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USAID/KENYA HAS STRENGTHENED  
ITS SUPPORT OPERATIONS  
BUT  
ADDITIONAL IMPROVEMENTS ARE NEEDED

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## EXECUTIVE SUMMARY

### Introduction

Operating expenses are used to pay the support costs of American and host country national AID employees plus procurement of rental housing, utilities, furnishings, equipment, travel, supplies and certain services obtained locally. USAID/Kenya oversees the operating expense budget and provision of support services for all AID personnel assigned to Nairobi which include employees of the Regional Economic Development Services Office, the Regional Housing Office, the Regional Financial Management Center, USAID/Kenya, and the Regional Inspector General's Office. Collectively AID operations including all regional offices are referred to in this report as AID/Kenya. During Fiscal Year 1981, AID/Kenya operating expenses totaled approximately \$8 million, with total staff of 161.

### Purpose and Scope

We reviewed USAID/Kenya's management of operating expense funds to determine if they were being utilized effectively, economically and in accordance with authorized purposes. We examined transactions and expenditures pertaining to procurement, personal property management, real property management, printing and reproduction, local employment, and motor pool operations.

We interviewed employees and reviewed records as deemed necessary. Our findings are generally reported on an exception basis only. Those areas not reported on were deemed to be satisfactory.

### Findings, Conclusions and Recommendations

Our review of the USAID/Kenya support operations indicated that AID/Kenya personnel were generally satisfied with services provided, but we found room for improvement in the following areas:

- Warehouse Operations: We found the warehouse complex required tighter security, better internal controls, and that record keeping practices needed considerable attention to provide better management information and

prevent theft. We felt that USAID/Kenya needed to adjust inventory stock record cards, segregate job functions, secure records, and dispose of damaged and excess inventory (pages 3 to 5).

- Air Freight Procedures: We found that air freight costs from the United States transshipment point in Europe were approximately four times surface freight costs. Although USAID/Kenya had routinely routed employees household effects from the European transshipment point by surface, some office equipment had been shipped by air. We concluded that formalized procedures for approving air freight shipments were needed. We also recommended to AID/Washington that a return to the old procedure of direct surface shipments from the United States might be appropriate and should be investigated (pages 6 to 7).
- Local Contracts: Under the USAID/Kenya repair and maintenance contract, we found an underutilization of manpower, a lack of performance standards and poor recordkeeping. We found billing discrepancies under a local guard contract. We concluded that both contracts required closer monitoring by USAID/Kenya (pages 7 to 13).
- Residential Leasing: Although this function was generally done in a professional manner, we found a need for more file documentation, a need for an "urgent repair" clause in landlord leases, and a resumption of the conserve utilities campaign. We concluded that additional guidelines and checklists should be used to evaluate housing for leasing purposes, and that "urgent repair" clauses should be included in all leases (pages 13 to 15).
- USAID/Kenya office building lease: This lease requires renewal during FY 1982 if the present office spaces are to be retained. We concluded that the office lease negotiation process should address the issues of fire protection, escape facilities, and an assessment of the buildings' electrical capacity (pages 16 to 17).

- Motor pool operations: These were generally good, but we found a need for better driver education and better control over vehicle and petrol usage. We concluded that internal control procedures could be strengthened (pages 17 to 19).
- Negotiable documents: In spite of a promise made 19 months ago, satisfactory action had not been taken by the Executive Office to allow a designated custodian to adequately safeguard these documents (pages 20 to 21).

During the audit and in response to our draft report, the USAID/Kenya Executive Office instituted changes to correct noted deficiencies. As a result, recommendations for corrective action are no longer required in many of the above noted areas. In certain instances the corrective actions planned have not yet been completed; therefore, we have included seven recommendations, which are summarized in Appendix A.

BACKGROUND

In 1976 AID established the Operating Expense Account as a distinct budget category for internal management purposes. This separate account was created to provide better financial control and to facilitate budget disclosure by separating the costs of AID's basic operating functions from those costs directly associated with programs.

Operating expenses are used to pay the support costs of American and host country national AID employees plus procurement of rental housing, utilities, furnishings, equipment, travel, supplies and certain services obtained locally. USAID/Kenya oversees the operating expense budget and provision of support services for all AID personnel assigned to Nairobi. This includes employees of the Regional Economic Development Services Office (REDSO), the Regional Housing Office (RHUDO), the Regional Financial Management Center (RFMC), USAID/Kenya, and the Regional Inspector General's Office. Collectively, AID operations including all regional offices are subsequently referred to in this report as AID/Kenya.

