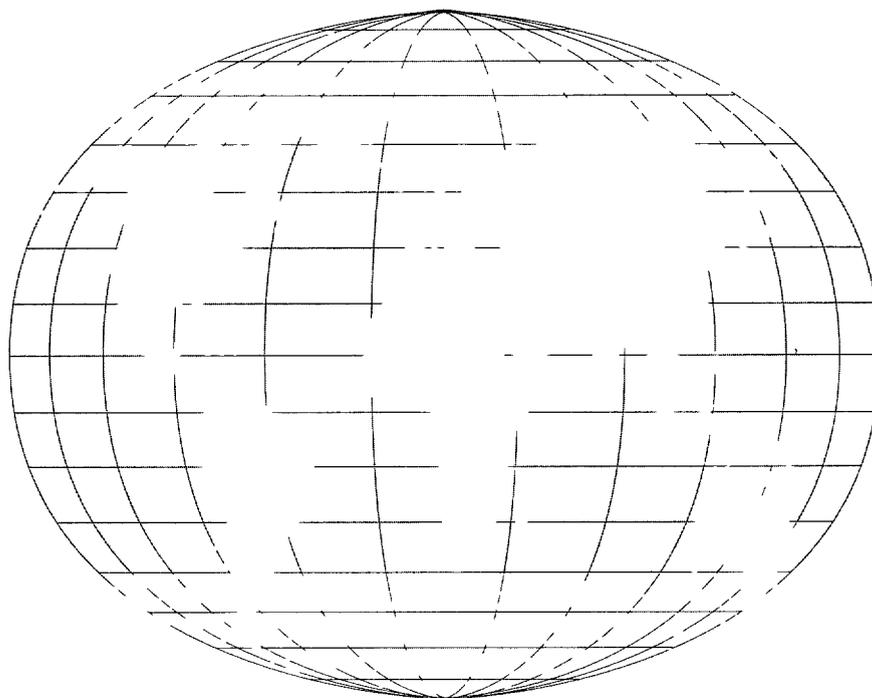


Report of Audit

Financial Audit of the Tabbin Institute for Metallurgical Studies, Costs Incurred Under USAID/Egypt's Science and Technology for Development Project No. 263-0140

Report No. 6-263-00-002-N
November 29, 1999



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



CAIRO, EGYPT

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

Report No 6-263-00-002-N
November 29, 1999

MEMORANDUM

TO DIRECTOR USAID/Egypt, Richard M Brown
FROM RIG/A/Cairo, Darryl T Burris *DTB*
SUBJECT Financial Audit of the Tabbin Institute for Metallurgical Studies, Costs Incurred Under USAID/Egypt's Science and Technology for Development Project No 263-0140

The attached report, transmitted on July 29, 1999 by Allied Accountants, presents the results of a financial audit of USAID resources managed by the Tabbin Institute for Metallurgical Studies (TIMS) under the Energy Conservation and Environment Component of USAID/Egypt's Science and Technology for Development Project No 263-0140 (the Project) This report covers \$654,356 of costs incurred by TIMS under Project Implementation Letter (PIL) Nos 3 and 12 during the period July 1, 1997 through September 30, 1998 The Project, which ended September 30, 1998, was designed to improve the energy efficiency of Egyptian industrial and commercial firms

The auditors issued an unqualified opinion on TIMS's Fund Accountability Statement, however, they questioned \$25,667 of unsupported employee bonus payments and \$150 of ineligible sales taxes Since the Project has ended, the auditors did not issue reports on TIMS's internal control structure or compliance with applicable laws and regulations

In response to the draft report, TIMS officials provided additional documentation and explanations to the report findings Allied Accountants reviewed TIMS's response to the findings and revised the report as appropriate

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

Tel (202)515-5505
Fax(RIG/A) (202)516-2530
Fax(RIG/I) (202)516-5316

USAID
Zahraa El Maadi
Maadi, Cairo, Egypt

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

Recommendation No 1 We recommend that USAID/Egypt make a management decision concerning the questioned costs of \$25,817 (\$25,667 unsupported and \$150 ineligible) detailed on page 7 of the Allied Accountants report, and recover from the Tabbin Institute for Metallurgical Studies any amounts determined to be unallowable

Prior to finalizing the audit, TIMS provided justification for the unsupported employee bonuses and USAID/Egypt's Project Officer retroactively approved the \$25,667 of unsupported costs. Further, TIMS reimbursed USAID/Egypt for the ineligible sales taxes. Accordingly, we consider that USAID/Egypt has taken final action on Recommendation No 1 and the recommendation is closed upon report issuance.

