



OFFICE OF INSPECTOR GENERAL

U.S. Agency for International Development

MEMORANDUM

DATE: October 26, 2023

TO: USAID/Egypt, Mission Director, Sean Jones

FROM: Middle East and Eastern Europe Regional Office, Audit Director, Louis Duncan, Jr. /s/

SUBJECT: Audit of the Statement of Inflows and Outflows of the Dollar Separate Account, Egypt's Sector Policy Reform Program, Implemented by Government of Egypt, Ministry of International Cooperation, Grant Agreement 263-K-644, July 1, 2020, to September 30, 2021 (8-263-24-001-N)

This memorandum transmits the final audit report on the statement of inflows and outflows of the dollar separate account, USAID/Egypt's Sector Policy Reform Program, implemented by Government of Egypt, Ministry of International Cooperation, grant agreement 263-K-644, from July 1, 2020, to September 30, 2021. USAID/Egypt contracted the independent audit firm Audit & Consulting, Essam Eldin & Co-EMA to conduct the audit. The audit firm stated that it performed its audit in accordance with U.S. Government Auditing Standards issued by the Comptroller General of the United States. However, it did not have an external quality control review program by an unaffiliated audit organization since no such program is offered by professional organizations in Egypt. The audit firm is responsible for the enclosed report and the conclusions expressed in it. We do not express an opinion on USAID/Egypt's statement of inflows and outflows of the dollar separate account; the effectiveness of its internal controls; or its compliance with the USAID/Egypt's dollar separate account agreement terms, laws, and regulations.¹

The audit objectives were to: (1) Ensure that the inflows of funds to the Dollar Separate Account were made on a timely basis in accordance with the Grant Agreement terms and that the total interest amount earned is traced to the total interest amount reflected in the Central Bank of Egypt bank account at Citibank; and (2) Ensure that the outflows of funds were made in accordance with the Grant Agreement and Implementation Letters terms. To answer the audit objectives, the audit firm performed the subject financial audit that covered \$13,156,227, from July 1, 2020, to September 30, 2021.

¹ We reviewed the audit firm's report for conformity with professional reporting standards. Our desk reviews are typically performed to identify any items needing clarification or issues requiring management attention. Desk reviews are limited to review of the audit report itself and excludes review of the auditor's supporting working papers; they are not designed to enable us to directly evaluate the quality of the audit performed.

The audit firm disclosed two scope limitations pertaining to: (a) lack of information on the applied interest rate, source, or the applicable interest calculation and (b) lack of evidence of Government of Egypt's Ministry of International Cooperation approval on the quarterly statements of inflows and outflows of funds submitted by Citibank Egypt to USAID. The audit firm opined that the statement of inflows and outflows does not present fairly, in all material respects, the inflows and outflows of funds during the period from July 1, 2020, to September 30, 2021, in accordance with the Grant Agreement and Implementation Letters terms and the cash basis of accounting. The audit firm questioned the entire audited amount of \$13,156,227, as unsupported costs, and identified four material instances of noncompliance. Further, the audit firm did not report on the dollar separate account internal controls.

During our desk review, we noted an area for improvement which the audit firm will need to address in future audit reports. We presented this deficiency in a memo to the controller dated October 26, 2023.

To address the issues identified in the report, we recommend that USAID/Egypt:

Recommendation 1. Determine the allowability of \$13,156,227, in questioned unsupported costs on pages 11-22 of the audit report and recover any amount that is unallowable.

Recommendation 2. Corrects the four material instances of noncompliance detailed on pages 26-30, of Audit & Consulting, Essam Eldin & Co-EMA report.

We ask that you provide your written notification of actions planned or taken to reach management decisions.

OIG does not routinely distribute independent public accounting reports beyond the immediate addressees because a high percentage of these reports contain information restricted from release under the Trade Secrets Act, 18 U.S.C. 1905 and Freedom of Information Act Exemption Four, 5 U.S.C. 552(b)(4) ("commercial or financial information obtained from a person that is privileged or confidential"). In addition, USAID OIG has determined that this transmittal memo and the enclosed report are not subject to notification and reporting requirements under Section 5274 of the National Defense Authorization Act.²

² The James M. Inhofe National Defense Authorization Act for Fiscal Year 2023 Pub. L. No. 117-263, § 5274. Please direct related inquiries to oinotice_ndaa5274@usaid.gov.