The amount of operating expense funds authorized to administer this program and the number of direct hire employees including regional staff for the past four years is summarized in the charts below:

	<u>AID Kenya Staff<sup>1/</sup></u>			
	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83<sup>2/</sup></u>
U.S. Direct Hire	68	68	74	74
U.S. Contract Personnel	2	3	2	2
Foreign National Direct Hire	66	90	77	79
Foreign National Contract Personnel	<u>6</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>142</u>	<u>161</u>	<u>153</u>	<u>155</u>

	<u>Operating Expenses (\$000)<sup>1/</sup></u>			
	<u>FY 80</u>	<u>FY 81</u>	<u>FY 82</u>	<u>FY 83<sup>2/</sup></u>
U.S. Direct Hire	3,567	3,936	4,241	4,366
U.S. Contract Personnel	101	95	54	55
Foreign National Direct Hire	592	789	814	984
Foreign National Contract Personnel	27	-	-	-

Housing	1,208	1,590	2,186	2,587
Office Operations	<u>1,164</u>	<u>1,437</u>	<u>2,275</u>	<u>1,723</u>
Total Operating Expense Funds	<u>6,659</u>	<u>7,847</u>	<u>9,570</u>	<u>9,715</u>

PURPOSE AND SCOPE

We reviewed USAID/Kenya's management of operating expense funds to determine if they were being utilized effectively, economically and in accordance with authorized purposes. We examined transactions and expenditures pertaining to procurement, personal property management, real property management, printing and reproduction, local employment, and motor pool operations.

We interviewed employees and reviewed records as deemed necessary. Our findings are generally reported on an exception basis only. Those areas not reported on were deemed to be generally satisfactory.

We also conducted a survey of direct hire employees to solicit their views of USAID/Kenya's support services. The survey results showed that 92% of the respondents felt that overall the USAID/Kenya Executive Office was doing a satisfactory job. Comments made to individual questions on the survey and the overall response to specific questions have been used to document certain material in this report.

USAID/Kenya's Executive Office and General Services Office made extensive efforts to respond to our interim reports of findings with appropriate actions. In addition, actions taken on our findings and recommendations presented in a draft report enabled us to delete twelve recommendations from the final report.

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1/ Excludes RHUDO because data was not available in the Mission for all fiscal years. In FY 1982, RHUDO had 4 U.S. Direct Hires, 2 Foreign National Direct Hires, and a total budget of \$655 thousand.

2/ Requested

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### Warehouse Operations Needed Improvement

Warehouse operations and record keeping practices were not adequate for good management purposes. We found deficiencies in inventory controls and in record keeping that would allow theft without detection from the warehouse portion of nonexpendable inventory. Corrective action to institute better internal controls should have occurred following the discovery of a \$12,000 overage on the annual inventory certified in December 1980. The total value of all nonexpendable property at the warehouse, in USAID/Kenya leases, and in the AID/Kenya office building was approximately \$1 million.

We selected from stock record inventory cards 28 inventory items for reconciliation to the quantities on hand in the warehouse. We found that 8 of the 28 selected items were over the recorded quantity, and 10 were short of the recorded quantity. This sample indicated that significant discrepancies existed between the inventory on hand and the inventory recorded on stock record cards. In order to submit an accurate annual inventory report and valuation for FY 1981, the warehouse stock record cards for nonexpendable property and the actual inventory must be reconcilable.

### Internal and Inventory Control Problems Were Noted

Specific inventory control and record-keeping problems noted included the following:

- In at least eight instances Property Issue Documents were used without an issuing authorization signature or a recipient location or receipt signature. This matter was referred to RIG/II for further followup action.
- Inadequate segregation of duties among the warehouse staff allowed the warehouse supervisor to receive incoming shipments. The supervisor, receiving officer, issuing officer and records-keeper should be separate functions performed by different individuals.
- The record-keeping function was not physically secure from potential alteration attempts by other members of the warehouse staff.
- Procedures for disposing of unuseable property were not being followed. We noted broken 500 watt transformers, dirty or crushed lampshades, a broken vacuum cleaner,

old lawnmowers, and old appliances in disrepair. These items were shown on inventory cards as being available for issuance. Unuseable inventory items should either be notated on stock record cards if repairable, or disposed of if not repairable.

- Minimum/maximum inventory order limits were not posted on stock inventory control cards. This allows excess inventory to stockpile. If excess inventory were identified these items could be more closely managed.

USAID/Kenya responded to the above noted inventory control and record-keeping problems as follows:

- When warehouse staff can be augmented to the authorized ceiling, the appropriate segregation of warehouse duties will be implemented as deemed necessary by the auditors and agreed valid by USAID/Kenya.
- The warehouse record-keeping function was made physically secure from other than those needing access.
- Disposal action for damaged and excess inventory items in the warehouse was taken on December 5, 1981, and an additional disposal is planned for February 1982.
- Minimum/maximum inventory limits were established for expendable stock inventory control cards.

Recommendation No. 1

USAID/Kenya do a complete inventory of both expendable and nonexpendable property, then reconcile and adjust inventory stock record cards to actual inventory. Differences between actual and recorded inventory quantities be investigated and properly reflected by adjustments.

Recommendation No. 2

USAID/Kenya ensure that supervisory, receiving, issuing, and records keeping functions at the warehouse are performed by different individuals.