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

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letter Nos 3 and 12

Fund Accountability Statements

For the Period July 1 1997 through September 30, 1998

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

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letter Nos 3 and 12

Fund Accountability Statements
For the Period July 1 1997 through September 30 1998

Table of Contents	Page
Transmittal letter	
Background	1
Audit Objectives Scope, and Methodology	1
Results of Audit	3
Management Comments	4
Fund Accountability Statements	
Report of Independent Public Accountants	5
Fund Accountability Statement PIL No 3	7
Fund Accountability Statement PIL No 12	8
Notes to the Fund Accountability Statements	9
Summary of Audit Findings	11
Audit Findings	12
Appendices	
Appendix A Tabbin Institute for Metallurgical Studies Management Comments	
Appendix B Auditors' Response to Management Comments	
Appendix C United States Agency for International Development Response to the Audit Report	

ALLIED ACCOUNTANTS

RAGHEB ISTANBOULI & EL-KILANY

Allied Accountants
An Arthur Andersen Member Firm

37 El-Ahrar Street
Mobica Tower Mohandeseen
P O Box 97 Dokki Giza Egypt
202 336 2000 Telephone
202 360 0813 Fax

July 29 1999

Mr Darryl T Burris
Regional Inspector General for Audit/Cairo
United States Agency for International Development
Cairo Egypt

Dear Mr Burris

This report presents the results of the financial audit of USAID resources managed by the Tabbin Institute for Metallurgical Studies (TIMS) Subgrant Agreement No 263-0140 03 under the Science and Technology for Development Project, Grant Agreement No 263-0140 Project Implementation Letters (PILs) Nos 3 and 12 We were engaged to perform an audit of the local expenditures incurred and reimbursed for the period July 1, 1997 through September 30, 1998

Background

Sub Grant Agreement No 263-0140 03 between The Arab Republic of Egypt and the United States of America for the Energy Conservation and Environment Project (ECEP) was signed on September 27 1988 and remained in effect until September 30, 1998 The purposes of the Subgrant are to promote and accelerate the adoption of improved commercial technologies, processes, and practices in order to save energy and increase efficiency, and improve Egyptian institutional capabilities at promoting and implementing energy-saving technologies that enhance productivity Under the guidance of the Ministry of Industry the Project was implemented through agencies including the Tabbin Institute for Metallurgical Studies (TIMS)

Project Implementation Letter (PIL) No 3 was issued on April 2, 1989, the PIL remains in effect until September 30, 1998 PIL No 3 is designed to improve the energy efficiency of Egyptian firms by identifying energy-conserving technologies not current being used in Egypt, and by financing and promoting the use of such technologies

PIL No 12 was issued on October 21, 1990, the PIL remains in effect until September 30, 1998 PIL No 12 provides funds from the FT-800 account to sponsor international travel

Audit Objectives, Scope, and Methodology

The objective of this engagement was to conduct a financial audit of USAID/Egypt resources managed by TIMS under PILs Nos 3 and 12 for the period July 1, 1997 through September 30 1998

The specific objectives of our engagement were to

- 1 Express an opinion on whether the fund accountability statements for the USAID/Egypt financed project present fairly in all material respects, funds received and costs incurred for the audit period in conformity with generally accepted accounting principles or another comprehensive basis of accounting,

