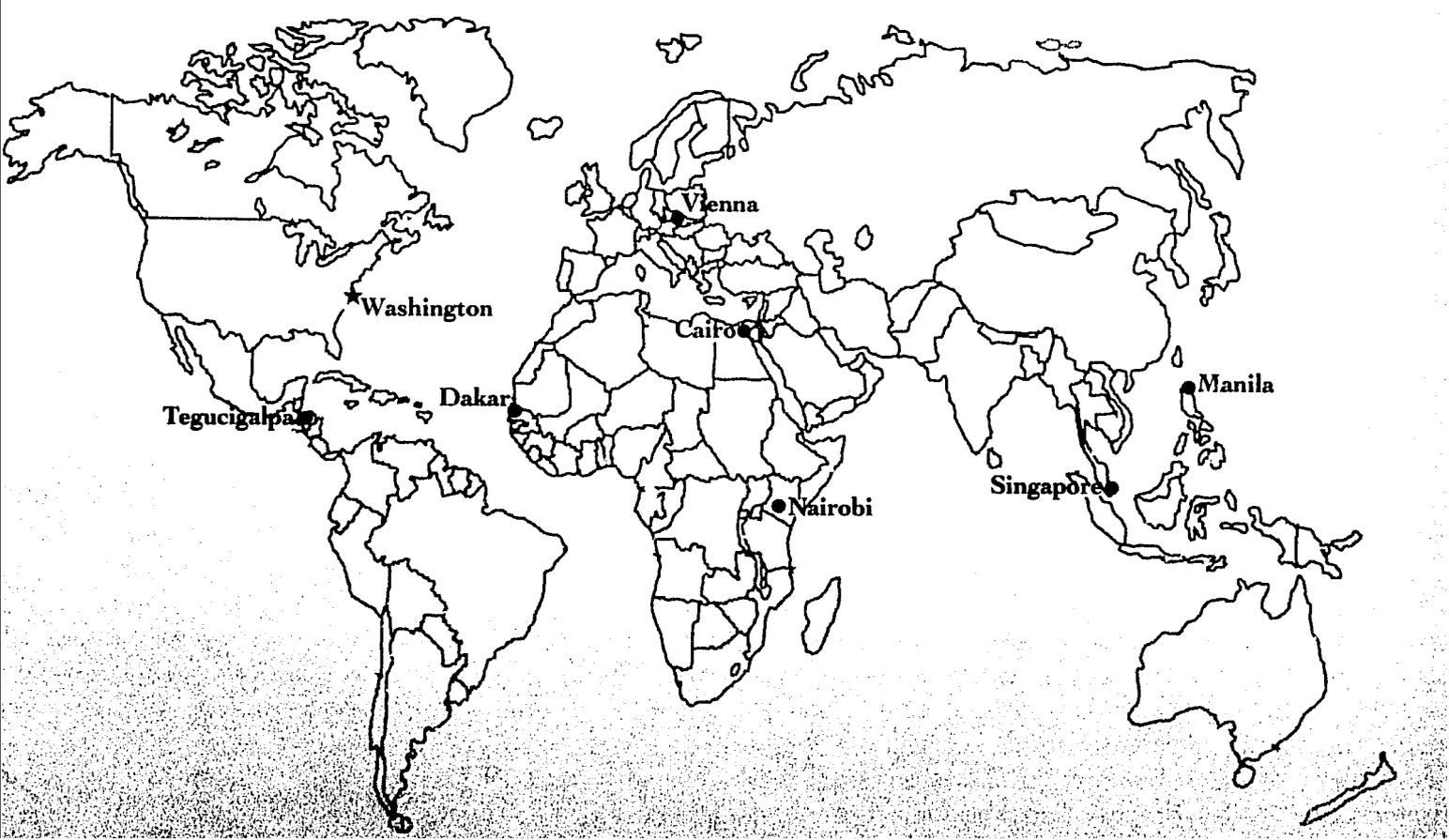


Regional Inspector General for Audit
Nairobi, Kenya

Audit of
Center for African Family Studies
Under REDSO/ESA Cooperative
Agreement No. 623-0004-A-00-9042-00

Report No. 3-615-92-05-N
March 18, 1992



FINANCIAL INFORMATION IN THIS REPORT MAY BE
CONFIDENTIAL AND SUBJECT TO THE PROVISIONS OF
PUBLIC LAW 96-521, DECEMBER 1979

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

UNITED STATES POSTAL ADDRESS
USAID/RIGA
UNIT 64102
APO AE 09831-4102

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI, KENYA

March 18, 1992

memorandum

TO: Fred C. Fischer, Director, REDSO/ESA

FROM: Toby L. Jarman, RIG/A/Nairobi 

SUBJECT: Audit of Center for African Family Studies Under
REDSO/ESA Cooperative Agreement No. 623-0004-A-00-9042-00
Audit Report No. 3-615-92-05-N

Attached are five copies of a mission-contracted financial audit report of Center for African Family Studies under REDSO/ESA Cooperative Agreement No. 623-0004-A-00-9042-00. The accounting firm of KPMG Peat Marwick, Kenya performed the audit.

The Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) approved a grant of \$4 million in August 1989 to the Center for African Family Studies, a non-governmental organization located in Nairobi, Kenya. The goal of the grant was to contribute to a reduction in the high fertility rate in the sub-saharan Africa region with the objective of improving the knowledge and practical skills of the professional staff of sub-saharan Africa family planning service institutions. This would be accomplished through provision of training and technical support. As of July 1991, obligations totalled \$2.05 million and expenditures were about \$1.85 million.

The objectives of the audit were to:

- review and express an opinion on the auditee's Fund Accountability Statement;

- evaluate and report on the auditee's internal control structure; and
- review and report on the auditee's compliance with the cooperative agreement terms and applicable U.S. laws and regulations.

KPMG Peat Marwick reported that the Fund Accountability Statement was fairly presented except that it questioned \$115,234 and considered \$398,660 as unsupported of the total costs of \$1,852,343 claimed, which was also the amount audited. The audit noted that the auditee had already corrected material internal control weaknesses which had led to the large amount of questioned and unsupported costs. Therefore, the audit concluded that there were currently no material internal control structure weaknesses. In addition, the report on compliance did not disclose any material instances of non-compliance.

The draft audit report was submitted to the auditee and REDSO/ESA for comment and their comments (Appendix I and Appendix II, respectively) were incorporated in the final report by KPMG Peat Marwick. We are including the following recommendation in the Office of the Inspector General audit recommendation follow-up system.

Recommendation No. 1: We recommend that the Regional Contracting Officer, Regional Economic Development Services Office for East and Southern Africa determine the allowability and recover, as appropriate, from the Center for African Family Studies:

1.1 questioned costs of \$115,234, and

1.2 unsupported costs of \$398,660.

We consider Recommendation No. 1 unresolved pending receipt of a plan for corrective action. Please respond to this report within 30 days indicating actions planned or already taken to implement the recommendation.

Thank you for the cooperation extended to KPMG Peat Marwick and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

**AUDIT OF
CENTER FOR AFRICAN FAMILY STUDIES UNDER
REDSO/ESA COOPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00**

ATTACHMENTS

MISSION-CONTRACTED AUDIT OF CENTRE FOR AFRICAN
FAMILY STUDIES (CAFS) UNDER REDSO/ESA
CO-OPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00

MISSION-CONTRACTED AUDIT OF CENTRE FOR AFRICAN
FAMILY STUDIES (CAFS) UNDER REDSO/ESA
CO-OPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00

TABLE OF CONTENTS

	<u>Page</u>
1. INTRODUCTION	
1.1. Background	1
1.2. Audit Objectives	2
1.3. Audit Scope	2
1.4. Restrictions on Audit Scope	2
1.5. Summary of audit results	3
1.6. Summary of management comments	5
1.7. Summary of recommendations	6
2. INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT OF CAFS UNDER REDSO/ESA CO-OPERATIVE AGREEMENT NO.623-0004-A-00-9042-00 (THE STATEMENT)	7
2.1. The Statement	8
2.2. Questioned and Unsupported Costs	10
3. INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS	33-35
3.1. Findings	36
4. INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND GRANT AGREEMENTS	44
4.1. Items of compliance	45
4.2. Items of non-compliance	46

APPENDIX

I. Management Comments: REDSO/ESA

II. Management Comments: CAFS

1. INTRODUCTION

1.1. BACKGROUND

The Centre for African Family Studies (CAFS), a private voluntary organisation, was established by the International Planned Parenthood Federation to address the need for Africa based training of family planning program personnel in appropriate service delivery management skills and technologies.