In response to our draft report, USAID/Kenya stated:

"Total non-expendable has been completed and reconciled. Non-expendable property located at the warehouse will be re-inventoried and any differences will be investigated. We now have an employee who is under a PSC who has extensive warehouse experience working on our expendable property and a complete inventory."

"We agree that functions should be segregated. Completion of this recommendation will not be possible until the warehouse is better staffed. USAID/Kenya has not been able to obtain waiver to the present FSN hiring freeze."

Custody Cards Should Be Prepared For Non-Expendable Property

The only deficiency noted in this area was the fact that some persons having custody of non-expendable office property had not signed for the equipment. A custodian's signature for each item of non-expendable office equipment establishes accountability for loss of the property. We were subsequently assured that up-to-date custody receipts had been obtained from all individuals having non-expendable office equipment.

Warehouse Security Was Weak

The warehouse buildings and warehouse compound lacked proper security. Some window grills were missing and the compound was not properly protected against unauthorized entry. We suggested additional grilling, better fencing and a log entry and exit system for persons and vehicles. The warehouse compound, a complex of four buildings and a house used for administration, is shared by USAID/Kenya and the Embassy. USAID/Kenya has about 47% of the total space.

In response to our security concerns at the warehouse compound, USAID/Kenya issued two purchase orders for security enhancement work that will provide proper grilling at all windows. In addition, USAID/Kenya added guard dogs to help guard the premises at night, and established a day and night log system for all visitors and staff entering and leaving the warehouse complex. USAID/Kenya is exploring the possibility of having the landlord of the warehouse complex fence the premises. If this is not possible USAID/Kenya and Embassy will share the cost of appropriate fencing. Due to USAID/Kenya's response we are not making any recommendations in this area.

High Air Freight Costs Justify Special Approval Procedures

Effective July 15, 1981, the Department of State informed the Kenya Mission that Household Effects (HHE) shipments would henceforth be routed through Antwerp, Belgium. The cable also indicated that such shipments could be transshipped by air to Nairobi from Antwerp. This revised procedure applies to all U.S. Government entities in Kenya.

Prior to receiving this cable USAID/Kenya had received all shipments by surface freight direct from the United States through the port of Mombasa, Kenya. This direct surface shipment procedure had worked effectively in the past.

Air freight charges for shipments from Europe to Nairobi, Kenya are approximately four times the cost of similar surface shipments. USAID/Kenya operated during fiscal year 1981 with very limited operating expenses funds and has sought opportunities to reduce costs. In an April 1981 cable to AID/Washington regarding shipment to and from the European Logistical Support Office (ELSO), USAID/Kenya stated:

"... Mission does not repeat not have funds for air shipment HHE ELSO/Nairobi or ELSO/U.S.A." ...

The cable states further that:

"Mission believes cost effectiveness extremely important due to very limited OE funds." ...

We commend this action and any similar effort to reduce operating costs as good fiscal management. We do not, however, see any reason to limit the reduction of freight costs to household effects. We think there are opportunities to reduce the cost of shipping all commodities.

We were told that whenever purchases with high shipping costs are contemplated, the General Services Office informally reviews each item on a case by case basis to determine whether it would be better to buy the item locally, as provided by AID Handbook 23, Section 14E,4,a. We could find no documentary evidence, however, that this was done in instances where air freight was utilized,

In response to the finding and recommendation in our draft report, the USAID/Kenya Executive Officer formalized a procedure on freight shipments so that all office and HHE items will be shipped to Nairobi by sea. Any exception to this surface shipment policy must be justified in writing and cleared by the Executive Officer.

In addition, we feel that further consideration should be given to the possibility of having direct surface shipments from the United States to Mombasa, instead of using ELSO in Belgium as a transshipment point. Although we were unable to determine in Nairobi which procedure is more cost effective, it is quite apparent that surface shipments via ELSO are considerably more time consuming.

Recommendation No. 3

AID/Washington (SER/MO) explore the possibility of resuming direct surface shipments from the United States to Mombasa, rather than using ELSO as a transshipment point.

USAID/Kenya Contracts Need Closer Monitoring

USAID/Kenya has two major contracts with local non-U.S. firms. One is a contract with Falcon Construction Company to provide maintenance and repair services for AID/Kenya offices, warehouses and residential quarters. This contract was originally effective for the one year period of August 1, 1980 through July 31, 1981, at a fixed annual cost of \$56,000. It was subsequently extended for two months -- through the end of FY 1981. It was again amended on September 24, 1981, to cover the twelve month period of FY 1982 (and expanded to also provide chauffer services and warehouse personnel) at a total cost of \$152,500.

USAID/Kenya also has a contract with Factory Guards to provide office and residential security. This contract has been in effect since July 1, 1975, with the latest amendment dating from April 1, 1981. For FY 1981, approximately \$180,000 was paid for various Factory Guard services.