ALLIED ACCOUNTANTS

RAGHEB ISTANBOULI & EL KILANY

- 2 Determine if the costs reported as incurred under the Agreement are in fact allowable allocable and reasonable in accordance with the terms of the PILs Subgrant Agreement and Grant Agreement
- 3 Evaluate and obtain a sufficient understanding of the internal control structure of TIMS, assess control risk and identify reportable conditions including material internal control weaknesses
- 4 Perform tests to determine whether TIMS complied, in all material respects with the agreement terms (including cost sharing) and applicable laws and regulations
- 5 Determine if TIMS has taken corrective action on prior audit report recommendations

The scope of the audit included all funds provided by USAID/Egypt and the related Project expenditures incurred under PIL Nos 3 and 12 for the period July 1, 1997 through September 30 1998

The methodology of the audit consisted of an evaluation of the internal control structure testing of expenditures incurred under PIL Nos 3 and 12 and testing of TIMS s compliance with the PILs, Subgrant Agreement, Grant Agreement, and applicable laws and regulations

Our testing included a judgmental selection of costs incurred for each account disclosed in the fund accountability statements We tested expenditures as follows

<u>Budget Line Item</u>	<u>Actual Reported</u>	<u>Tested Amount</u>	<u>Percent Tested</u>
<u>PIL No 3</u>			
Funds provided by USAID/Egypt (LE) (Equivalent in \$)	2 397 546 705 160	2 397 546 705 160	100
Expenditures (LE) (Equivalent in \$)	2 144 274 630,666	908 711 267,268	42
<u>PIL No 12</u>			
Funds provided by USAID/Egypt (LE) (Equivalent in \$)	80 622 23,712	80,622 23,712	100
Expenditures LE Budget (LE) (Equivalent in \$)	80 545 23,690	80 545 23 690	100

Our testing included but was not limited to the following procedures

- 1 A review of direct expenditures billed to and reimbursed by USAID/Egypt Records were reconciled to reports submitted to USAID/Egypt
- 2 A review of the Project's ledgers to determine whether costs reported were properly recorded A reconciliation of direct costs billed to and reimbursed by USAID/Egypt to the Project's ledgers
- 3 A review of the procedures used to control the funds received from USAID/Egypt A review of the bank accounts and the controls on those bank accounts
- 4 A determination of whether Project income and/or reimbursements, if any, representing recoveries of direct costs were recorded as income or credited to Project cost accounts
- 5 A review of direct salary, over time allowances and fringe benefits to determine whether they are allowable, reasonable and in accordance with applicable laws and regulations

ALLIED ACCOUNTANTS

RAGHEB ISTANBOULI & EL-KILANY

- 6 A review of travel and transportation charges to determine whether they were adequately supported approved and in accordance with the Project s implementation plans
- 7 A review of procurement procedures applied to determine whether sound commercial practices including competitive bids, were used
- 8 A determination of whether advances of funds were justified based on existing documentation including a reconciliation of funds advanced, disbursed, and available

During our audit planning we considered tims's internal control structure as it relates to the project to obtain an understanding of the design of relevant control policies and procedures and whether those policies and procedures have been placed in operation We obtained a sufficient understanding of the internal control structure to plan the audit and to determine the nature and extent of tests to be performed

Initial planning began with a meeting attended by TIMS's officials and our audit team At the end of the fieldwork we held a meeting with TIMS's Project management staff to discuss unresolved findings identified during our fieldwork

The Grant Agreement, Subgrant Agreement, PILs and their amendments were reviewed to gain an understanding of the agreement terms and applicable laws and regulations

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

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 since no such quality review program is offered by professional organizations in Egypt We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Arthur Andersen internal quality control program, which requires our office to be subjected every three years to an extensive quality control review by partners and managers from other Arthur Andersen offices

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards As of the date of our report on the fund accountability statement for Tabbin Institute for Metallurgical Studies (TIMS), Subgrant Agreement No 263-0140 03, under the Science and Technology for Development Project Grant Agreement No 263-0140, Project Implementation Letter (PIL) Nos 3 and 12 , the Project was completed and no additional funding had been provided

