decision upon the Mission's determination of the amount of recovery; it will be considered to have had final action upon the recovery or offset of funds.

In response to Recommendation No. 2, the Mission stated that it is in the process of granting an approval to CCO for exceeding the operations line item budget under the Cooperative Agreement, and it will request resolution upon completion of that action. Although the Cooperative Agreement was completed June 30, 1994, activities funded under PIL No. 20 have been extended through September 30, 1998. Therefore, Recommendation No. 2 remains unresolved. It will be considered to have had a management decision upon the Mission's presentation of an acceptable plan of action which addresses the reported material noncompliance--assuring that CCO institutes a

procedure to obtain prior USAID/Egypt approval to exceed a line item budget; it will be considered to have had final action when the Mission presents acceptable evidence that the required action has been taken.

Please advise this office within 30 days of any action planned or taken to close the recommendations. Thank you for the cooperation and assistance extended to the audit staff on this engagement and your continued support of the financial audit program in Egypt.

Attachment: a/s

Financial Audit of
Curative Care Organization (CCO)
USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00
for the period January 1, 1991 through June 30, 1994
Project Implementation Letter No. 6
for the period January 1, 1995 through January 31, 1995
Project Implementation Letter No. 9
for the period July 1, 1994 through January 31, 1995
and
Project Implementation Letter No. 20
for the period February 1, 1995 through December 31, 1996

“ 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.”

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Financial Audit of
Curative Care Organization (CCO)
USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00
for the period January 1, 1991 through June 30, 1994
Project Implementation Letter No. 6
for the period January 1, 1995 through January 31, 1995
Project Implementation Letter No. 9
for the period July 1, 1994 through January 31, 1995
and
Project Implementation Letter No. 20
for the period February 1, 1995 through December 31, 1996

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

September 17, 1997

Dear Mr. Mundy,

This report represents the results of our financial audit of Curative Care Organization (CCO) related to expenditures under USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00 for the period January 1, 1991 through June 30, 1994, PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 to January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996.

Background

Cooperative Agreement No. 263-0170-A-00-1024-00

On January 1, 1991, the United States Agency for International Development (USAID) and the Curative Care Organization (CCO) entered into a Cooperative Agreement to extend technical assistance to the Project Directorate, Ministry of Health, Component One portion of the Cost Recovery for Health Project in the area of "Staff Development and Training". The needed interim technical assistance to the Project Directorate for MOH staff development and training was provided at selected MOH facilities. The training was comprehensive and covered all categories of staff, and emphasized applied practical aspects



whether in a facility or in a classroom setting. Training included clinical, technical, supportive and managerial components of hospital operations. The USAID committed LE 1,120,750 to cover the period January 1, 1991 through June 30, 1992. The Cooperative Agreement was amended three times extending the completion date to June 30, 1994. Total costs incurred as of June 30, 1994 amounted to LE 691,044.

PIL No. 6

This PIL was initiated to cover the project support budget. USAID committed LE 190,000 to cover the period January 1, 1990 to December 31, 1990. The PIL was amended nine times increasing the total amount committed to LE 717,955 and extending the completion date to January 31, 1995. Total costs incurred as of January 31, 1995 amounted to LE 716,799.

PIL No. 9

This PIL was issued to provide funds to cover pre-installation training costs in the areas of computer systems and English typing skills needed for the CCO staff, both at the CCO headquarters and hospitals, as well as translation services. The PIL committed LE 263,635 to cover expenses of the period January 15, 1993 to January 14, 1994. The PIL was amended two times increasing the total budget to LE 312,050 and extending the completion date to January 31, 1995.

PIL No. 20

This PIL was initiated to merge the support activities previously provided through PILs 6 and 9 into one PIL. With the establishment of PIL No. 20, PIL No. 6 (Project Support Services) and PIL No. 9 (In Country Training) were discontinued. The funds committed under this PIL amounted to LE 595,000 for the period February 1, 1995 through December 31, 1995. The PIL was amended two times increasing the total amount committed to LE 1,112,428 and extending the completion date to December 31, 1996.

Previous Non-Federal Audit

A non-federal audit (NFA) was conducted and a report issued on April 13, 1995 by Allied Accountants for PIL No. 6 for the period January 1, 1990 through December 31, 1994 and for PIL No. 9 for the period January 15, 1993 through June 30, 1994. During our audit we performed certain follow up procedures related to the findings and recommendations set forth in the previous NFA report. The procedures included follow up of previously identified

recommendations for improvement related to internal controls and follow up of previously identified questioned costs. The results of our procedures in this regard are set forth in the section of our report entitled "Follow up on previous NFA report."