In August 1989, the Regional Economic and Services Office for East and Southern Africa (REDSO/ESA) approved a grant to CAFS of US\$4 million. Project completion date is estimated to be June 1993.

The purpose of the project is to improve the knowledge and practical skills of the professional staff of sub-Saharan Africa family planning service institutions through the provision of training and technical support.

CAFS is based in Westlands, Nairobi and maintains a West African regional office in Lome, Togo (previously Dakar, Senegal).

Accounting records are maintained at Westlands, Nairobi.

As of July 1991 obligations totalled \$2.05 million, and expenditures against obligations amounted to approximately \$1.85 million.

REDSO/ESA reimburse via subsidy the cost of a number of participants attending CAFS' courses. In addition REDSO/ESA is supporting the institutional costs of CAFS.

CAFS is also supported by the Canadian International Development Agency (CIDA), and the International Planned Parenthood Federation (IPPF).

1.2. AUDIT OBJECTIVES

Our contract required us to undertake an audit in respect of the period from inception of the grant, August 18, 1989 to July 31, 1991 as follows:-

Perform a financial audit of CAFS in accordance with generally accepted auditing standards and the U.S. Comptroller General's Government Auditing standards, and to express written signed opinions on:

- (a) the Fund Accountability Statement of CAFS;
- (b) the auditee's Internal Control Structure;
- (c) the auditee's compliance with U.S. Laws, Regulations and the Grant Agreement.

1.3. AUDIT SCOPE

(a) Audit Report on The Statement

The audit covers expenditure incurred and claimed against the grant during the period August 18, 1989 to July 31, 1991.

(b) Audit Report on the Auditee's Internal Control Structure

The audit reviews the internal control structure relevant to the recording of receipts from REDSO/ESA and expenditure incurred and claimed against REDSO/ESA under the grant.

(c) Audit Report on Auditee's Compliance with U.S. Laws, Regulations and the Grant Agreement

The audit report covers only the auditee's compliance in respect of the Fund Accountability Statement under the REDSO/ESA grant.

1.4. RESTRICTIONS ON AUDIT SCOPE

Within the parameters stated above, there were no restrictions on our audit scope with the exception that we have not complied with Government Auditing Standards 3.46 regarding external quality control review and 3.6 in respect of continuing education and training requirements in subjects directly related to the government environment and to government auditing. We do not however believe that these scope limitations had an adverse effect on our audit.

1.5. SUMMARY OF AUDIT RESULTS

The results of our audit are set out on pages 7 to 46. The major points arising are as follows:-

- a) We identified reimbursement of expenses of US\$398,600 which were unsupported and US\$115,234 which we have questioned.
- b) Unsupported costs arose in the following expense categories:-

	<u>US\$</u>	<u>Narrative</u>
Technical assistance	60,755	Insufficient third party documentation.
Salaries	261,643	Salaries claimed on budget not actual basis.
Participants per diems	41,344	Errors in calculation.
Participants travel	9,814	Travel claimed on budget not actual basis.
Library equipment and supplies	768	Missing third party documentation.
Staff recruitment and development	19,500	Unsupported third party documentation.
Relocation expenses	4,836	Missing thirty party documentation.
	----- 398,660 =====	

c) Questioned costs arose in the following expense categories:-

	<u>US\$</u>	<u>Narrative</u>
Participants per diems	18,160	Number of funded participants questioned.
Participants travel	5,350	Course list of participants not located.
Relocation expenses	63,224	Expenses incurred prior to grant amendment covering expenditure.
Other administration costs	28,000	Lack of audit trail to support documents.

	115,234	
	=====	

d) We have made our recommendations on further action to be taken by REDSO/ESA and the auditee on pages 13 to 32.

e) We have reviewed the auditees internal control structure during the grant period in question. Our report on internal controls and our recommendations for improvement are on pages 33 to 43. While our review covers the whole grant period, we wish to refer to our review of general controls on pages 36 to 37. This section concludes that CAFS have subsequently implemented systems which provide the organisation with a sound foundation for controlling future developments, in particular the development of sophisticated costing systems and the need to administrate for higher levels of activity.

f) During the course of our audit no serious non-compliance with relevant laws and regulations was noted.

1.6. Summary of Management Comments

The comments on our draft report by REDSO/ESA and the auditee management are included at Appendix I and II to this report. REDSO/ESA are in agreement with the audit report and a summary of the auditee management comments is noted below:-

a) Questioned and unsupported costs have generally arisen for the following reasons:

- flaws in the Co-operative Agreement;
- delays in the development of an adequate costing system;
- a number of records are missing due to relocation of CAFS office.

b) Comments relating to particular material unsupported or questioned costs are as follows:

Salaries

A number of staff positions have not been claimed for under the Co-operative Agreement (see recommendation No.2).

Technical Assistance

Third party documentation is not available as technical assistance is generally provided by individuals who are not capable of providing documentation of a business standard (see recommendations Nos. 1 and 26).

Staff Recruitment and Development

Institutions offering staff development courses do not always supply invoices or receipts (see recommendations Nos. 8 and 27).

Participants per Diems

Our comments are generally accepted. For Harare Communications Course (English) 1990, lack of original documentation has arisen due to the need for the organising body, Z.N.F.P.C., to retain the original documents (see recommendations Nos. 3 and 4).

c) The auditee management feel that our audit report has deliberately highlighted weaknesses and that we have unrealistically high expectations.

1.7. Summary of Recommendations

Detailed recommendations covering actions required resulting from our audit of the fund accountability statement are set out on pages 13 to 32 (recommendations 1-11).

Detailed recommendations arising from our review of internal control structure are set out on pages 38 to 43 (recommendations 12-25).

Following review of the auditee management comments we have two additional recommendations:-

Recommendation 26

Technical Assistance

CAFS should obtain originating invoices or receipts from all individuals providing technical assistance. If the individual is incapable of providing such documentation, then CAFS should provide the individual with proforma invoices and receipts detailing the service provided, which the individual should sign and date.

Recommendation 27

Staff Development

CAFS should obtain satisfactory invoices or receipts from all institutions providing staff training courses. We believe that institutions such as John Hopkins University, Baltimore, will provide such documentation if requested.

KPMG Peat Marwick

Certified Public Accountants

Office address:
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi
Kenya

Postal address:
P.O. Box 40612
Nairobi
Kenya

Telephone: 222862
Telex: 25074 PMMNBI
Telefax: 254-2-215695
Telegrams: Vuntatam Nairobi

2. INDEPENDENT AUDITOR'S REPORT ON THE FUND
ACCOUNTABILITY STATEMENT OF CAFS UNDER REDSO/ESA
CO-OPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00
(THE STATEMENT)

We have audited The Statement for the period from August 18, 1989 to July 31, 1991. This financial statement is the responsibility of the management of CAFS. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States with the exception that we did not comply with Sections 3.46 and 3.6. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in The Statement. An audit also assesses the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the Fund Accountability Statement, this financial statement was prepared on a cash basis which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, The Statement of CAFS for the period from August 18, 1989 to July 31, 1991 is fairly stated on the above accounting basis with the exception of expenditures of US\$115,234 which are questioned and expenditures of US\$398,660 which are unsupported. Details of these amounts are set out in part 2.2. to this report.