Results of Audit

Fund Accountability Statements

Our audit identified \$ 25,817 (LE 87,779) in questioned costs related to local operating expenditures as follows

	<u>Ineligible Costs</u>		<u>Unsupported Costs</u>	
	<u>LE</u>	<u>Equivalent in \$</u>	<u>LE</u>	<u>Equivalent in \$</u>
PIL No 3	510	150	87,269	25,667

The details of the questioned costs are presented in the Fund Accountability Statements - Audit Findings section of this report We considered the questioned costs in forming our audit opinion on the fund accountability statements

ALLIED ACCOUNTANTS

RAGHEB ISTANBOULI & EL KILANY

Internal control structure

We have not issued a Report on the Internal Control Structure as required by Paragraph 15 of Chapter 5 of the Governmental Auditing Standards. As of the date of our report on the fund accountability statements for TIMS Grant Agreement No. 263-0140, the Project was completed and no additional funding had been provided.

Compliance with Applicable Laws and Regulations

We have not issued a Report on Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Governmental Auditing Standards. As of the date of our report on the fund accountability statements for TIMS Grant Agreement No. 263-0140, the Project was completed and no additional funding had been provided.

Follow-up on Prior Audit Recommendations

One of the objectives of the audit was to perform a follow-up on prior audit recommendations. Coopers and Lybrand performed an audit of TIMS for the period July 1, 1996 through June 30, 1997 and issued a report on February 11, 1998. The report contained no findings related to the internal control structure or compliance with applicable laws and regulations.

Management Comments

TIMS has provided on the results of our audit. The entire management response is included as Appendix A. Our response to management's comments is included as Appendix B.

This report is intended for the information of the management and others within the Tabbin Institute for Metallurgical Studies and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Allied Accountants



ALLIED ACCOUNTANTS

RAGHEB ISTANBOULI & EL-KILANY

Allied Accountants
An Arthur Andersen Member Firm

37 El-Ahrar Street
Mobica Tower Mohandeseen
P O Box 97 Dokki Giza Egypt
202 336 2000 Telephone
202 360 0813 Fax

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

Report of Independent Public Accountants

We have audited the accompanying fund accountability statements of the Tabbin Institute for Metallurgical Studies relating to funds received and costs incurred under Project Implementation Letters No 3 and 12 funded by the United States Agency for International Development through Subgrant Agreement No 263-0140 03 under the Science and Technology for Development Project, Grant Agreement No 263-0140 for the period July 1 1997 through September 30 1998 These fund accountability statements are the responsibility of the management of the Tabbin Institute for Metallurgical Studies Our responsibility is to express an opinion on these fund accountability statements based on 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 significant estimates made by management as well as evaluating the overall fund accountability statements presentation We believe that our audit provides a reasonable basis for our opinion

We did not have an external quality control review by an unaffiliated audit organization as required by Paragraph 33 of Chapter 3 of Government Auditing Standards since no such quality review program is offered by professional organizations in Egypt We believe that the effect of this departure from the financial audit requirements of Government Auditing Standards is not material because we participate in the Arthur Andersen internal quality control program which requires our office to be subjected every three years to an extensive quality control review by partners and managers from other Arthur Andersen offices

We have not issued Reports on Internal Control and Compliance with Applicable Laws and Regulations as required by Paragraph 15 of Chapter 5 of the Government Auditing Standards In addition, we have not reported on Follow-up of Prior Audit Recommendations as required by Paragraph 26 of Chapter 5 of the Government Auditing Standards As of the date of our report on the fund accountability statement the Project was completed and no additional funding had been provided

As described in Note 2, the accompanying fund accountability statements have been prepared on the cash basis The cash basis is a comprehensive basis of accounting other than generally accepted accounting principles, because revenues and expenditures are recognized when received or paid, rather than when earned or incurred Accordingly the accompanying fund accountability statements are not intended to present results in accordance with generally accepted accounting principles