Audit Objectives and Scope

The objective of this engagement was to conduct a financial audit of USAID/Egypt's resources managed by Curative Care Organization (CCO) related to expenditures under USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00 for the period January 1, 1991 through June 30, 1994, PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 through January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996. The audit encompassed an examination of CCO's expenses, billed to and reimbursed by USAID/Egypt, in order to determine whether they were in compliance with the terms and conditions of the Cooperative Agreement and the PILs, and applicable USAID/Egypt rules and regulations. We also reviewed internal controls associated with CCO's management of the PILs.

The specific objectives were to:

1. express an opinion on whether the fund accountability statements, for the USAID-financed Cooperative Agreement and PILs of CCO present fairly, in all material respects, revenues received and costs incurred for the periods under audit, in conformity with generally accepted accounting principles or other comprehensive bases of accounting;
2. determine whether the costs, reported as incurred under the Cooperative Agreement and the PILs, are, in fact, allowable, allocable, and reasonable in accordance with the terms of the Cooperative Agreement and the PILs;
3. evaluate and obtain sufficient understanding of the internal control structure of CCO, assess control risk, and identify reportable conditions, including material internal control weaknesses;
4. perform tests to determine whether CCO complied, in all material respects, with the terms and conditions of the Cooperative Agreement and the PILs, and with applicable laws and USAID/Egypt rules and regulations; and

5. determine whether CCO has taken corrective action on prior audit report recommendations.

Preliminary planning and review procedures started in February 1996 and consisted of:

- discussions with RIG/A/C officials;
- a review of the Cooperative Agreement and the PILs;
- interviews and discussions with CCO's key personnel concerning the status of the Cooperative Agreement and the PILs, accomplishments during the period, the statutory reporting requirements, the Cooperative Agreement and the PILs budgets, and procedures governing actual expenditures incurred by CCO and billed to and reimbursed by USAID/Egypt; and
- reviews of the CCO organizational structure and CCO's established policies and procedures and controls related to personnel, procurement, financial accounting and reporting, and billing to USAID/Egypt.

The field work segment of our audit was completed on July 3, 1997. The scope of our audit was to audit costs incurred by CCO and reimbursed by USAID/Egypt under Cooperative Agreement No. 263-0170-A-00-1024-00, and PIL Nos. 6, 9 and 20. Within each budget line item, we selected transactions on a judgmental basis in order to perform substantive tests of details. We tested expenditures of \$117,728 (equivalent to LE 390,856) out of total expenditures amounting to \$208,146 (equivalent to LE 691,044) for the Cooperative Agreement No. 263-0170-A-00-1024-00, expenditures of \$706 (equivalent to LE 2,400) out of total expenditures amounting to \$706 (equivalent to LE 2,400) for PIL No. 6, expenditures of \$848 (equivalent to LE 2,882) out of total expenditures amounting to \$848 (equivalent to LE 2,882) for PIL No. 9, and expenditures of \$184,944 (equivalent to LE 628,809) out of total expenditures amounting to \$ 245,552 (equivalent to LE 834,875) for PIL No. 20.

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

1. Reconciling CCO's accounting records to invoices issued to USAID/Egypt and testing costs for allowability, allocability, reasonableness, and adequate supporting documentation;

KPMG Hazem Hassan

2. Determining whether payroll costs were appropriate and consistent with the terms of the Cooperative Agreement and PILs and applicable rules and regulations, and were adequately supported and approved;
3. Determining whether other direct costs were appropriate and consistent with the terms of the Cooperative Agreement and PILs and were adequately supported and approved; and
4. Checking the adequacy of CCO's control over project equipment funded by USAID/Egypt.

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

We did not have an external quality control review by an unaffiliated audit organization, as required by paragraph 33 of Chapter 3 of Government Auditing Standards, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices.

Results of Audit

Our audit identified questioned costs totaling \$1,052 (equivalent to LE 3,576), which represent ineligible costs for PIL No.20 and questioned costs totaling \$21,158 (equivalent to LE 70,247), consisting of ineligible costs of \$11,076 (equivalent to LE 36,773) and unsupported costs of \$10,082 (equivalent to LE 33,474) for the Cooperative Agreement No. 263-0170-A-00-1024-00.

Internal Control

Our audit did not identify any matters associated with CCO's internal control structure.

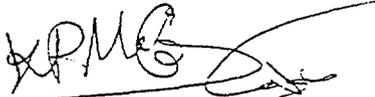
Compliance with Laws and Regulations

Our audit identified one instance of material noncompliance that is required to be reported in accordance with Government Auditing Standards. This instance related to amounts billed to USAID/Egypt in excess of the approved budget with respect to the “operations costs” budget line item associated with the Cooperative Agreement. This matter is more fully described in our Report on Compliance with Laws and Regulations.

Management Comments

We have reviewed Management’s response to the questioned costs identified as a result of our audit, which is included in Appendix 1. Where applicable, we have made adjustments in our report on provided further clarification of our position in Appendix II. For those items not adjusted in our final report, the responses provided by Management have not changed our report on the fund accountability statement, our report on internal controls, or our report on compliance with laws and regulations.