The Falcon Repair and Maintenance Contract Was Not Cost Effective

Our analyses indicated the Falcon contract was staffed in excess of the repair and maintenance requirements of USAID/Kenya. This contract (for the twelve month period of August 1, 1980 through July 31, 1981) provided nine manyears of maintenance and repair services. Maintenance and repair services were provided by Falcon in the following areas:

- Appliances
- Plumbing
- Carpentry
- Electrical

- Vehicle Maintenance
- Miscellaneous, such as roof repair, fencing and security grill work.

Falcon submitted a monthly report to USAID/Kenya on nonassigned labor time. Our examination of the reports since January 1981 indicated that 32 percent of Falcon's billed hours were not assigned to specific jobs.

We also analyzed Falcon's daily work orders for a sample period of three months. During these three months the contractor required 1,344 manhours to render requested repair and maintenance services. This sample indicates that on an annual basis USAID/Kenya would require 5,376 manhours or approximately 3 persons to perform its repair and maintenance requirements.

The contract provided nine full time employees. Our review indicates the actual staff requirement is from 3 to 6 persons (including supervisory and administrative personnel) to perform repair and maintenance work. Over the year period of the contract, this resulted in excess costs to USAID/Kenya of an estimated \$19,000 to \$38,000. On September 24, 1981, Amendment No. 2 to the Falcon Contract was signed which provided eight maintenance and repair staff -- a reduction of one of these type employees.

USAID/Kenya stated that the undistributed labor analyzed above is a result of poor record keeping and not charging for various work projects. During the new contract period USAID/Kenya stated it will require more accurate accounting of hours worked. In addition, the Executive Office will keep a backlog of lower priority jobs that can be assigned to Falcon to insure that labor force utilization approaches 100%.

During our review of purchase orders we found that during November and December 1980; and January, May and July 1981; six purchase orders totaling \$3,000 were issued to vendors other than Falcon to perform repair and maintenance services to AID leased property. These services included interior painting, kitchen door repairs, lock and door repairs, and grillwork repairs. In June 1981, a \$6,000 plumbing and wiring purchase order was issued for installing washers and dryers. At the same time that USAID/Kenya was employing other maintenance contractors, the Falcon contractor was not being fully utilized.

Subsequently, the Executive Officer formally notified applicable members of his staff that "all maintenance/repair work which is performed on USAID leased residential units or Union Towers Building must be accomplished through the Falcon Contract for those jobs which require skills available under

this contract. Any exceptions to the above must be approved by me, and submitted with full justification for departing from the use of the Falcon Contract."

The Falcon Repair and Maintenance Contract Did Not Provide Performance Standards

Most repair and maintenance jobs can be assigned a time frame for performance (subsequently called performance time standards). The Falcon contract did not provide performance time standards for the contractor. This made it difficult to measure Falcon's performance. Even though performance time standards were lacking, we believe the contractors' response was generally satisfactory. Our analysis of response time indicated that 50 percent of the jobs started were completed within two workdays, and almost 80 percent of the jobs were finished within five workdays.

However, our analysis also indicated that performance could be improved. On the average a repair/maintenance job required ten hours spread over five work days. With better scheduling or logistical improvements, the lapse time to completion following a response could be improved. Also, in some instances it appeared the contractor either did not respond to a work order in a timely manner, or took too much time to complete a job. It is our opinion that the renewed contract for repair/maintenance services should be monitored by setting performance time standards for response time and total work time by type of job.

The following examples illustrate this point:

- Work Order No. 505 to "Construct and install shelves in kitchen" was signed on 1/8/80. The work did not begin until 2/5/80.
- The contractor required 37 hours to complete work order No. 526 which was to "change front door lock, change lock or add other kind of lock on back door". This appears to be an excessive amount of time to change two locks. In addition, the contractor used five different persons over three days to accomplish the job.

USAID/Kenya responded to the above finding by stating a willingness to work out a schedule of performance standards to serve as general guidelines in judging contractor performance. USAID/Kenya also stated that this set of criteria will be transmitted to the contractor by letter. They subsequently established a target date for completion of January 1, 1982.

Recommendation No. 4

USAID/Kenya establish and submit a schedule of repair and maintenance work performance standards to Falcon as a guide to monitor and evaluate performance under the contract.

The Falcon Contract Should Require Better Inventory and Record Keeping Functions

Our review of the inventory and record keeping functions for items issued to Falcon indicated a major need for improvement in management practices.

AID regulations (AID Handbook 23, Appendix 4A, Section 227.f.(6)(b)) state:

"U.S. Government property in the hands of an AID Contractor is controlled and maintained in accordance with the provisions of the contract or as specified and approved by the contracting officer. When AID contracts are terminated, and the USAID is to pick up accountability, a receiving report shall be made and the items posted to the USAID accountable records."

The AID Contract with Falcon does not specifically state how Falcon should control and maintain U.S. Government property in its possession; nor did USAID/Kenya issue specific instructions as to how this property should be controlled.

Article I, Section G of the contract states, in part;

... "the Contractor will furnish his employees with all tools necessary to do their work." ...

The Contract states further,

... "The Contractor's supervisor/manager will be responsible for overall management of the personnel and administrative detail. The supervisor/manager will have primary responsibility for USAID - owned shop equipment, tools, materials and supplies." ...