Contractor 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. This report is intended solely for the use of CAFS and USAID and should not be used for any other purpose.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date: January 17, 1992



2.1 FUND ACCOUNTABILITY STATEMENT OF CAFS UNDER REDSO/ESA
CO-OPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00 FOR
THE PERIOD FROM AUGUST 18, 1989 TO JULY 31, 1991
(THE STATEMENT)

	Notes	US.\$
<u>Revenues</u>		
Funds from REDSO/ESA under grant	3	1,860,294
<u>Expenditures</u>		
Technical assistance		88,672
Salaries		819,473
Course material development		1,476
Participants per diem		390,494
Participants travel		136,343
Training materials		29,584
Conference expenses		20,422
Library equipment and supplies		3,850
Staff recruitment and development		20,600
Office space and classroom rent		124,200
Training staff travel		79,587
Lesotho technical assistance		2,276
Relocation expenses		95,290
Other administrative costs		40,076

		1,852,343

<u>Unexpended funds</u>	5	US.\$7,951 =====

Notes to The Statement

1. Basis of Accounting

The Fund Accountability Statement is prepared on a cash basis. As noted in notes 3 and 4 below, revenues and expenditures are recorded when cash is physically received or expended.

2. CAFS does not maintain separate bank accounts and accounting records to account for funds expended under the grant. Expenditure claims are thus prepared from a variety of sources and translated into US Dollars for claim purposes. It is thus not possible to prepare a statement of revenues and expenditures including local currency comparatives.

3. Revenues

Revenues represent amounts received under the grant from REDSO/ESA in the period from August 18, 1989 to July 31, 1991. They exclude grants from other donors, course fees, and other sundry income.

4. Expenditures

Expenditures represent amounts expended as follows:-

- i. Amounts disbursed in local currency translated for claim purposes at the exchange rate prevailing at the end of the month to which the claim relates.
- ii. Amounts disbursed in Lome in local currency translated for claim purposes at the exchange rate prevailing at the end of the month to which the claim relates.
- iii. Amounts disbursed in US Dollars at actual dollar amount. The amounts may be disbursed either through local external denominated accounts, or through CAFS dollar account in New York.

5. Unexpended funds

As CAFS does not operate one bank account purely for USAID/REDSO purposes, and as relevant expenditures are made out of CAFS general bank account, it is not possible to reconcile unexpended funds to particular bank account balances.

2.2. FUND ACCOUNTABILITY STATEMENT OF CAFS UNDER REDSO/ESA
CO-OPERATIVE AGREEMENT NO.623-0004-A-00-9042-00 FOR
THE PERIOD FROM AUGUST 18, 1989 TO JULY 31, 1991

Cost category	Total amount claimed	Costs recommended for acceptance	Costs questioned	Costs unsupported	Notes
	US\$	US\$	US\$	US\$	
Technical assistance	88,672	27,917	-	60,755	2
Salaries	819,473	557,830	-	261,643	3
Course material development	1,476	1,476	-	-	
Participants per diems	390,494	330,990	18,160	41,344	4
Participants travel	136,343	120,679	5,850	9,814	5
Training materials	29,584	29,584	-	-	6
Conference expenses	20,422	20,422	-	-	7
Library equipment and supplies	3,850	3,082	-	768	8
Staff recruitment and development	20,600	1,100	-	19,500	9
Office space and classroom rent	124,200	124,200	-	-	10
Training staff travel	79,587	79,587	-	-	11
Lesotho technical assistance	2,276	2,276	-	-	12
Relocation expenses	95,290	27,230	63,224	4,836	13
Other administrative costs	40,076	12,076	28,000	-	14
	<u>1,852,343</u>	<u>1,338,449</u>	<u>115,234</u>	<u>398,660</u>	
	=====	=====	=====	=====	

NOTES TO THE STATEMENT OF QUESTIONED AND UNSUPPORTED COSTS

1. In the Statement of Questioned and Unsupported Costs on page 10, the total amounts claimed represent total amounts expended and claimed as noted in Note 3 to The Statement. No account has been taken of amounts incurred but not yet paid. The generally accepted accounting principles of accruing for expenditures incurred has therefore not been applied in preparing this statement. The balance unspent of US\$7,951 is not reconciled to individual bank account balances as CAFS tends to commingle funds from a variety of sources in a variety of different bank accounts. This is included as a non-compliance issue on page 46. Our recommendation to rectify this is on page 38 (recommendation No.12).

2. Technical Assistance

This represents amounts paid to third party consultants who provide lecturing, research and support services to CAFS on training courses.

Verification

1. Agree amounts claimed to payment vouchers and ensure that expenditure is supported by third party invoices or receipts.
2. Ensure service provided is relevant to the parameters set down in Project Implementation Letters (PIL's) or subsequent amendment letters.

Results

1. For each consultant there is sufficient evidence to show that service was provided in accordance with the relevant PIL's.
2. Costs of US\$60,755 are unsupported due to lack of third party documentary evidence provided to support the payments to consultants.

An analysis of the US\$60,755 is as follows:-

	<u>Amount unsupported</u>	<u>Note</u>
	US.\$	
Dr. Aboda	9,930	I
Dr. Lwanga	6,720	II
Mrs. R. Odindo	3,200	III
Dr. Bellamine	11,857	IV
Dr. Lwanga)		
Mrs. R. Rashoto)	19,740	V
Mrs. R. Odindo)		
Dr. Aboda	9,308	VI
	<u>60,755</u>	
	=====	

Note

- I. Internal calculations sighted to support payment, but no invoice or receipt from Dr. Aboda to support payment.
- II. Correspondence from Dr. Lwanga sighted to advise transfer of funds to his bank accounts, but no invoices or receipt provided to support payment.
- III. Internal calculations provided to support payment, but no invoice or receipt from Mrs. Odindo to support payment.
- IV. Barclays Bank payment advice to Dr. Bellamine sighted, but no invoice or receipt from Dr. Bellamine sighted to support payment.
- V. Internal calculations supporting payment vouchers for the three consultants amount to:-

	US.\$
Dr. Lwanga	8,785
Mrs. Rashoto	6,720
Mrs. Odindo	5,120

	20,625
	=====

Total claimed amounts to US.\$19,740. No explanation or reconciliation has been given to explain the difference. No invoices or receipts from the consultants have been provided to support the payments.

- VI. Internal calculations sighted to support payment, but no invoice or receipt from Dr. Aboda to support payment.

Conclusion

We consider that technical assistance costs of US\$ 27,917 should be accepted. Costs of US\$60,755 are unsupported.

Recommendation No.1

We recommend that REDSO/ESA reviews each element of unsupported cost as defined above and, with REDSO/ESA's detailed knowledge of the auditee, decide whether there is sufficient evidence for REDSO/ESA to accept the expenditure claimed. If REDSO/ESA decide that there is insufficient evidence, then the unsupported expenditure should be recovered against the next expenditure claim made by the auditee.

3. Salaries

Salaries relate to amounts paid to administration, finance and training staff. As the original budgets prepared to support staff positions were inadequate to fully fund the positions throughout the period of the grant, CAFS have been claiming salaries and benefits on a budget rather than actual expenditure basis. See below for a comparison of budget against actual expenditure.

Verification

1. Physically identify all persons for whom salaries have been claimed, and if absent verify to personnel files.
2. Calculate, for each staff member, cumulative pay to date, and compare with amounts claimed against grant.
 - For a sample of employees agree gross salary and benefits to contracts of employment and subsequent amendments.
 - For a sample of monthly payrolls agree net pay to cash book payments.
 - For a sample of other benefits, agree benefit back to payment voucher and supporting documentation.
3. Ensure CAFS salaries do not exceed FS0-1 maximum set levels.

Results

1. All relevant personnel were physically identified or verified to personnel files.
2. Out of our review sample of five employees, the auditee was unable to provide three original contracts of employment, which, together with subsequent amendments for grade upgrading and scale increases, would support monthly gross salaries (see also the review of Internal Control in respect of payroll on pages 41 to 42).
3. CAFS salaries do not exceed FS0-1.

Set out below is a comparison of actual salary and benefits, calculated by translating Kenya Shilling expenditure at monthly exchange rates, with amounts claimed.