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


KPMG Hazem Hassan
Cairo, Egypt

FUND ACCOUNTABILITY STATEMENTS



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Report on the Fund Accountability Statement Independent Auditor's Report

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

We have audited the accompanying fund accountability statements of funds received and costs incurred locally in Egypt by Curative Care Organization (CCO) related to expenditures under USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00 for the period January 1, 1991 through June 30, 1994, PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 through January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996. The fund accountability statements are the responsibility of CCO's management. Our responsibility is to express an opinion on the fund accountability statements based upon our audit.

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



We did not have an external quality control review by an unaffiliated audit organization, as required by paragraph 33 of Chapter 3 of Government Auditing Standards, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices.

The aforementioned fund accountability statements do not include the cost of USAID/Egypt's direct procurement of vehicles, equipment and technical assistance provided directly to CCO nor the total revenues and costs incurred by CCO on an organization-wide basis.

As described in Note 1, the fund accountability statements have been prepared on the cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles. Included in the fund accountability statement are questioned costs of \$1,052 for PIL No. 20 and \$21,158 for the Cooperative Agreement No. 263-0170-A-00-1024-00. The basis for questioning these costs is described in the "Details of Questioned Costs" section of this report.

In our opinion, except for the effects of the questioned costs referred to in the preceding paragraph, the fund accountability statements present fairly, in all material respects, the amounts received and costs incurred pursuant to USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00 for the period January 1, 1991 through June 30, 1994, PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 through January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996.


KPMG Hazem Hassan
Cairo, Egypt

July 3, 1997

Ministry of Health
Curative Care Organization
Fund Accountability Statement
USAID/EGYPT Grant No. 263-0170
Project Implementation Letter (PIL) No. 6
For the Period January 1, 1995 through January 31, 1995

	<u>\$</u>
USAID/EGYPT funds received	9,767
<u>Expenditures</u>	<u>Actual</u>
Personnel	706
Total Expenditures	<u><u>706</u></u>

* The accompanying notes are an integral part of the fund accountability statement

Ministry of Health
Curative Care Organization
Fund Accountability Statement
USAID/EGYPT Grant No. 263-0170
Project Implementation Letter (PIL) No. 9
For the Period July 1, 1994 through January 31, 1995

	<u>\$</u>
USAID/EGYPT funds received	8,202

<u>Expenditures</u>	<u>Actual</u>
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Translation	848
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Total Expenditures	<u><u>848</u></u>
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* The accompanying notes are an integral part of the fund accountability statement

Ministry of Health
Curative Care Organization
Fund Accountability Statement
USAID/EGYPT Grant No. 263-0170
Project Implementation Letter (PIL) No. 20
For the Period February 1, 1995 through December 31, 1996

	\$			
USAID/EGYPT funds received	304,375			
		<u>Questioned Costs</u>		
<u>Expenditures</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	<u>Finding No. and p.</u>
Salaries	23,099			
Consultant Fees	88,746			
Supplies	26,952			
Equipment	29,412			
Equipment Maintenance	21,012			
Office Furniture	5,884			
Training Supplies	5,301			
Telecommunication	4,573	1,052		3)a.p.16 & 17.
Admin.Support Services	3,178			
Training Allowances	6,152			
Training Services	21,253			
Translation Activities	8,986			
Training and Translation Services	1,004			
Total Expenditures	245,552	1,052	-----	

* The accompanying notes are an integral part of the fund accountability statement

Ministry of Health
Curative Care Organization
Fund Accountability Statement
Cooperative Agreement No. 263-017-A-00-1024-00
January 1, 1991 through June 30, 1994

\$

USAID/EGYPT funds received 208,146

<u>Expenditures</u>	<u>Questioned Cost</u>			<u>Finding No. and p.</u>
	<u>Actual</u>	<u>Ineligible</u>	<u>Unsupported</u>	
Operation Costs	44,331			
Other Program Costs	63,728	4,833	1,872	2)a, b, c.p.18 & 19.
Equipment and Material	100,087	6,243	8,210	3)a,d.p.19 & 20.
Total Expenditures	<u>208,146</u>	<u>11,076</u>	<u>10,082</u>	

* The accompanying notes are an integral part of the fund accountability statement

Curative Care Organization (CCO)
Ministry of Health
Cooperative Agreement No. 263-0170-A-00-1024-00
Project Implementation Letter (PIL) Nos. 6, 9 and 20

Notes to the Fund Accountability Statements

Note 1: **Accounting Basis**

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

Note 2: **Basis of Presentation**

The fund accountability statements are the representation and the responsibility of CCO's management. The "Questioned Costs" columns represent audit results and are included in the fund accountability statements for presentation purposes only.