The two provisions seem to allow the use of both USAID-owned and Falcon-owned tools and equipment. However, Falcon does not maintain inventory records for USAID-owned property furnished under the contract. In addition, USAID/Kenya does not maintain

separate inventory records for property issued to Falcon. Consequently it is difficult to distinguish Falcon tools from USAID/Kenya tools.

Falcon's inventory records consist only of copies of property issue documents processed by USAID/Kenya. The lack of issuance accountability is complicated by the fact that stock previously issued to the former (prior to the Falcon contract) warehouse maintenance function is now housed in the Falcon construction shop. Neither USAID warehouse staff nor Falcon staff could state with assurance that they could locate a copy of every property issue document processed for items now located in Falcon's shop.

Although USAID/Kenya remains accountable for items controlled by a private contractor, it presently has no management control over these items. In addition, since USAID/Kenya has not kept separate Falcon issue records there is limited knowledge of the number or value of items which Falcon controls.

Also, we were told that whenever Falcon is issued replacement parts to repair appliances or other items it does not turn in the old part. This control weakness should be corrected to avoid the possible misuse of USAID/Kenya property. In addition, when Falcon performs services and/or repairs there should be some means to verify that the work was done and that issued materials or supplies were used. Having the work order (with a copy of the original request attached) signed by the requestor would confirm that the requested work was done. Also, the requestor should be advised what materials were issued and asked to verify the reasonableness of the type and quantity of materials issued to Falcon.

In response to the findings and recommendations in our draft report, USAID/Kenya advised us that:

"(a) An inventory has been taken of all tools issued to Falcon. Signed issue documents were found for all items issued, except for some large shop tools. The Falcon Manager has signed an issue document for all tools.

(b) No items were found missing.

(c) Falcon, by signing our issue documents, has accepted responsibility for the tools. The Falcon Contract does not require them to maintain an inventory record system. However, the Falcon Manager will be required to sign a statement to be attached to each inventory and subsequent issue document accepting responsibility for the tools and agreeing to pay USAID for any tools found missing.

(d) Notification of the new procedure was forwarded to Falcon December 2, 1981.

(e) A direct hire employee or his/her adult dependent will be required to certify completion of a Work Order and verify reasonableness of type and quantity of repair materials used. Completion date January 1, 1982."

As the procedure for verification of work completed and types of materials used has not yet been finalized, we have retained that part of the recommendation which appeared in our draft report.

Recommendation No. 5

USAID/Kenya implement a procedure that requires a U.S. Direct-Hire or adult dependent to sign off on repair/maintenance work orders when a job is completed, and to verify the reasonableness of type and quantity of repair materials issued to the contractor.

Factory Guards Overbilled USAID/Kenya For Services Provided

From June 1980 through March 1981, Factory Guards overbilled USAID/Kenya a total of Kenya Shillings 30,780/- (approximately \$3,800).

AID Contract No. 615-206-T established the daily guard rate at Kenya Shillings 50/- per day. In May 1980, the President of Kenya increased the basic wages for certain categories of workers in the country by 30%, including watchmen.

On June 6, 1980, Factory Guards Ltd. informed USAID by letter:

"Therefore it is with regret that we have to draw your attention to Article II, paragraph A.1, Sub-para (a) of our contract with you and invoke this clause and increase our rates by 30% to take effect from June 1st, 1980."

"Therefore the monthly guard rates for a single guard on 12-hour shift will now be 1,360/- per month. All other rates for temporary guard services, overtime and alarm systems will remain the same."

However, Factory Guards began billing USAID/Kenya, Kenya Shillings 70/- per day for temporary guard services effective June 1, 1980, instead of Kenya Shillings 50/- as agreed in the contract and the above-mentioned June 6 letter. From January

through March 1981, Factory Guards billed USAID/Kenya Kenya Shillings 68,730/- for temporary guard services at Kenya Shillings 70/- per day. The correct charge for this test period should have been five-sevenths of this amount, or Kenya Shillings 49,093/-. Therefore, Factory Guards overbilled USAID Kenya Shillings 19,637/- for this three month period.

Following our Report of Audit Finding (summarized above), USAID/Kenya computed that Factory Guards overcharged Kenya Shillings 30,780/- for the ten month period, and deducted the overpayment from a subsequent payment.

#### Residential Leasing Needs Increased Documentation

Our review of USAID/Kenya's management of residential leases indicated that this function was generally done in a professional manner, and the records were generally in good condition. However, these records lacked some desired documentation. Areas reviewed that indicate opportunities for improvement follow.

#### Insufficient Written Guidelines and Checklists

The assessment for potential leasing of residential property was done without the benefit of written guidelines and checklists. Such guidelines and checklists would help to comparatively evaluate various properties. A permanent file of various residences and areas scrutinized within Nairobi would provide a corporate memory for the continuous house search/lease process.