ALLIED ACCOUNTANTS

RAGHEB ISTANBOULI & EL KILANY

In our opinion the fund accountability statements referred to above present fairly in all material respects funds received and costs incurred by the Tabbin Institute for Metallurgical Studies under Project Implementation Letter Nos 3 and 12 funded by the United States Agency for International Development through Subgrant Agreement No 263-0140 03 under the Science and Technology for Development Project Grant Agreement No 263-0140, for the period July 1 1997 through September 30 1998 in conformity with the cash basis of accounting as described in Note 2 to the fund accountability statements

This report is intended for the information of the management and others within the Tabbin Institute for Metallurgical Studies and the United States Agency for International Development This restriction is not intended to limit the distribution of this report which is a matter of public record

June 10, 1999
Allied Accountants

Allied Accountants

Tabbm Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letter No 3

Fund Accountability Statement
For the Period July 1 1997 through September 30 1998

LE Budget Expressed in \$

<u>Budget Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs (Note 5)</u>	
	<u>\$</u> <u>(Note 4)</u>		<u>\$</u>	<u>Ineligible</u>
			<u>\$</u>	<u>\$</u>
Source of funds				
Funds provided by USAID/Egypt		705,160		
Use of funds				
Expenditures				
Salaries	481,854	486,046		25,667
Consultants	11,066	10,469		
Honoraria	294	29		
Travel and Per Diem	77,437	82,382		
Training/Workshop	8,811	5,907		
Materials and Supplies	23,879	18,622		
Equipment/Renovation	5,181	2,770		
Other Direct Costs	<u>22,205</u>	<u>24,441</u>	<u>150</u>	
Total expenditures	<u>630,727</u>	<u>630,666</u>	<u>150</u>	<u>25,667</u>

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

12

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letter No 12

Fund Accountability Statement
For the Period July 1 1997 through September 30, 1998

LE Budget Expressed in \$

<u>Budget Elements</u>	<u>Budget</u>	<u>Actual</u>	<u>Questioned Costs (Note 5)</u>	
	<u>\$</u> <u>(Note 4)</u>		<u>\$</u>	<u>Ineligible</u>
			<u>\$</u>	<u>\$</u>
Source of funds				
Funds provided by USAID/Egypt		23 712		
Use of funds				
Expenditures				
International Travel	<u>62,155</u>	<u>23,690</u>		
Total expenditures	<u>62,155</u>	<u>23,690</u>		

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

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements
For the Period July 1, 1997 through September 30 1998

Notes to the Fund Accountability Statements

Note 1 Project Activities

Subgrant Agreement No 263-0140 03 between the Arab Republic of Egypt and the United States of America for the Energy Conservation and Environment Project (ECEP) was signed on September 27 1988 and remained in effect until September 30 1998 The purposes of the Subgrant are to promote and accelerate the adoption of improved commercial technologies processes and practices in order to save energy and increase efficiency, and improve Egyptian institutional capabilities at promoting and implementing energy-saving technologies that enhance productivity Under the guidance of the Ministry of Industry the Project was implemented through several agencies including the Tabbin Institute for Metallurgical Studies (TIMS)

Project Implementation Letter (PIL) No 3 was issued on April 2 1989, the PIL remained in effect until September 30, 1998 PIL No 3 is designed to improve the energy efficiency of Egyptian firms by identifying energy-conserving technologies not used in Egypt, and by financing and promoting the use of such technologies

PIL No 12 was issued on October 21 1990, the PIL remained in effect until August 31 1998 PIL No 12 provides funds to sponsor international travel

Note 2 Basis of Presentation

The fund accountability statements have been prepared on the cash basis Consequently revenues and expenditures are recognized when received or paid, rather than when earned or incurred

Note 3 Exchange Rate

Expenditures incurred in Egyptian Pounds (LE) have been converted to US Dollars (\$) at an approximate exchange rate of LE 3 40 to \$ 1

Note 4 Budget

The budget for each PIL as presented in the fund accountability statement is the budget available for the expenses incurred during the audit period It has been calculated, for reporting purposes only by deducting from the total budget approved as of September 30, 1998 the expenditures incurred as of June 30 1997 as follows