<u>Staff position/name</u>	Amount expended	Amount claimed	(Over)/ under claimed
	US.\$	US.\$	US.\$
<u>Finance and Administration</u>			
Project director	113,860	42,394	71,466
Deputy director	80,958	57,249	23,709
Finance and administration officer	41,989	64,400	(22,411)
Finance and accounts assistant	12,760	12,342	418
Program assistant	11,346	11,566	(220)
Secretaries	46,018	66,600	(20,582)
<u>Training</u>			
<u>Anglophone</u>			
Management	56,528	103,500	(46,972)
Communications	48,062	72,841	(24,779)
Family life education	44,448	69,874	(25,226)
Nurse - Midwife	43,458	54,372	(10,914)
Principal researcher	50,005	74,750	(24,745)
<u>Francophone</u>			
Management	53,119	95,841	(42,722)
Communications	26,788	62,124	(35,336)
Physician	24,084	31,820	(7,736)
	653,423	819,473	(261,643)/95,593
	=====	=====	=====

Notes:

1. The total for all positions where amounts claimed are higher than amounts actually expended amounts to US\$261,643. In our opinion this represents unsupported costs.
2. In the cases where amount claimed is less than actual expenditure, in our opinion the costs claimed is accepted.
3. We are advised by CAFS management that there are a number of positions budgeted for under the grant for which expenditure has been incurred, but for which no claim has been made against the grant.

Conclusion

We consider that salaries costs of US\$557,830 should be accepted. Costs of US\$261,643 are unsupported.

Recommendation No.2

We recommend that REDSO/ESA recovers the US\$261,643 unsupported cost against the next reimbursement claim. However, should CAFS management be correct in asserting that there are a number of staff positions against which CAFS have not been claiming for against the grant, CAFS should make a full claim for these members of staff. The claim should be on an actual amount expended basis, and should be translated at the exchange rates arising at the date of expenditure.

4. Participants Per Diems

Participants per diems consist of amounts paid to, or incurred on behalf of, selected course participants to cover hotel, food, daily allowances, and incidental expenses.

Verification

1. Obtain a sample of claims made for participants per diems for a sample of training courses.
2. Agree claim to supporting documentation ensuring:-
 - claim relates to participants agreed to be funded by REDSO/ESA.
 - hotel, food and incidental expenses are supported by original third party documentation.
 - daily allowances are supported by signed receipts from selected course participants.
3. Ensure total claimed per diem per participant does not exceed USAID agreed per diem rates.
4. Ensure funded participant is not excluded under the terms of the Brooke-Alexander Amendment.

Results

1. Per diem claims of US\$41,344 are unsupported. The reasons for this vary, but the main causes are errors in claim preparation, and lack of documentation to support claims during the earlier period of the grant.

An analysis of this figure is as follows:-

Claim/Course	US\$	Note
Communication (English), Harare, 1990	17,329	I
Communication (English), Nairobi, 1989	9,142	II
Management (English), Mombasa, 1990	880	III
T.O.T. (English), Nairobi, 1991	1,682	IV
C.T.U. (French), Dakar, 1989	12,311	V

	41,344	
	=====	

Notes

- I. Whilst calculations have been provided by the auditee to support the total claim of US\$18,900, the auditee has only provided originating third party documents to support field trip expenses of US\$1,571. Other documents provided are either copies of originals, or internally generated without third party support.
 - II. CAFS have duplicated expenditures incurred on the Silver Springs Hotel, Nairobi, in two claims (claimed deposit in first claim, and total in second).
 - III. CAFS claimed the hotel deposit for all participants rather than the total hotel bill allocated to the individual REDSO/ESA funded participants.
 - IV. CAFS have been unable to substantiate the balance of US\$1,682.
 - V. CAFS duplicated claims for daily allowances and appear to have claimed for more than the agreed 6 REDSO/ESA funded participants.
2. One per diem claim for US\$18,160 is questioned. CAFS claimed US\$22,172 for the 1989 CTU (English) course. The claim assumes that REDSO/ESA is funding all course participants (13). However, the participant funding list submitted to REDSO/ESA suggests REDSO/ESA are to fund only 3 participants; Nsiah, Waweru and Jusu.
 3. Per diem rates for the various course locations are within USAID guidelines.
 4. Both CAFS and REDSO/ESA review lists of funded participants prior to agreeing to fund particular participants, to ensure the Brooke-Alexander Amendment is being adhered to. No evidence of non-compliance came to our attention.

Conclusion

We consider that participants per diem costs of US\$330,990 should be accepted. Costs of US\$41,344 are unsupported, and costs of US\$18,160 are questioned.

Recommendation No.3

We recommend that unsupported per diem costs of US\$41,344 are recovered by REDSO/ESA against the next expenditure claim by CAFS.

Recommendation No.4

REDSO/ESA should identify the number of participants funded under the 1989 CTU (English) course. If the number of funded participants is agreed to be thirteen, then the questioned cost of US\$18,160 should be accepted by REDSO/ESA. If the number of funded participants is agreed to be three then REDSO/ESA should recover the unsupported cost against the next CAFS expenditure reimbursement claim.

5. Participants Travel

Participants travel consists of airfares and local travel costs expended by CAFS for agreed REDSO/ESA funded participants (as with participants per diems, see above). In order that the REDSO/ESA grant budget for this line item would be reasonably utilised over the period of the grant, CAFS have generally attempted to conserve the budget by claiming budgeted levels of airfares per participant per course. Initially, CAFS claimed amounts actually expended, however, at an early period in the grant, CAFS switched to a policy of claiming for US.\$650 per funded participant per course.

Verification

1. Select a sample of travel claims and agree back to originating supporting documentation ensuring:
 - participant funded is as agreed by REDSO/ESA;
 - participant attended the relevant course;
 - where appropriate, US flag-ship carriers are used for Inter Africa flights;
 - ensure that participants travel economy class.
2. Where CAFS have claimed on budget levels of travel cost, review budget claim against actual cost of REDSO/ESA funded participant travel.
3. Ensure funded participant is not excluded under the terms of the Brooke-Alexander Amendment.

Results

1. Costs of US\$9,814 are unsupported. We analyse below the components of this figure;

Claim/Course	US\$	Note
Communication (English) 1989	2,045	I
Middle Management (English) 1989	1,738	II
Middle Management (English) 1990	736	III
Senior Management (English) 1990	871	IV
Senior Management (English) 1991	993	V
Total claimed (English) 1990	980	VI
Mwole Management (French) 1990	348	VII
CTU Basic (French) 1989	903	VIII
CTU Basic (French) 1990	<u>1,200</u>	IX
	US\$ 9,814	=====

Notes

- I. CAFS claimed on budget basis for the number of REDECO/ESA funded course participants. Actual airfares cost US\$2,045 less than budgeted.
- II. CAFS claimed on budget basis. Actual airfares cost US\$1,738 less than budgeted.
- III. As above, actual airfares cost US\$736 less than budgeted.
- IV. As above, actual airfares cost US\$871 less than budgeted.
- V. CAFS has duplicated the payment and claim for one participant's airfare (Mr. Jooseery).
- VI. CAFS has claimed on a budget participant basis. Actual airfare cost US\$980 less than budgeted.
- VII. CAFS has claimed on a budget participant basis. Actual airfare cost US\$348 less than budgeted.
- VIII. As above, actual airfares cost US\$903 less than budgeted.
- IX. As above, actual airfares cost US\$1,200 less than budgeted.

2. Costs of US\$5,850 are questioned. CAFS has claimed US\$5,350 (being 9 participants @ US\$650) for airfares for the Research and Evaluation Course, 1990. CAFS are unable to identify the list of REDSO/ESA funded participants and hence this claim is questioned.
3. There are no instances where US flag-ship carriers would have been appropriate.
4. Both CAFS and REDSO/ESA review lists of funded participants prior to agreeing to fund particular participants to ensure the Brooke-Alexander Amendment is being adhered to. No evidence of non-compliance came to our attention.

Conclusion

We consider that participants airfare costs of US\$120,679 should be accepted. Costs of US\$9,814 are unsupported and costs of US\$5,850 are questioned.

Recommendation No.5

We recommend that REDSO/ESA recover unsupported costs of US\$9,814 against the next CAFS expenditure reimbursement claim.

Recommendation No.6

REDSO/ESA should endeavour to obtain a list of REDSO/ESA funded participants on the Research and Evaluation Course, 1990. If such a list is made available, CAFS should be required to substantiate the claim. If CAFS are able to substantiate the claim, then questioned cost of US\$5,850 should be accepted. If CAFS are unable to substantiate the claim, then questioned cost of US\$5,850 should be recovered against the next grant reimbursement as being unsupported.