Guidelines should include an assessment of what USAID/Kenya currently pays to lease or renew leases of a certain size and style. Deviations from the guidelines should require written justification. File photographs of various properties would enhance the assessment process. Checklists should document various features of each residential lease under serious consideration. This would help prevent oversights of possible problems that have in the past been discovered after a lease was taken. In addition it would provide a basis for an in-office review of all pertinent facts prior to commitment. The following list provides examples of items that we feel should be documented prior to a final lease being signed.

- Security work existing on residence.
- Existing outside security lights.
- Security work needed.
- Neighborhood security and distance from office.
- Driveway condition.

- Lot or yard condition dealing with factors of size, level grading etc.
- Existence and condition of lot fencing.
- Septic tank condition.
- Roof and structural condition.
- Availability and safe condition of electrical/plumbing outlets for washer/dryer installation.
- Condition of interior and exterior paint.
- Size of rooms.
- Cabinet or storeroom space available.
- Availability of space for freezers etc.
- Adequacy of servant quarters.
- Phone availability.
- Adequacy of water pressure.

In addition to guidelines and checklists for leasing property, we suggest checklists be used to reevaluate the condition of each leased property following a USAID/Kenya employees' departure. This would ensure that a proper condition check had been done prior to turning the property over to the landlord or next employee. In the case of temporary quarters it would provide a monitoring tool for the constant turnover that takes place in these quarters. Currently, very little before and after documentation exists to justify Bills for Collection when they appear to be warranted.

In response to our draft report, USAID/Kenya advised us that:

"An extensive checklist has been developed; for use in evaluating property viewed for potential leasing. This checklist, in addition to items regarding the property itself, includes location of property by address, name of landlord and comments regarding reputation of the landlord. Cross check files will be maintained to provide permanent reference to neighborhoods, landlords and leasing experience. It should be noted that an informal checklist has been used to serve as the basis of offers forwarded to landlords and repair/renovations which we would require prior to leasing."

Our follow-up indicated that the recently designed checklist was satisfactory.

#### Lack of Landlord Repairs on Residential Leases

We found several instances where landlords had failed to provide timely structural and maintenance repairs that were their responsibility. These failures caused the employees to be inconvenienced while the landlord was requested and re-requested to act.

Approximately 20% of those persons responding to a question in our Support Services Survey indicated problems with landlord repairs. Their comments provide additional examples of delays, inaction, or faulty repairs on the part of our various landlords.

The USAID/Kenya approach to resolving these problems should be a lease clause to provide a time deadline for the landlord to act on needed repairs. Failure of the landlord to act as agreed would allow USAID/Kenya to make the repairs and bill the landlord.

In response to our draft report, USAID/Kenya assured us that:

"A clause which will allow the USAID/K to make urgent repairs, with costs deducted from future rental payment has been included in the Standard Lease."

The Campaign To Reduce Utility Costs Should Be Continued

Conservation of utility costs and the possibility of charging employees for excess consumption has been under discussion within AID/Kenya for the past year. Residential utility costs comprise approximately \$100,000 of the AID/Kenya Operating Expense budget.

We think that standards by which electricity or other utility charges could be billed to individuals for excessive consumption should be considered. At a minimum, providing utility billing information along with average consumption for similar units and family size would be a helpful reminder to each employee to conserve usage. We believe USAID/Kenya should have an active conservation campaign to conserve energy and operating expense funds.

USAID/Kenya in response to the above suggestion stated in part:

"Once again usage (based on family size) will be distributed to employees. The statistics cover the first seven months of FY 1981. Only the recipient family will be identified. Conservative use will be requested. Further a USDH employee with some background in statistics will be assigned to review the whole issue of electricity usage, try to quantify an equitable system for dealing with billings, and formulate a policy paper for consideration of the Management and Budget Committee."

In response to our draft report, USAID/Kenya provided documentation to assure us their promised action has been completed.

Renewal Of USAID/Kenya Office Building Lease Requires Further Consideration

AID/Kenya moved into its Union Towers office building in August 1977. Audit Report No. 3-615-79-04, dated November 3, 1978, recommended USAID/Kenya expedite negotiations on its office building lease and then register the lease. A formal lease agreement was finally signed in September 1981. This lease is now in the process of being legally registered.

USAID/Kenya is attempting to negotiate a renewal of the above mentioned lease to extend the period under which USAID/Kenya will remain in its current office space. Due to the fact that USAID/Kenya is well aware of its need for a lease to retain its current office location, we are not making a recommendation concerning the lease renewal itself. However, the negotiation process for a lease should consider several concerns associated with the Union Towers Building. We discussed some of these concerns with a representative of AID's Office of Security (IG/SEC), who visited USAID/Kenya during the audit. The security review of the building indicated the need for a closer look at security, fire, and safety problems. Two of our concerns are discussed below:

Office Building Has Inadequate Fire Protection and Escape Facilities

The Union Towers Office space occupied by AID/Kenya has one exit (excluding the elevators) in case of fire, smoke or other building emergencies. This one exit is a heavily used staircase in close proximity to the elevators. Due to its heavy use, stairway doors are left open -- allowing a strong draft which would rapidly spread fire or smoke throughout the building. Most importantly, no sprinkler systems exist within the building. These facts present a danger to all employees working within the AID/Kenya office building.