Note 3: **Translation Rate**

The expenditures of the Cooperative Agreement and PIL Nos. 6, 9 and 20 which were paid in Egyptian Pounds (LE), have been translated into US Dollars (\$). The period average exchange rate method was used. This rate is \$1 = LE3.32. for the Cooperative Agreement and \$1 = LE3.4 for PIL Nos. 6, 9 and 20.

Note 4: Questioned Costs

Questioned Costs are presented in two separate categories - ineligible or unsupported - and consist of audit findings made on the basis of the terms of the Cooperative Agreement and the PILs and applicable rules and regulations, which prescribe the nature and treatment of reimbursable costs. Costs in the column labeled "Ineligible" are supported by vouchers or other documentation but are ineligible for reimbursement because they are either unreasonable, not program related, or are prohibited by the Cooperative Agreement and the PILs or applicable laws and regulations.

Costs in the column labeled "Unsupported" are also included in the classification of "Questioned Costs" and are related to costs that are not supported by adequate documentation. All questioned costs are detailed in the "Details of Questioned Costs" section of this report.

Note 5: USAID/Egypt Funds Received

USAID/Egypt's funds received represent those received under the Cooperative Agreement No. 263-0170-A-00-1024-00 for the period January 1, 1991 through June 30, 1994, PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 through January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996. The following schedule summarizes the amounts reimbursed during the period covered by our audit and the amounts reimbursed subsequent to the periods audited :

<u>PIL and Cooperative Agreement Number</u>	<u>Advances received at the beginning of the PIL</u>	<u>Amounts received during the periods covered by our audit</u>	<u>Amounts received subsequent to the periods covered by our audit and related to costs incurred during these periods</u>	<u>Total</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
PIL No.6	----	----	9,767	9,767
PIL No.9	----	7,354	848	8,202
PIL No.20	58,823	186,503	59,049	304,375
Cooperative Agreement	----	156,838	51,308	208,146

Note 6: Actual Expenditures

The column entitled "Actual" presents total expenditures incurred by the project for the period January 1, 1991 through June 30, 1994 for the Cooperative Agreement No. 263-0170-A-00-1024-00, and for the period January 1, 1995 through January 31, 1995 for PIL No. 6, for the period July 1, 1994 through January 31, 1995 for PIL No. 9 and for the period February 1, 1995 through December 31, 1996 for PIL No. 20. However, expenditures amounting to \$706 (equivalent to LE 2,400) related to PIL No. 6, \$848 (equivalent to LE 2,882) related to PIL No.9, \$59,049 (equivalent to LE 200,767) related to PIL No.20 and \$51,308 (equivalent to LE 170,343) related to the Cooperative Agreement were billed to USAID/Egypt but not reimbursed until after the period covered by our audit.

The following schedule summarizes the expenditures related to and reimbursed during the period covered by our audit and the expenditures related to the period covered by our audit and reimbursed in subsequent periods :

<u>PIL and Cooperative Agreement Number</u>	<u>Expenditures related to and reimbursed during the period covered by our audit</u>	<u>Expenditures related to the period covered by our audit and reimbursed in subsequent periods</u>	<u>Total Expenditures</u>
	<u>\$</u>	<u>\$</u>	<u>\$</u>
PIL No.6	-----	706	706
PIL No.9	-----	848	848
PIL No.20	186,503	59,049	245,552
Cooperative Agreement	156,838	51,308	208,146

FUND ACCOUNTABILITY STATEMENT
DETAILS OF QUESTIONED COSTS

Curative Care Organization (CCO)
Project Implementation Letter (PIL) No. 20
Fund Accountability Statement
Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
1) <u>Consultants Fees</u>		
a) Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.		
b) Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.		
Total line item	====	====
2) <u>Training Supplies</u>		
Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.		
Total line item	====	====
3) <u>Telecommunications</u>		
a) Based upon our audit of telecommunication costs, we noted an amount of \$1,052 representing the cost of international telephone calls. According to PIL No. 20, the telecommunications payment is allowable for routine monthly telecommunication expenses		

Curative Care Organization (CCO)
Project Implementation Letter (PIL) No. 20
Fund Accountability Statement
Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
<p>only and that international long distance telecommunication charges are specifically deemed to be unallowable. Accordingly, this amount is considered to be ineligible.</p>	1,052	
<p>b) Based on the documents (USAID’s Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.</p>		
<p>Total line item</p>	<u>1,052</u>	<u>=====</u>
<p>4) <u>Training and Translation Admin. Services</u></p> <p>Based on the documents (USAID’s Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.</p>		
<p>Total line item</p> <p>Total Questioned Costs</p>	<u>=====</u> <u>1,052</u>	<u>=====</u> <u>=====</u>