	Approved Budget As of 9/30/98	Expenditures as of 06/30/97	Available Budget
	\$	\$	\$
PIL No 3	3,042,895	2,412 168	630 727
PIL No 12	185,294	123,139	62,155

Note 5 Questioned Costs

Questioned costs are expenditures that we have determined are not in accordance with the Grant Agreement Subgrant Agreement PILs or other applicable USAID regulations and are presented in two separate categories ineligible and unsupported. Ineligible' costs are deemed to be unallowable because they are unrelated to the program unreasonable or prohibited by the Grant Agreement Subgrant Agreement PILs, or applicable laws and regulations. 'Unsupported' costs are expenditures that are not supported by adequate documentation.

Our audit identified \$ 25,817 (LE 87,779) in questioned costs related to local operating expenditures as follows:

	<u>Ineligible Costs</u>		<u>Unsupported Costs</u>	
	<u>LE</u>	<u>Equivalent in \$</u>	<u>LE</u>	<u>Equivalent in \$</u>
PIL No 3	510	150	87,269	25,667

The bases for questioning specific costs are set forth in the Audit Findings section of this report.

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements
For the Period July 1 1997 through September 30 1998

Summary of Audit Findings

<u>Budget Element</u>	<u>Questioned Costs</u>	
	<u>Ineligible</u>	<u>Unsupported</u>
	<u>\$</u>	<u>\$</u>
<u><i>Project Implementation Letter No 3</i></u>		
<u>Salaries</u>		
Finding No 1		25 667
<u>Consultants</u>		
Finding No 2 (Deleted)		
<u>Other Direct Costs</u>		
Finding No 3	150	
<u><i>Project Implementation Letter No 12</i></u>		
<u>International Travel</u>		
Finding No 4 (Deleted)		
Total Questioned Costs	<u>150</u>	<u>25,667</u>

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263 0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements

For the Period July 1, 1997 through September 30 1998

Audit Findings

Project Implementation Letter No 3

Finding No 1 Unsupported Special Bonuses

TIMS paid and was reimbursed by USAID/Egypt \$ 25 667 (LE 87 269) for special bonuses for employees There were no documents maintained to show the basis for these bonuses Project Grant Standard Provision Annex II Article B Section B 5 (b) states that TIMS should maintain or cause to be maintained in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the project and to the Agreement adequate to show without limitation, the receipts and use of goods and services acquired under the grant

USAID/Egypt was billed unsupported expenses of \$ 25 667 (LE 87 269)

Finding No 2 Unsupported Consultant Fees

The finding has been deleted

Finding No 3 Ineligible Sales Taxes

TIMS paid and was reimbursed by USAID/Egypt \$ 150 (LE 510) for sales taxes This amount represents sales taxes relating to telephone bills Project Grant Standard Provision Annex II, Article B Section B 4 (a) states that the Agreement and the Grant shall be free from any taxation or fees imposed under laws in effect in the territory of the grantee

USAID/Egypt was billed ineligible expenses of \$ 150 (LE 510)

Project Implementation Letter No 12

Finding No 4 Ineligible Sales Taxes

The finding has been deleted

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements
For the Period July 1, 1997 through September 30 1998

Management Comments

Ministry of Industry
Tabbin Institute For
Metallurgical Studies (TIMS)
P O Box 109 Helwan 11421 Cairo
Tel (202) 5010172 / 5010175 / 5010176
Fax (202) 5010170 / 5010171 / 5011493
Email tims @ idsc gov eg



وزارة الصناعة
مقعد السيد محمد السيد محمد السيد
البريد ص 109 اهلوان 11421 القاهرة
ت 5010172 / 5010175 / 5010176
فاكس 5010170 / 5010171 / 5011493

Sep 9 1999
Allied Accountants
37 EL Ahrar St Mobica Bldg
Mohandessen Giza
Egypt

Dear Sir

With reference to the audit findings draft report relating to subgrant agreement No 263-0140 03, ECEP/TIMS pils no 3 and 12 the following are our justifications