Recommendation No. 6

USAID/Kenya, when negotiating renewal of the Union Towers lease, give consideration to the need for a sprinkler system and/or alternative escape routes from the building, and attempt to have the lessor absorb all or most of the corrective costs.

USAID/Kenya assured us that they would pursue this matter when negotiating renewal of the lease beginning January 1982.

### Electrical Capacity Needs To Be Assessed

Due to AID/Kenya equipment changes or planned equipment changes (e.g., addition of reproduction machines, word processors and computer equipment), the electrical capacity of the building needs to be assessed. Lease negotiations should thoroughly cover this area. The landlord's permission to make electrical hookup changes, allow the storage of fuel for standby generators, and his willingness to contribute to these capital improvement costs should be solicited.

In response to our draft report, USAID/Kenya advised us:

"An electrical survey has been completed by an electrical engineer. This survey indicated no major modifications were required. The two modifications required are minor in nature and were completed December 7, 1981."

### Motor Pool Operations Were Generally Good

Generally motorpool operations were efficient. Maintenance records were maintained on vehicles and proper procedures were in place to monitor most aspects of vehicle usage. The following areas indicate that some controls should be strengthened.

### Driver Education And Safety Program Is Needed

During fiscal years 1980 and 1981, USAID/Kenya drivers were involved in six accidents, of which two were the fault of the USAID/Kenya employed driver. Our Support Services Survey received an 83% response that motorpool services were not safe. Four respondents commented that drivers should be regularly tested for fitness. Our review indicated that USAID/Kenya does not require annual physical or eye examinations. In addition, no annual driving test is conducted by USAID/Kenya to test reflex response or car handling ability. Finally, USAID/Kenya has not attempted to place any of its drivers in a defensive driving course or instruct them in anti-terrorist driving techniques.

We think the following improvements could be made in motorpool safety.

- Require drivers to have annual physical and eye examinations.
- Require drivers to demonstrate proper driving reflexes and knowledge of traffic laws through annual testing.

- **Require drivers to participate in driving courses based on defensive and anti-terrorist driving techniques.**

USAID/Kenya responded to the above suggestions by:

- Budgeting funds for drivers' physicals.
- Agreeing that drivers' training should be a continuing process.
- Agreeing to pursue special defensive and anti-terrorist training availability.

Due to USAID/Kenya's positive response we are making no recommendation in this area.

#### Control Over Use Of Vehicles Needs Refinement

Generally we found that driver's logs were well kept and that signatures were usually obtained for each trip. However, at times the signature of a passenger could not be read or was missing from the log. In addition, we could not always document each trip with an approved trip request.

There was at least one instance noted where a driver had made a fraudulent entry on his log. In another instance a driver logged over 75 Kms for a trip to the AID warehouse, instead of the 20 Kms the trip should have required. Trips to the warehouse complex are particularly vulnerable to vehicle misuse since passengers generally do not accompany the drivers, and supervisor approval had not been required on the trip log. If the supervisor's signature was on each daily log sheet it would ensure a review of daily trip activities and entries. The supervisor should be required to get all signatures and log entries properly recorded prior to approving the daily log sheet of each driver.

Based on our finding concerning lack of internal controls over vehicle usage, USAID/Kenya instituted internal control procedures requiring the motorpool supervisor to approve daily trip sheets and specifically approve drivers' solo trip usages of vehicles. USAID/Kenya also tightened motorpool controls by issuing a Mission Notice requiring direct hire employees using official vehicles to verify the time during which the vehicle was used, and the kilometer reading of the vehicle at the beginning and at the end of the trip before signing the trip sheet. Therefore, we are not making a recommendation in this area.

### Petrol Usage Needs Better Internal Control

Generally petrol for USAID/Kenya vehicles is obtained from a pump at the warehouse complex. After hours or on Saturdays, however, drivers are authorized to purchase petrol at a private station and turn in their receipts for reimbursement.

We compared USAID/Kenya gasoline pump receipts for the period May 21, 1981 through August 15, 1981, with gasoline usage data for that period as measured by tank stick and by meter.

The gas pump meter indicated 6,640 litres of gasoline had been used. However, our comparison of driver receipts for gasoline to the meter total indicated that approximately 300 litres during the sample period (or \$800 worth of gasoline over a year period) would be unaccounted for.

We also noted that the same person who has custody of the pump bay maintains the records, and pumps the gasoline. We think this lack of internal control should be corrected -- the annual petrol usage of 26,000 liters have an approximate value of \$17,000. This usage level is material and vulnerable to theft. Therefore, the record keeping function of usage measurements should be segregated from the sales function. In addition, all petrol or other receipts received from private vendors by USAID/Kenya drivers should be approved by the General Services Officer prior to payment by the Controllers Office.