Curative Care Organization (CCO)
Cooperative Agreement No.263-0170-A-00-1024-00
Fund Accountability Statement
Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
<p>1) <u>Operations Costs</u> Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.</p>		
Total line item	=====	=====
<p>2) <u>Other Program Costs</u></p> <p>a) Based upon our audit of other program costs, we noted that the total amounts billed to USAID/Egypt under this line item were \$63,728, however, the amounts supported by the accounting records were \$61,856. Therefore, an amount of \$1,872 billed to USAID/Egypt was not supported by the accounting records. According to the FAR Part 31.201, a reimbursable cost should be allowable, reasonable, and allocable. In order to assess these elements, the costs should be supported by the accounting records. Accordingly, this amount is considered to be unsupported.</p>		1,872
<p>b) Based upon our audit of the other program costs, we noted that an amount of \$ 193 representing the cost of purchasing clothes for the trainees (\$ 60) and membership fees in the British Council library (\$133) was billed to USAID. According to the Cooperative Agreement, Attachment 1, Section 1D-</p>		

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
Cooperative Agreement Budget- no funds are provided under the budget line items to finance these type of charges. Therefore, this amount is considered to be unallocable. Accordingly, it is deemed to be ineligible.	193	
c) Based upon our audit of the other program costs, we noted that an amount of \$ 4,640 representing the cost of printing 2000 copies a brochure (type of advertisement) related to the training center's activities. According to the FAR part 31.205.1, the only advertising costs allowable are those which are solely for the recruitment of personnel, the procurement of goods and services and the disposal of surplus materials. The cost billed to USAID is not considered to be one of the allowable advertising costs. Therefore, this amount is considered to be unallowable.	4,640	
Total line item	<u>4,833</u>	<u>1,872</u>
3) <u>Equipment and Materials</u>		
a) Based upon our audit of equipment and materials costs, we noted that the total amounts billed to USAID/Egypt under this line item were \$100,086, however, the amounts supported by the accounting records were \$91,876 Therefore, an amount of \$8,210 billed to USAID/Egypt were not supported by the accounting records. According to the FAR Part 31.201, a reimbursable cost should be allowable, reasonable, and allocable. In order to assess these elements, the costs should be supported by the accounting records. Accordingly, this amount is considered to be unsupported.		8,210

Curative Care Organization (CCO)
Cooperative Agreement No.263-0170-A-00-1024-00
Fund Accountability Statement
Details of Questioned Costs

<u>Item Description</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u> \$	<u>Unsupported</u> \$
b) Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.		
c) Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.		
d) Based upon our audit of the equipment and materials, we noted that an amount of \$ 6,243 representing the cost of rent (\$ 1,627); utilities (\$ 1,355) and vehicle fuel and oil (\$ 3,261), was billed to USAID. According to the Cooperative Agreement, Attachment 1, Section 1D- Cooperative Agreement Budget- no funds are provided under the budget line items to finance these types of charges. Therefore, this amount is considered to be unallocable. Accordingly, it is deemed to be ineligible.	6,243	
Total line item	<u>6,243</u>	<u>8,210</u>
Total Questioned Costs	<u>11,076</u>	<u>10,082</u>

INTERNAL CONTROLS

20A



Hazem Hassan

Public Accountants & Consultants

72 Mohi Eldin Abul Ezz Street
Mohandseen, Cairo
Egypt

Telephone: (202) 3499588 - 3499677
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Report on the Internal Control Structure
Independent Auditor's Report

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

We have audited the accompanying fund accountability statements of the Curative Care Organization (CCO) related to funds received and locally incurred costs under USAID/Egypt PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 though January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996, and have issued our report thereon dated July 3, 1997.

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

We did not have an external quality control review by an unaffiliated audit organization, as required by paragraph 33 of Chapter 3 of Government Auditing Standards, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices. In addition, we are subject to a quality control review by USAID/Egypt.



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

In planning and performing our audit of the fund accountability statements of Curative Care Organization (CCO), related to funds received and locally incurred costs under USAID/Egypt PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 through January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996, we obtained an understanding of internal controls. With respect to internal controls, we obtained an understanding of the design of relevant policies and procedures and whether they had been placed in operation, and we assessed control risk, in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statements but not to provide an opinion on internal controls. 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 reportable condition, in which the design or operation of one or more of the specific internal control elements does not reduce, to a relatively low level, the risk that errors or irregularities, in amounts that would be material in relation to the fund accountability statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control structure and its operations that we consider to be material as defined above.

KPMG Hazem Hassan

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


KMPG Hazem Hassan
Cairo, Egypt

July 3, 1997

COMPLIANCE WITH LAWS AND REGULATIONS

23A



Hazem Hassan

Public Accountants & Consultants

72 Mohi Eldin Abul Ezz Street
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Telex : 20457 (hhco - un)

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

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

We have audited the accompanying fund accountability statements of the Curative Care Organization (CCO) related to funds received and locally incurred costs under USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00 for the period January 1, 1991 through June 30, 1994, PIL No. 6 for the period January 1, 1995 through January 31, 1995, PIL No. 9 for the period July 1, 1994 through January 31, 1995 and PIL No. 20 for the period February 1, 1995 through December 31, 1996, and have issued our report thereon dated July 3, 1997.