Finding No 1

We have justified the basis for paying these bonuses and we have get an approval from USAID (attached)

Finding No 2

During the Audit fieldwork the evidence of the work performed by the consultants (report) was not available due to transferring from Zamalk office to Tabbin office please find attachment the concerned report

Finding No 3

An amount of L E 510 has been paid back to USAID by check No 168592 Copies of the check and the paying - in - slip in CIB are attached

Finding No 4

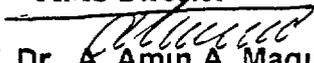
Our role in looking the airline tickets was to reimburse the American Contractor (OBI) as they were responsible for making the flight arrangements for ECEP members talking into consideration the seats availability route unification etc attached copy of (OBI) request In additions the said taxes in the tickets are not taxes by its entire meaning they are as follows

- 10% development charges
- 25% social joint liability (max 100 L E economy class 150 L E business class)
- departure charges (the value depends on how many stop overs will occur during the route)

No one is exempted from the above charges

We hope that the above will be self-explanatory and meet you requirements to close all the findings

TIMS Director


Prof Dr A Amin A Maguid

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements
For the Period July 1, 1997 through September 30, 1998

Auditors Response to Management Comments

Our comments below address the responses of Tabbin Institute for Metallurgical Studies (TIMS) management to the findings on the fund accountability statements in our audit of TIMS relating to funds received and costs incurred under Project Implementation Letters Nos 3 and 12 funded by the United States Agency for International Development through Subgrant Agreement No 263-0140 03 Under the Energy Conservation and Environment Component of the Science and Technology for Development Project, Grant Agreement No 263-0140, for the period July 1, 1997 through September 30, 1998

Project Implementation Letter No 3

Finding No 1 Unsupported Special Bonuses

TIMS provided justification that was accepted by the Project Officer who accordingly provided retroactive approval for the expenses. Since the approval was obtained after the audit period, the finding is still valid (for the audit period). However, because the Project Officer has already accepted TIMS justification and approved the expenses, we recommend that USAID/Egypt close the finding.

Finding No 2 Unsupported Consultant Fees

TIMS provided adequate supporting documentation consisting of relevant consultants' reports. Accordingly, the finding has been deleted.

Finding No 3 Ineligible Sales Taxes

TIMS agreed with the finding and provided documentation that the questioned amount has been reimbursed to USAID/Egypt. Accordingly, we recommend that USAID/Egypt close the finding.

Finding No 4 Ineligible Sales Taxes

Based on discussions with USAID/FM, USAID considers these expenses as allowable since FT-800 funding was used to make the payments. Accordingly, the finding has been deleted.

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements
For the Period July 1, 1997 through September 30, 1998

United States Agency for International Development
Mission in Egypt's Response to the Audit Report

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements
For the Period July 1, 1997 through September 30, 1998

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
Project Implementation Letters No 3 and 12

Fund Accountability Statements

For the Period July 1, 1997 through September 30 1998

Supplemental Schedules

For the Period July 1 1997 through September 30, 1998

Table of contents

Schedule A	Fund Accountability Statement PIL No 3 Expressed in Egyptian Pounds (LE) and US Dollars (\$)
Schedule B	Fund Accountability Statement PIL No 12 Expressed in Egyptian Pounds (LE) and US Dollars (\$)
Schedule C	Schedule of Audit Findings

Schedule A

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
Energy Conservation and Environment Component of the
Science and Technology for Development Project
Grant Agreement No 263 0140

Subgrant Agreement No 263 0140 03
Project Implementation Letters No 3

Fund Accountability Statements
For the Period July 1 1997 through September 30 1998
Expressed in Egyptian Pounds (LE) and US Dollars (\$)