6. Training Materials

This line item consists of course aids such as books, manuals and medical supplies. Again CAFS has tended to claim for course aids on a budget basis, split between Anglophone and Francophone courses.

Verification

1. For a sample of items claimed, agree to originating third party document to ensure that items are fully supported.
2. For items claimed on a budgeted basis, compare with actual expenditures and ensure that claim is fully supported.
3. Review sample and ensure that items are relevant to the line item and reasonable.

Results

1. All items tested are supported, including claims made on a budget basis.
2. All items tested are reasonable and relevant to the line item.

Conclusion

We consider that training material costs of US\$29,584 should be accepted.

7. Conference Expenses

This line item consists of expenditure incurred on hire of conference facilities for courses.

Verification

1. For a sample of items claimed, agree to originating third party documents to ensure that items are fully supported.
2. Review sample and ensure that items are relevant to the line items and reasonable.

Results

1. All items tested are supported by third party documentation.
2. All items tested are reasonable and relevant to the line item.

Conclusion

We consider that conference expense costs of US\$20,422 should be accepted.

8. Library Equipment and Supplies

This line items consists of books and other research material purchased for CAFS library.

Verification

Select a sample of items and ensure they are fully supported by originating third party documentation, are relevant to the line item, and reasonable.

Results

Costs of US.\$768 are unsupported. CAFS was able to support only US.\$1,732 out of a round sum claim for US.\$2,500 in October 1989.

Conclusion

We consider that library equipment and supply costs of US\$3,082 are accepted. Costs of US\$768 are unsupported.

Recommendation No.7

We recommend that unsupported cost of US\$768 should be recovered against the next grant reimbursement.

9. Staff Recruitment and Development

This consists of costs of sending CAFS staff on external training courses and recruitment agency and advertising fees.

Verification

1. From a sample of claims, agree claims back to supporting originating third party documentation.
2. Ensure that items are relevant and reasonable.

Results

1. Costs of US.\$19,500 are unsupported as follows:-

	US.\$	Note
Dr. Akinwande, John Hopkins University	3,100	I
Dr. Adelakun	11,500	II
D. Odera, Management Services for Health course	4,900	III
	<u>19,500</u>	
	=====	

Notes

- I. Copy bankers draft to John Hopkins University for Family Health Communications course sighted, but no further originating invoices or receipts were available.
 - II. No supporting documents have been produced for this claim
 - III. A copy letter, outlining details of the course and fees, has been sighted, but no further supporting invoice or receipt.
2. Whilst the claims are unsupported, the expenditures would appear relevant to the line item.

Conclusion

We consider that staff recruitment and development costs of US\$1,100 are accepted. Costs of US\$19,500 are unsupported.

Recommendation No.8

We recommend that REDSO/ESA reviews each element of unsupported cost as defined above, and with REDSO/ESA's detailed knowledge of the auditees day to day operations, decide whether there is sufficient evidence for REDSO/ESA to accept the expenditure claimed. If REDSO/ESA decide that there is insufficient evidence then the unsupported expenditure should be recovered against the next grant reimbursement to CAFS.

10. Office Space and Classroom Rent

This consists of rental and service fees paid for the lease of Pamstech House, Westlands, Nairobi. CAFS is claiming on a budget basis rather than actual expenditure.

Verification

1. For a sample of claims, ensure that claim is fully supported by lease rental payments.
2. Agree lease rental back to original lease agreement.
3. Ensure that claims do not exceed 47% of total lease rental payments (REDSO/ESA grant attachment 2, paragraph reference B4.e(2)).

Results

1. The claims under the grant are fully supported by originating third party documentation.
2. The amount claimed does not exceed 47% of total CAFS rental expenditure, including West Africa Office.

Conclusion

We consider that office space and classroom rent costs of US\$124,200 are accepted.

11. Training Staff Travel

This line item consists of training staff travel and per diems whilst providing training and courses to third parties. On occasion, CAFS claimed expenditure on a budget rather than actual basis.

Verification

1. From a sample of training staff travel claims, agree back to originating third party documentation.
2. Where claims are made on a budget basis, ensure that claims are supported by third party documentation.
3. Ensure per diem claims are within USAID per diem guidelines.

Results

1. All travel claims are fully supported by third party documents. These include receipts from training staff confirming that they have received the relevant allowances. They are not required to account for the allowance.
2. Budget claims are fully supported by third party documentation.
3. Per diems claimed are within USAID set guidelines.

Conclusion

We consider that training staff travel and per diem costs of US\$79,587 are accepted.

12. Lesotho Technical Assistance

This expenditure relates to project support provided by CAFS to Lesotho Planned Parenthood Federation, for capacity building for agencies involved in family life education. Expenditure includes air fares, local per diems of CAFS staff, etc.

Verification

1. Obtain a sample of actual claims and agree to original supporting third party documentation.
2. Ensure claim is relevant and reasonable in relation to the line item

Results

1. All claims are fully supported.
2. All claims are relevant and reasonable in relation to the line item.

Conclusion

We consider that Lesotho technical assistance costs of US\$2,276 should be accepted.

13. Relocation Expenditure

This consists of costs incurred in re-locating CAFS Nairobi Office from Mlima House to Pamstech House in Westlands, and relocating CAFS West Africa Office from Dakar, Senegal to Lome, Togo.

Verification

1. Obtain a sample of items claimed under the grant and ensure they are fully supported by originating third party documentation.
2. Ensure that items claimed are relevant and reasonable in relation to the grant agreement budget.

Results

1. Project Agreement Amendment 5, dated June 4, 1991, amends the grant to provide a budget of US.\$200,000 for relocation expenses. However, the expenditure claim for May, 1991 includes relocation expenditure of US\$68,060 incurred prior to project Amendment No.5. The majority of this expenditure was incurred in 1989. We have been advised that the project amendment No.5 was to be retrospective. However, no documentation has been provided to evidence this fact.
2. Of the above US.\$68,060, US.\$4,836 relates to costs of partitioning of Pamstech House, by Messrs. Ngugi Njenga. This was part of a larger figure payable to this contractor. The invoice supporting the payment of KShs.101,570 (US.\$4,836) cannot be located. The cost of US.\$4,836 is thus unsupported.

Conclusion

We consider that relocation expense costs of US\$27,230 are accepted. Costs of US\$63,224 should be questioned and costs of US\$4,836 are unsupported.

Recommendation No.9

REDSO/ESA should formally document its concurrence that Project Amendment 5 was to be retrospective, even to expenditure incurred prior to grant commencement. When this concurrence is documented we recommend that REDSO/ESA accepts the questioned expenditure.

Recommendation No.10

We recommend that REDSO/ESA recover unsupported costs of US\$4,836 against the next grant reimbursement.

14. Other Administrative Costs

This relates to other administrative costs including stationery printing postage and communications costs. CAFS has in general been claiming on the basis of budgeted administration expenditure rather than actual costs, except for a limited number of actual claims.

Verification

1. Obtain a sample of actual claims and agree to original supporting third party documentation.
2. For claims based on budget, review budget levels against actual expenditure incurred to review for reasonableness.

Results

1. CAFS has claimed a total of US\$40,076, of which US\$28,000 is in round-sum budgeted amounts, leaving US\$12,076 claimed for actual expenditure. Whilst we calculate that CAFS has incurred administration costs well in excess of the US\$28,000 in the period to July 31, 1991, we consider that the claims of US\$28,000 should be questioned due to lack of audit trail between the claim and actual expenses incurred.
2. Claims based on actual costs incurred amounted to US\$12,076. These claims are fully supported, relevant and reasonable.

Conclusion

We consider that administration costs of US\$12,076 be accepted. Costs of US\$28,000 are questioned.

Recommendation No.11

We recommend that REDSO/ESA should recover the questioned cost of US\$28,000 against the next grant reimbursement. CAFS should resubmit its claim using actual administration costs borne to date. In addition, CAFS should provide evidence that this expenditure has not been claimed against other funds.