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

We did not have an external quality control review by an unaffiliated audit organization, as required by paragraph 33 of Chapter 3 of Government Auditing Standards, because no such quality control review program is offered by professional organizations in Egypt. We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we have participated in the KPMG worldwide internal quality control program. This program requires our office to be subjected, every two years, to an extensive quality control review by partners and managers from other KPMG offices. In addition, we are subject to a quality control review by the USAID/Egypt.



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

The results of our tests disclosed the following material instance of noncompliance that is required to be reported herein under Government Auditing Standards:

Based upon our audit of operations costs, we noted that the total amounts billed to USAID/Egypt under this line item of \$43,288 exceeds the approved budget of \$37,647 by an amount of \$5,641. According to the Cooperative Agreement, Attachment 1, paragraph (1D), the recipient may adjust costs among line items by +/- 15% with the prior written approval of the project officer and any adjustments greater than this requires the prior written approval of the agreement officer. Discussions with management revealed that no approvals had been obtained for the amounts disbursed in excess of the approved budget. We recommend that management attempt to obtain retroactive approval from USAID/Egypt for such costs. If management is unsuccessful in obtaining retroactive approval, we recommend that the amount be reimbursed to USAID/Egypt.

We considered this instance of noncompliance in forming our opinion on whether the fund accountability statements, related to USAID/Egypt Cooperative Agreement No. 263-0170-A-00-1024-00, P/L Nos. 6, 9 and 20, are presented fairly in conformity with the cash basis of accounting, and this report does not affect our report, dated July 3, 1997, on the fund accountability statements.

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


KPMG Hazem Hassan
Cairo, Egypt

July 3, 1997

FOLLOW-UP ON PREVIOUS NEA REPORT

25A

Follow-up on Previous NFA Report

We have followed up on the findings and recommendations identified in the previous NFA report for PIL No. 6 for the period January 1, 1990 through December 31, 1994 and for PIL No. 9 for the period January 15, 1993 through June 30, 1994, as required by paragraph 10 of Chapter 4 of Government Auditing Standards.

With respect to questioned costs noted in the previous NFA report, our follow-up indicated that, subsequent to resolution and closure procedures performed by USAID/Egypt, such questioned costs had been reimbursed by CCO to USAID/Egypt where required.

The following schedule identifies the current status of internal control matters, noted in the previous NFA report, which required corrective actions on the part of CCO :

Summary of Findings related to the Previous Audit Report	Current Status	KPMG Hazem Hassan Comments
1. <u>Reportable</u> <u>Conditions on the internal control structure</u> The billings submitted to USAID/Egypt are prepared based upon accruals of goods and services instead of actual disbursements.	During the performance of our audit procedures related to reconciling the amounts billed to USAID/Egypt to the accounting records , we did not note the re-occurrence of such instances, and that the amounts billed to USAID/Egypt were based upon the actual disbursements made.	This finding is deemed to be resolved and has not been mentioned in this report.

APPENDIX I
MANAGEMENT RESPONSE

CAIRO CURATIVE ORGANIZATION
989 CORNICH EL NIL
MISR EL KADIMA
CAIRO, EGYPT
TEL : 844 - 503
FAX : 989 - 033
H . M . I . S

المؤسسة العلاجية بالقاهرة
٩٨٩ كورنيش النيل
مصر القديمة
القاهرة ، مصر
تليفون : ٥٠٣ - ٨٤٤
فاكس : ٠٣٣ - ٩٨٩
H . M . I . S

September , 4 , 1997

Dear , Hazem Hassan office

As regard Accounts review on PIL,s 6 , 9 , 20 please review the following :

1)Note No 1 A page 16

Attached are the CCO request and approval of Attached USAID

2)Note No 2 page 18

Attached is the approval of USAID

3)Note No 3B page 19

Attached is the approval of USAID

4)Note No 4 page 20

Attached is the approval of USAID

With my best regards

Yours Sincerely ,



Mayda
or *M* — Dr . Mohamad Sharaff

CAIRO CURATIVE ORGANIZATION
989 CORNICH EL NIL
MISR EL KADIMA
CAIRO, EGYPT
TEL : 844 - 503
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تليفون : ٥٠٣ - ٨٤٤
فاكس : ٠٣٣ - ٩٨٩
H . M . I . S

September , 7 , 1997

Messrs. Hazem Hassan & Co.
72 Mohi El Din Abul Ezz Street
Mohandiseen, Cairo

Dear , Hazem Hassan office

AS regards Accounts review on PIL,s 6,9,20 please review the following :

Note No 1B page 17

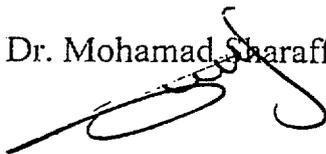
Attached are the CCO request and approval of Attached USAID .