<u>Budget Elements</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Questioned Costs (Note 5)</u>		<u>Unsupported</u>
	<u>LE</u>	<u>\$</u>	<u>LE</u>	<u>\$</u>	<u>LE</u>	<u>Unsupported</u>	<u>Ineligible</u>	<u>\$</u>
Source of funds								
Funds provided by USAID/Egypt			2 397 546	705 160				
Use of funds								
Expenditures								
Salaries	1 638 304	481 854	1 652 559	486 046		87 269		25 667
Consultants	37 625	11 066	35 597	10 469				
Honoraria	1 000	294	100	29				
Travel and Per Diem	263 285	77 437	280 099	82 382				
Training/Workshop	29 958	8 811	20 082	5 907				
Materials and Supplies	81 189	23 879	63 314	18 622				
Equipment/ Renovation	17 615	5 181	9 421	2 770				
Other Direct Costs	<u>75,496</u>	<u>22,205</u>	<u>83,102</u>	<u>24,442</u>	<u>510</u>		<u>150</u>	
Total expenditures	<u>2,144,472</u>	<u>630,727</u>	<u>2,144,274</u>	<u>630,666</u>	<u>510</u>	<u>87,269</u>	<u>150</u>	<u>25,667</u>

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
 Energy Conservation and Environment Component of the
 Science and Technology for Development Project
 Grant Agreement No 263 0140

Subgrant Agreement No 263 0140 03
 Project Implementation Letters No 12

Fund Accountability Statements
 For the Period July 1 1997 through September 30 1998

Expressed in Egyptian Pounds (LE) and US Dollars (\$)

<u>Budget Elements</u>	<u>Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>	<u>Ineligible</u>	<u>Questioned Costs (Note 5)</u>		<u>Unsupported</u>
	<u>LE</u>	<u>\$</u>	<u>LE</u>	<u>\$</u>	<u>LE</u>	<u>Unsupported</u>	<u>Ineligible</u>	<u>Unsupported</u>
						<u>LE</u>	<u>\$</u>	<u>\$</u>
Source of funds								
Funds provided by USAID/Egypt			80 622	23 712				
Use of funds								
Expenditures								
International Travel	<u>211,326</u>	<u>62,155</u>	<u>80,545</u>	<u>23,690</u>				
Total expenditures	<u>211,326</u>	<u>62,155</u>	<u>80,545</u>	<u>23,690</u>				

25

Schedule D

Tabbin Institute for Metallurgical Studies

Audit of Local Expenditures Incurred Under the
 Energy Conservation and Environment Component of the
 Science and Technology for Development Project
 Grant Agreement No 263-0140

Subgrant Agreement No 263-0140 03
 Project Implementation Letters No 3 and 12

Fund Accountability Statements
 For the Period July 1, 1997 through September 30, 1998

Schedule of Audit Findings

<u>Budget Line Item / Finding No</u>	<u>Entry No</u>	<u>Date</u>	<u>Ineligible (LE)</u>	<u>Unsupported (LE)</u>	<u>Ineligible \$</u>	<u>Unsupported \$</u>
Project Implementation Letter No 3						
<u>Finding No 1 Ineligible Expense</u>						
Salaries	15	08 31 98		87,269		25,667
Total finding No 1				<u>87,269</u>		<u>25,667</u>
<u>Finding No 2 Unsupported Expense</u>						
Consultant (Finding has been deleted)						
Total finding No 2						
<u>Finding No 3 Ineligible Expense</u>						
Other Direct Costs	2	07 06 97	143		42	
	11	12 31 97	198		58	
	11	06 30 98	169		50	
Total finding No 3			<u>510</u>		<u>150</u>	
Subtotal for PIL No 3			<u>510</u>	<u>87,269</u>	<u>150</u>	<u>25,667</u>

26

<u>Budget Line Item / Finding No</u>	<u>Entry No</u>	<u>Date</u>	<u>Ineligible (LE)</u>	<u>Unsupported (LE)</u>	<u>Ineligible \$</u>	<u>Unsupported \$</u>
<u>Project Implementation Letter No 12</u>						
<u>Finding No 4 Ineligible Expense</u>						
International Travel (Finding has been deleted)						
Total Finding No 4						
Subtotal for PIL No 12						
Total Questioned Costs			<u>510</u>	<u>87,269</u>	<u>150</u>	<u>25,667</u>

27