Certified Public Accountants

Office address:
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi
Kenya

Postal address:
P.O. Box 40612
Nairobi
Kenya

Telephone: 222862
Telex: 25074 PMMNBI
Telefax: 254-2-215695
Telegrams: Ventatem Nairobi

3. INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL STRUCTURE OF CAFS UNDER THE REDSO/ESA CO-OPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00 (THE STATEMENT)

We have audited The Statement of CAFS for the period from August 18, 1989 to July 31, 1991, and have issued a report thereon dated January 17, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

In planning and performing our audit of The Statement of CAFS we considered CAFS internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on The Statement and not to provide assurance on the internal control structure.

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

For the purpose of this report, we have classified the significant internal control structure policies and procedures in the following categories:-



- Control over REDSO/ESA funds.
- Control over preparation of claims to REDSO/ESA.
- Bank and cash.
- Purchases and payments.
- Payroll.
- Reporting to REDSO/ESA.

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A description of reportable conditions is set out on pages 36 to 43 immediately following this report.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure element does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe none of the reportable conditions described on pages 36 to 43 is a material weakness.

KPMG Peat Marwick

Contractor 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. This report is intended solely for the use of CAFS and USAID and should not be used for any other purpose.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date: January 17, 1992

3.1. CENTRE FOR AFRICAN FAMILY STUDIES (CAFS)

Audit report on internal control structure

Findings

General

During the period of the REDSO/ESA grant, CAFS systems have been evolving. Our comments below relate primarily to the current systems in place, which have largely been implemented from the latter part of 1990 onwards. Many of the problems arising during the audit, in particular relating to substantiation of claims made to REDSO/ESA for training course expenses, arose during the earlier period of the grant from August 1989 onwards. We feel that the general control environment existing at the beginning of the grant was poor. This can be evidenced as follows:-

1. The general filing of documents was inadequate. A number of training course files were not located. It has proved difficult to identify participants on a number of courses. A number of invoices supporting claims to REDSO/ESA were misplaced.
2. The computer system adopted by CAFS is inadequate. Whilst it is recognised that the system was provided by CIDA for no consideration, the software used, CLARI TDL, is Canadian and there is no local support for the software. A stronger general control environment should have enabled CAFS to identify this problem at an early stage and to acquire software more suited to its needs.
3. There was little control over the accounting function at the organisation. There was no segregation of duties, the director being responsible for controlling and authorising expenditure. As the number of courses and expenditures within the organisation increased, this situation led to delays and potential errors in accounting.
4. The organisation did not maintain adequate accounting records to control expenditures. For example, air tickets could be requisitioned by a simple letter to travel agents from unit heads. Thus there was no satisfactory originating documentation to support incoming invoices from agents. This has led to a situation where the organisation has duplicated payment for the same source or supply (it is noted that the organisation has recognised this problem and is in negotiation with the previous travel agents, Aero International, at present).

5. Recording of transactions was poor. It was noted that the cash books did not correctly reference to payment vouchers. Sequential numbering of vouchers was often duplicated, and on occasion vouchers were not referenced at all.
6. The West Africa Office, initially Dakar, now Lome, was set-up without any guidelines as to necessary accounting records. Thus the Nairobi Office had to reconstruct accounting records at a later stage.
7. Staff personnel records are incomplete. As noted on Page 14, some original contracts of employment, together with terms of employment, were not located on personnel files.

Whilst the above is noted, largely to put the organisation and accounting system in context, and to explain in general a number of the problems arising during our audit, we recognise that CAFS have subsequently implemented systems which provide the organisation with a sound foundation for controlling future developments, in particular the development of sophisticated costing systems and the need to administrate for higher levels of activity.

1. Control over REDSO/ESA funds

Observation

The organisation maintains a separate named bank account for REDSO/ESA funding. However, costs claimed under the grant are expended from a variety of different bank accounts, including Nairobi general account, Citibank New York Account, and Lome account. CAFS do not reimburse the various other accounts from the USAID account when such expenditures are incurred.

Recommendation No.12

CAFS should segregate REDSO/ESA funds. Where expenditures chargeable against REDSO/ESA funds are paid out of general accounts, the USAID fund should reimburse the general account, for example where salaries are paid out of one account as a single payment. The REDSO/ESA bank account would hence reflect all transactions claimable against REDSO/ESA and would better control the preparation of expenditure claims against REDSO/ESA.

2. Control over preparation of claims to REDSO/ESA

Observation

Claims to REDSO/ESA are prepared from a variety of sources including petty cash records, cash books, journal vouchers, and salaries records. Furthermore several line items are claimed on a budget basis rather than an actual expenditure basis. This leads to the following conditions:-

- there is little audit trail between claims to REDSO/ESA and originating accounting documents;
- in the case of claims on a budget basis, claim items may be disallowed as unsupported;
- there is the possibility that expenditures could be claimed against more than one donor, thus double funding;
- CAFS may fail to identify valid expenditure which it could claim against the grant.

Recommendation No.13

As noted in 1 above, CAFS should segregate REDSO/ESA funding. All payment vouchers relating to this account should be filed separately with original third party documentation.

All vouchers claimed against the REDSO/ESA grant should be stamped "REDSO/ESA funded". In the case of partial refunding out of the REDSO/ESA account to the general account for a proportion of salaries or other expenses funded by REDSO/ESA, the payment voucher would include calculations to show the REDSO/ESA funded element.

If appropriate, the segregation of bank accounts should extend to the Lome account. A separate REDSO/ESA bank account should be opened in Lome.

With immediate effect, CAFS should only claim for expenditures, including salaries, when actually incurred, rather than on a budget basis.

3. Bank and cash

Observation

1. Bank reconciliations

- (a) Whilst reconciliations of all Nairobi bank accounts are carried out monthly, reconciliations are not always evidenced as having been reviewed by Finance and Administration Officer.

<u>Account name/number</u>	<u>Month</u>
Barlays Bank A/c. No.5654392	1/90
-do-	9/90
-do-	10/90
-do- No.5654384	1/90
-do-	5/90
Citibank A/c. No.100848-023	5/91
-do-	7/91
-do- No.100848-015	8/91

- (b) Bank reconciliations were not sighted for the following:-

<u>Account name/number</u>	<u>Month</u>
Barclays Bank A/c. No.5654354	2/90
Citibank A/c. No.100848-023	3/91

2. Petty Cash

Petty cash is not adequately counted, documented, and checked on a regular basis. Whilst petty cash was evidenced for review by the financial manager twice in 1991, there was no formal documentary evidence such as a petty cash count schedule.

3. Foreign exchange floats

Foreign exchange floats (US. dollars) are maintained in a foreign exchange petty cash book. Whilst this is reviewed on occasion by the financial manager, there is no formal documentary evidence such as a foreign exchange float count schedule.

4. Lome Bank Accounts

Lome sends copy bank statements, bank reconciliation, and originating payment vouchers to Nairobi monthly. As no cash book sheets are sent (or apparently maintained), no formal review of bank reconciliations is performed, and no checking is possible to ensure that all payments are recorded.

Recommendations

No. 14.

All bank reconciliations should be evidenced as having been reviewed by the Financial and Administration Officer, or, in his absence, the Financial Manager.

No. 15.

Bank reconciliations should be performed every month.

No. 16.

Formal documentation should be introduced to evidence review of petty cash.

No. 17.

Formal documentation should be introduced to evidence review of foreign exchange floats.

No. 18.

Lome should maintain cash book sheets to record all transactions, which should be forwarded to Nairobi monthly with the other documents. Reconciliations should be formally reviewed by the Financial and Administration Officer.

4. Purchases and Payments

Observation

From a limited review of payments it was noted:-

1. Not all payment vouchers are authorised for payment by the Financial Manager.
2. A number of payment vouchers were not numbered.
3. A number of payment vouchers had the same voucher number.
4. There were gaps in the sequential numbering of payment vouchers.
5. The cash book was incorrectly referenced to the payment voucher.

Recommendations

No. 19.

All payment vouchers should be authorised by the Financial Manager prior to being passed for payment.

No. 20.