Best Regards.

Yours Sincerely,

Magda

Dr. Mohamad Sharaff



CAIRO CURATIVE ORGANIZATION
989 CORNICH EL NIL
MISR EL KADIMA
CAIRO, EGYPT
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المؤسسة العلاجية بالقاهرة
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القاهرة ، مصر
تليفون : ٥٠٣ - ٨٤٤
فاكس : ٠٣٣ - ٩٨٩
H . M . I . S

September , 7, 1997

Messrs. Hazem Hassan & Co.
72 Mohi El Din Abul Ezz Street
Mohandiseen, Cairo

DEAR HAZEM HASSAN OFFICE

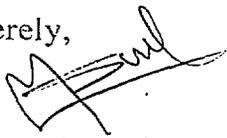
In accordance with the inspection audit, regarding the training center accounting from 1/1/1991 till 30/6/1994.

We are pleased to submit the financial adjustments and documentation that were issued by Naser institute to close finding mentioned at the audit report .

Best Regards.

Yours Sincerely,

Dr. Mub
Magda


Dr. Mohamad Sharaff

Ministry of Health and Population
Nasser Center for Researches & Treatment

Professeeor / Chief Board of Directors

Cairo

In replay to the report of the oudit office of Hezem Hassan anigned by U.S.Aid Agency to oudit the account of the center of staff training from 1-1-1991 to 30-6-1994 , we have the pleasure to enclose our reply accompanied with the documents of expenses .

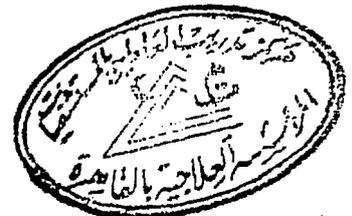
In reference to your study of operations expenses and the existance of salaries of many employees of L.E. 72/3 equels U.S 2/73 without the pertinent douncuments , we have the pleasure to enclose herewith the following documents .

Document No	Date	Account of Payment
Settement 131	May 91	842
Settement 138	May 91	1723
Cheque No.65235	May 92	972
Cheque No.650991	March 92	1191
Cheque No.651374	March 92	1191
Cheque No.653226	March	1294
		7213

As for your checking of the costs of other programs and the total amount paid by the Aid Agency to Egypt under this item was US 63.728 while amount spent supported with the documents was US 49.555 with a defference of US 14.173 , and also for your checking of the costs of equipment and materials and the total amount is US 100.086 and the amount supported with the document is US 05.620 with a difference of US 14.466, we'd like to inform you on the following :

- 1- Th ehospital didnt dead with the Aid Agency directly , but what happened was sending a list of demands with the documents of the expenses on the trading center with the Knowledge of the hospital of that . the list was send to the tr which issue a cheque equals the actual spendings .

BEST AVAILABLE COPY



2- With classifying the expences on the budget items - with the knowledge of the hospital - some expenses were put under the expenses of another item not included in the budget ; with checking what was put in that item it was clear to us that they are expenses which could be put under the item of the budget send from the Aid Agency and the hospital was not informed on but by the ouditing office . Such observation could be avoiled if the budget was send to the center by the ,but it informed us of a budget consistent with the unified auditing system to item of other expenses was L.E 65915 .

With analysing the expenses we conclouded the points clarrified in the following table :-

The Item	The value
- Expenses for coping machines maintemance & spane parts .	24779
- Rewands for hospital staff for inspection and work of the ouditing unit .	4305
- Trans portations .	17
- Clothes for the trainees	200
- Rents	5400
- Water and light	4500
- Fuel , oils and power	10827
- Stemps .	10
- Publication , adrertisment , pamphlet for the center .	15405
- Subscription in scientific organirations .	441
- Training serviecs .	31
	65915

In review of the before - mantioned items it was clear that :

First :

The expenses of coping machines maintemance and the spene parts (LE 24779) is conidered under the costs of training materials necessary , as they are value of inks and the requirments of copying machines except the paper according to the contract (a copy of it is enclosed here with) The trainees books were copied by such machines. This is considered legal and logical expenses .



- The center training plan .
- The library and its contents .

Thus it's condered legal and logical expenses and it is listed in the matters pertinent to training .

Tenth : Subscription in scientific organirations (L.E 441) .

It repermsnt subscription in Birtish cultural council. It is considered one of the costs of training materials .

Eleventh : Training services (L.E 31) .

It repermsnt the requirments of Labortories of the center and is considered amony training serviecs .