In response to our draft report, USAID/Kenya advised us that:

"Separations of the above functions have been made by memorandum dated October 18, 1981... Approval of the General Services Office of private vendor gas receipts has been and continues to be a requirement."

### Communications and Records Division (C&R) Was Well Managed

We found that this Executive Office Division was generally providing good service to AID/Kenya employees. Only one area appeared to indicate an opportunity for improvement.

#### Insured Package Pickup Causes Loss Of Employee Time

Incoming personal insured packages were left at the U.S. Embassy for pickup by AID/Kenya employees during working hours, which is the only time the A.P.O. is open. The loss of employee work time due to a 30 minute walk, plus waiting and pickup time made this practice undesirable. C&R previously picked up insured packages and took them to USAID/Kenya (Union

Towers) for employees to pickup. This procedure was stopped according to management, due to an issue involving U.S. postage regulations. USAID/Kenya agreed with our position that an alternative must be found to the current practice of employees picking up insured packages during working hours. Subsequently USAID/Kenya circulated a Mission Notice that allows Communications and Records personnel to act as agents of employees in order to pickup their packages. Therefore we are making no recommendation.

Negotiable Documents Are Not Adequately Secured

Audit Report No. 3-615-80-10 entitled Storing, Issuing and Accounting for Government Travel Requests (GTR's) and Government Bills of Lading (GBL's) was issued by RIG/A/Nairobi on March 7, 1980. At that time the USAID/Kenya Controller and Executive Officer assured us that specific actions would be taken to correct noted deficiencies. Most of the noted deficiencies had been corrected, but the following promised action has not been implemented:

"USAID/Kenya is taking action to improve physical security of GTR's... Small lock boxes will be procured and issued to REDSO, RHUDO and AAG and EXO/PER. Upon request, EXO will arrange to have lock boxes attached inside the locked file cabinet."

Several different employees still have access to file cabinets in offices where GTR's are maintained. Offices maintaining GTR negotiable documents included the Executive Office's Personnel Division, REDSO, RHUDO, and RIG. Lock boxes that were supposed to be secured in a file cabinet drawer in each office to limit access to the documents arrived, but were used for other purposes. We maintain that access over these documents must be limited to a designated custodian in each office.

We also noted that voided GTR's had not been destroyed as required. These GTR's should be destroyed with their voided numbers recorded in a log.

In response to our preliminary report of findings, USAID/Kenya informed us that voided GTR's subsequently were destroyed and proper log entries made. In response to our draft report USAID/Kenya stated:

"The principal supply of GTR's is kept in EXO in a combination lock file to which only two people have access. A limited supply of GTRs are given to the designated custodians of AID/Nairobi regional offices (RIG,

REDSO/EA, RHUDO, PER). Strong boxes will be issued to those custodians. No instances of misuse of GTRs or of negligent handling have come to our attention."

As the lock boxes have not yet been procured and provided to custodians of GTR's, we have retained the recommendation which appeared in our draft report.

Recommendation No. 7

USAID/Kenya ensure that designated custodians have sole access to the GTR negotiable documents.

List of Report Recommendations

	<u>Page No.</u>
<u>Recommendation No. 1</u>	4
USAID/Kenya do a complete inventory of both expendable and nonexpendable property, then reconcile and adjust inventory stock record cards to actual inventory. Differences between actual and recorded inventory quantities be investigated and properly reflected by adjustments.	
<u>Recommendation No. 2</u>	4
USAID/Kenya ensure that supervisory, receiving, issuing, and records keeping functions at the warehouse are performed by different individuals.	
<u>Recommendation No. 3</u>	7
AID/Washington (SER/MO) explore the possibility of resuming direct surface shipments from the United States to Mombasa, rather than using ELSO as a transshipment point.	
<u>Recommendation No. 4</u>	10
USAID/Kenya establish and submit a schedule of repair and maintenance work performance standards to Falcon as a guide to monitor and evaluate performance under the contract.	

Recommendation No. 5

12

USAID/Kenya implement a procedure that requires a U.S. Direct-Hire or adult dependent to sign off on repair/maintenance work orders when a job is completed, and to verify the reasonableness of type and quantity of repair materials issued to the contractor.

Recommendation No. 6

16

USAID/Kenya, when negotiating renewal of the Union Towers lease, give consideration to the need for a sprinkler system and/or alternative escape routes from the building, and attempt to have the lessor absorb all or most of the corrective costs.

Recommendation No. 7

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USAID/Kenya ensure that designated custodians have sole access to the GTR negotiable documents.

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List of Report Recipients

	<u>No. of Copies</u>
<u>Field Offices:</u>	
USAID/Kenya	5
RFMC	2
<u>AID/Washington</u>	
Deputy Administrator	1
AA/AFR	5
AA/M	1
AA/SER	1
AA/LEG	1
IG	1
GC	1
AFR/EA	1
SER/MO	3
FM/ASD	1
PPC/E	1
ST/DIU	4