Each payment voucher should have its own sequential number. The sequence should be complete, and referenced to the cash book.

5. Payroll

Observation

1. Personnel records are incomplete. As noted on Page 14, for three employees, original contracts of employment were not located in personnel files.
2. CAFS salary structure should be formalised, fully documented and made consistent. During the course of the grant, various employees have received various benefits. Whilst these are now formally documented in the staff handbook, there are a number of anomalies that need to be fully documented as follows:-
 - Some staff are not suffering tax on salary.
 - Several Kenya staff are not being taxed as they are considered to be "international employees", and thus covered by IPPF's agreement with the Kenya Government.

3. Nairobi staff are paid a number of benefits including education allowance, housing allowances, and medical bills. CAFS does not have a system for controlling such payments and ensuring that claims are made in accordance with staff handbooks.
4. There was no evidence that salary calculations are always reviewed by a responsible official.

The following was noted:-

<u>Month</u>	<u>Payroll prepared by</u>	<u>Payroll reviewed by</u>
1/90	FAO	-
4/90	FAO	-
5/90	FAO	-
6/90	FAO	-
7/90	FAO	-
8/90	FAO	-
9/90	FAO	-
7/91	BC	-

Note: BC - Budget Controller.
FAO - Finance and Administration Officer.

Recommendations

No. 21.

Personnel records should be updated to ensure completeness. Salary amendments should be fully documented on each personnel file.

No. 22.

CAFS should obtain final formal agreement from the Togo and Kenya Governments to authorise that the relevant employees are exempt from local taxes.

No. 23.

CAFS should introduce a formal recording system to ensure that staff are not paid benefits in excess of those provided by their terms and conditions of employment.

No. 24.

A responsible official, such as the Financial Manager, should initial the monthly payroll as evidence of review.

6. Reporting to REDSO/ESA

Observation

Monthly reporting of "Payment - periodic advances", according to the grant agreement, should be within 15 days of the end of the claim period. During the grant, this deadline has been missed for every monthly claim, on occasion by as much as one month. For example the report for November 1990 was submitted on February 13, 1991. This delay firstly means that REDSO/ESA are not having expenditures reported on a timely basis, and secondly that there is delay in the provision of REDSO/ESA funding for the following period.

Recommendation No.25

CAFS should aim to improve the timeliness of reporting. Improvements to the accounting system noted elsewhere, particularly in segregation of REDSO/ESA funds, would help in this respect.

Certified Public Accountants

Office address:
Jubilee Insurance Exchange
Mama Ngina Street
Nairobi
Kenya

Postal address:
P.O. Box 40612
Nairobi
Kenya

Telephone: 222862
Telex: 25074 PMMNBI
Telefax: 254-2-215695
Telegrams: Ventatem Nairobi

4. CENTRE FOR AFRICAN FAMILY STUDIES (CAFS)

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
LAWS, REGULATIONS AND GRANT AGREEMENTS

We have audited the Fund Accountability Statement of CAFS under the REDSO/ESA Co-operative Agreement No.623-0004-A-00-9042-00 for the period from August 18, 1989 to July 31, 1991 and have issued our report thereon dated January 17, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards (1988 Revision) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

Compliance with laws, regulations, contracts and grants applicable to CAFS is the responsibility of CAFS management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of CAFS compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, which are identified in part 4.1. of this report, CAFS complied, in all material respects, with the provisions referred to in the preceding paragraphs. Part 4.2. identifies cases of non-compliance with the grant conditions. These cases of non-compliance relate to commingling of funds, number of participants funded under the grant, and the timing of funding claims. These items are not considered to be material weaknesses. With respect to items not tested, nothing came to our attention that caused us to believe that CAFS had not complied, in all material respects, with those provisions.

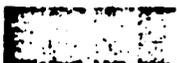
Contractor information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the use of CAFS and USAID and should not be used for any other purpose.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date January 17, 1992



4.1.

CENTRE FOR AFRICAN FAMILY STUDIES (CAFS)

Independent Auditors report on compliance with laws,
regulations, and grant agreements

Items of Compliance

1. The amount of funds made available under the Grant Agreement, together with various amendments, has not been exceeded either in total, or on a line item basis.

2. Specific Provisions of the Grant Agreement complied with

2.1. Authorised Geographic Code

CAFS has complied with the standard provision regarding ineligible and restricted goods and services, and provisions concerning sourcing, origin and components of commodities.

2.2. Brooke-Alexander Amendment

CAFS has complied with the Brooke-Alexander Amendment, as regularly updated.

4.2.

CENTRE FOR AFRICAN FAMILY STUDIES (CAFS)

Independent Auditors report on compliance with laws,
regulations, and grant agreements

Items of non-compliance

1. Commingling Funds

Contrary to a mandatory standard provisions for non-U.S., non-governmental grantees, CAFS did not make all disbursements for goods and services in respect of the grant from a separate REDSO/ESA bank account. (This is explained under "Control over REDSO/ESA Funds" on page 38).

2. Participant Expenses and Airfares

Project Grant Agreement, attachment 2, paragraph 8.4 f, which details specific numbers of participants to be funded on each course by REDSO/ESA, has not been adhered to. REDSO/ESA is aware of this and has authorized the funding of the excess numbers of participants, and this point is raised as a matter of note only.

3. Financial Reporting

Incorporated provision AID 420-54A "payment - period advance", has not been adhered to in the timing of monthly claims reimbursements. CAFS are required to submit financial reports and funding claims within 15 days of month-end. During the period of the grant this has never been achieved.

UNITED STATES OF AMERICA
AGENCY FOR INTERNATIONAL DEVELOPMENT

REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE
FOR EAST AND SOUTHERN AFRICA (REDSO/ESA)

United States Postal Address
U.S.A.I.D.
BOX 221
APO NEW YORK 09675

International Postal Address
POST OFFICE BOX 30261
NAIROBI, KENYA

RECEIVED - 4 MAR 1992

February 27, 1992

Ms Anis Pringle
KPMG Peat Marwick
P.O. Box 40612
Nairobi, Kenya

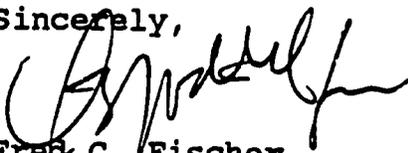
Re: Report of the Financial and Compliance Audit of the
USAID/REDSO Grant to the Centre for African Family Studies;
Cooperative Agreement No. 623-0004-A-00-9042-00

Dear Ms. Pringle,

I regret the delay in forwarding comments on this draft report, however the extra time was necessary due to the heavy travel schedules of the USAID/REDSO staff. The appropriate REDSO financial and project staff have thoroughly reviewed the draft report and provide the subsequent comments as noted.

Should you have any questions concerning these comments, please contact Ms. Angela Franklin Lord, USAID/REDSO/PH, CAFS Project Manager on 331160 ext. 327.

Sincerely,



Fred C. Fischer
Director
REDSO/ESA

cc: Prof. Okoth-Ogendo, CAFS

GENERAL COMMENTS

The draft audit report highlights a number of weaknesses in the reporting and documentation systems within CAFS. Many of these areas have been previously recognized by CAFS and attempts have been made to correct the weak areas, as evidenced by the noticeable improvement in financial documentation between 1989 and present. However, much work remains to be done.

In general, all unsupported costs should be substantiated. If expenditures can not be satisfactorily verified with supporting documentation, then they must be disallowed. Further, CAFS should establish procedures and systems to generate audit trails.

It should be noted that the project completion date is June 30, 1993 and not August 1993, as stated in 1.1 Background.

The following specific comments relate to the unsupported and questionable costs:

Technical Assistance

The draft report indicates that "costs of US\$60,755 are unsupported due to lack of third party documentary evidence provided to support the payments to consultants. However, the report also states that "for each consultant there is sufficient evidence to show that service was provided..." Given the lack of third party documentation, CAFS should provide evidence that the consultants' contract requirements were met; verify that payment was made based upon completion of the contract. It appears that there is a documentation missing, i.e., the consultant did not submit a request for payment and/or submit a receipt upon payment. CAFS can remedy this situation by developing a form requesting payment. This form would be completed and signed by the consultant. Then, CAFS should establish a procedure for administrative approval and payment based upon completion of the contract requirements. Establishment of a consultant's request for payment form and administrative approval procedure should be sufficient third party documentation.