- As for buying a computer set of the brand (AUSTIN) and its printer from the company (CR&S) without documents of costs such as (selling book , payment document - receipt of delivery) , we'd like to enclose herewith the document of costs of cheque No 133172 dated 23/1/1993 they are (selling invoice signed by the adminstraive and executive manager for receiving it and a copy of the draft of the recotidting commctee which was made by the to carry out the right purchasing meases in accordance with tender law - and the store and a copy of inventory list shows the item mentioned before . this it isa legal and logical and supported with the documents .
- As for the spendings with the know ledge of the hospital pertainal to managerial expenses (Operation) (L.E 130708) while what was given by the Aid Agency is only L.E 95460 with a difference of L.E 35248 for favour of the hospital , we'd like to inform you that the expenses under that item represents the salaries and rewards of the project manager , consultant, the executive manager , nurses , training , anistants and secretaries . They were paid during the period f cuspiction a cording to contracts made by in cairo which they are approved on . L has the amount of L.E 35246 was legally spent and is due to be paid to the hospital (enclosed are copies of some contracts) .



Consequently , we have the pleasure to clarrify that what was paid - by the knowledge of the hospital - is 524195.630 while the amount paid to the hospital . by the knowledge of the is 455623.580 as follws :

Cheque No	Value	Date
873360	45375.95	11/12/91
873386	22825.270	25/2/93
873392	157204.400	7/6/93
86001	50000	2/11/93
86011	35217.960	18/8/94
86012	45000	31/12/94
Total	455623.580	

Thus the amount due to be paid to the hospital is 68572.050 for the period of inspection .

Please be informed for taking the necessary measunes .
Thank you



The Institute General Director
Dr . Adel Mohamed Yousef

APPENDIX II
AUDITOR'S COMMENTS

Auditor's Comments on
Cooperative Agreement No. 263-0170-A-00-1024-00
Fund Accountability Statement
Details of Questioned Costs

Finding No. 1 (a)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 2 (a)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, the total amounts supported by the accounting records increased to be \$61,856. Therefore, the amount billed to USAID/Egypt and not supported by the accounting records is \$ 1,872.

Finding No. 2 (b)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, we identified ineligible cost amounting to \$193 as described in the finding.

Finding No. 2 (c)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, we identified ineligible cost amounting to \$4,640 as described in the finding.

Finding No. 3 (a)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, the total amounts supported by the accounting records increased to be \$91,876. Therefore, the amount billed to USAID/Egypt and not supported by the accounting records is \$ 8,210.

Finding No. 3 (b)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 3 (c)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 3 (d)

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, we identified ineligible cost amounting to \$6,243 as described in the finding.

Auditor's Comments on
Project Implementation Letter (PIL) No. 20
Fund Accountability Statement
Details of Questioned Costs

Finding No. 1 (a)

Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 1 (b)

Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 2

Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 3 (a)

CCO Management did not respond to this finding. Therefore, our position remains the same.

Finding No. 3 (b)

Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Finding No. 4

Based on the documents (USAID's Project Officer approval) and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

Auditor's Comments on
Management Response to the
Report on the Internal Control Structure

Based on the documents and clarifications provided to us, subsequent to the issuance of the draft report, this finding has been removed.

KPMG Hazem Hassan

Auditor's Comments on
Management Response to the
Report on Compliance with Laws and Regulations

CCO Management did not respond to this finding. Therefore, this finding will remain the same.

APPENDIX III
MISSION'S COMMENTS



UNITED STATES AGENCY for INTERNATIONAL DEVELOPMENT

October 30, 1997

CAIRO, EGYPT

MEMORANDUM

30 OCT 1997

TO: Lou Mundy, RIG/A/C

FROM: Mark Hunter, A/OD/FM/FA *MH*

SUBJECT: Financial Audit Of Curative Care Organization (CCO),
Expenditures Incurred Under Cooperative Agreement No.
263-0170-A-00-1024-00, And Project Implementation
Letters Nos. 6, 9 And 20 Under USAID/EGYPT's Cost
Recovery For Health Project - Draft Report

Following is the Mission response to the two audit recommendations under the subject audit report.

Recommendation No. 1:

We recommend that USAID/Egypt make a management decision on the questioned costs of \$22,210 (\$12,128 ineligible costs and \$10,082 unsupported) as detailed in the audit report.

Mission Response:

Mission is working with CCO and the Agreement Officer to determine the amounts allowed/sustained under PIL No. 20 and the Cooperative Agreement. Resolution will be requested from RIG/A/C upon making the final determination. Closure will be requested from M/MPI/MIC upon resolution by RIG/A/C and receipt of refund check in the amount determined to be sustained.

Recommendation No. 2:

We recommend that USAID/Egypt obtain evidence that CCO has addressed the material noncompliance issue (lack of prior USAID/Egypt approval when exceeding an approved line-item budget).

Mission Response:

Mission is in the process of receiving and approving CCO's request to exceed (by 15%) the Operations line item under the subject cooperative agreement. Resolution will be requested from RIG/A/C upon receipt of CCO's request and approval by the USAID Project Officer. Closure will be requested from M/MPI/MIC upon resolution by RIG/A/C.

Please issue the final report.

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