Salaries

CAFS should reconcile differences between the budgeted amount claimed and actual expenditures, then resubmit claims for actual salary expenditures based upon payroll and benefits records. REDSO will disallow any over-claims or unsupported claims based on budgeted amounts. However, if CAFS has not previously billed for legitimate salary-related expenditures which are covered by the Cooperative Agreement, new claims may be submitted. In the future, CAFS should submit claims for actual and documented salary and benefits expenditures only and discontinue the practice of billing for budgeted amounts.

1

48

Participant Per Diem

The report states that "per diems of US\$41,344 are unsupported. The reasons ... vary, but the main causes are errors in claim preparation, and lack of documentation to support claims during the earlier period of the grant." CAFS has indicated that systems have been refined since the earlier period to ensure adequate audit trail in the order and payment procedure. Regarding the specific unsupported claims, the following actions should be taken by CAFS:

US\$17,329: CAFS should obtain a statement from ZNFPC certifying that the duplicate copies are true copies of originals and that no previous claims have been made either to USAID or any other donor.

US\$9,142: CAFS needs to review its expenditure records and reconcile the expenditure claim. If records are missing, CAFS should reconstruct the claim based on names and funding of participants. If duplicated claims were submitted, the second claim must be disallowed and repayed.

US\$880: CAFS should repay this amount.

US\$1,682: CAFS should substantiate this claim with supporting documentation or repay.

US\$12,311: According to REDSO records, CAFS did not obtain approval for the additional participants to be funded by the grant prior to claiming. Therefore, CAFS should submit a retrospective request for coverage of these participants. In the future, CAFS should ensure that participants to be funded under the grant are approved by REDSO in writing in accordance with the Grant Agreement prior to course commencement.

The per diem claim for US\$18,160 should be substantiated by CAFS or disallowed. Again, CAFS should review its records for the 1989 CTU (English) course and verify those participants who were funded by the grant, and resubmit the names and qualifications of the additional participants for funding. Otherwise, the claim will be disallowed.

Participant Travel

The report states that "costs of US\$9,814 are unsupported." The primary reason for these unsupported costs is that CAFS routinely billed on budgeted expenditures rather than actual. As noted earlier, CAFS needs to reconcile the actual versus budgeted expenditures and either resubmit a revised expenditure claim or repay the over-claim.

Costs of US\$5,850 are questioned because CAFS was unable to identify the list of USAID/REDSO funded participants. CAFS indicates in their response that the list was subsequently located. The REDSO/PH project files also verify that nine participants were approved for funding.

Therefore, the difference of US\$3,964 should be substantiated by CAFS or will be disallowed and refunded to REDSO.

Library Equipment and Supplies

CAFS should produce supporting documentation of the US\$768 in supported costs or repay the grant.

Staff Recruitment and Development

The report notes that "costs of US\$19,500 are unsupported" primarily due to lack of formal invoices and receipts from the institutions. CAFS should verify that the individuals attended and completed the courses (i.e., attendance certificate or completion certificate from the course), and provide evidence that the unsupported costs were, in fact, claimed and paid (i.e., by means of cancelled checks). As noted above in the section on Technical Assistance, CAFS should develop a form for administratively approving payment upon completion of staff development activities.

Relocation Expenditure

The report states that "Project Agreement Amendment 5, dated June 4, 1991 amends grant to provide a budget of US\$200,000 for relocation expenses. US\$68,060 had been claimed for May 1991 prior to formal project amendment." Project Agreement 5 added \$200,000 to subsidize the relocation expenses of the CAFS' Francophone and Anglophone offices, which occurred during 1989 (Nairobi office) and 1990 Lome office). Amendment 5 does not specify a time period for the costs, however a substantiated claim in May 1991 for relocation expenses is acceptable, with the possible exception as noted below.

Regarding the US\$4,836 relating to the costs of partitioning of Pamstech House, CAFS must submit supporting documentation or have the claim disallowed.

Other Administrative Costs

The report states that "CAFS has claimed US\$28,000 in round sum budgeted administration claims. Whilst we calculate that CAFS has incurred administration costs well in excess of this figure in the

period to July 31, 1991, we consider these claims to be questionable." Again, CAFS should reconcile the budgeted costs against the actual costs and resubmit claims based on actual costs.

COMMENTS ON INTERNAL ACCOUNTING CONTROLS

Control Over USAID/REDSO Funds

REDSO concurs with the recommendation of the report. CAFS should keep USAID/REDSO funds separate from all other funds. When expenditures chargeable against the project funds are paid from the general account, USAID/REDSO funds should reimburse the general account. As noted in the audit report, there should be an audit trail on all transactions of this type. Claims submitted to USAID/REDSO must be supported by original documents clearly marked "paid." Copies are not acceptable.

Control over Preparation of Claims to USAID/REDSO

REDSO agrees with the recommendations of the section, that CAFS should segregate USAID/REDSO funding from all other funding. Further, all vouchers submitted directly to USAID/REDSO for payment must have original supporting documentation and be stamped USAID/REDSO funded. CAFS should claim for actual expenditures only, rather than on a budget basis.

Purchases and Payments

REDSO agrees that all vouchers should be authorized by the financial manager prior to being processed for payment. The development of a form to indicate compliance would facilitate this process.

Payroll

REDSO agrees with all recommendations of this section.

Reporting to USAID

REDSO strongly agrees with this recommendation and has routinely discussed this matter with the Director of CAFS.



Centre d'Etudes de la Famille Africains (CAFS)

Centre for African Family Studies

Pamstech House, Woodvale Grovc, Westlands
P.O. Box 60054, Nairobi, Kenya
Telephone 747144-5
Telex 22792 CAFS KE
Cables CAFS
Fax

Our Ref: CAFS/FAD/8.2/92

24th January, 1992

Messrs Peat Marwick
P.O.Box 40612
NAIROBI

RECEIVED - 2 MAR 1992

Dear Sir,

RE: REPORT ON THE FINANCIAL AND COMPLIANCE AUDIT OF THE
USAID/REDSO GRANT TO C.A.F.S. CO-OPERATIVE AGREEMENT
NO.623-004-A-9042-00.

We refer to your Draft Report that you submitted to us recently based on your above assignment. Further to the meeting between your Partner and Manager on this assignment with our Finance and Administration Manager and Finance and Administration Officer at CAFS premises on 22nd January, 1992 please find attached a more detailed response to some of the points raised in your Report.

We would be grateful to review your report after revision and incorporation of our detailed comments.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'H.W.O. Okoth-Ogendo', written in a cursive style.

PROF. H.W.O. OKOTH-OGENDO
Director, CAFS

cc: Mrs. Angela Lord
CAFS Project Manager
USAID/REDSO

D:O/epj



52

MANAGEMENT COMMENTS IN RESPONSE TO DRAFT REPORT BY
MESSRS PEAT MARWICH ON 'COMPLIANCE AND FINANCIAL AUDIT OF CAFS'

1. GENERAL COMMENT

The Draft Audit Report has been reviewed and we observe that most issues have been reported upon on the basis of what appears to be unrealistic expectations and unverified conclusions. We believe that for a balanced report, mention should have been made of the following.

- a) Current serious attempt to have designed and introduced an improved financial management system at CAFS
- b) Realisation of the fact that the format of the Co operative Agreement itself contributes to the problem of identifying with certainty the kind of breakdown of expenses that are reimburseable. For instance there is only a lump sum provision for salaries and no budget lines are provided for related personnel expenses such as house allowance, educational allowance, home leave allowance, medical etc.
- c) The late start on the development of the costing system has an impact on the apparent inability to properly identify all relevant costs that relate to the activities under the Co-operative Agreement.

The draft audit report is considered harsh and has deliberately ignored to mention a number of mitigating factors.

2. DETAILED COMMENTS ON THE REPORT

TECHNICAL ASSISTANCE (Note 2.2).

The report indicates 'expenditure of US\$60,755 being amount paid to resource persons for which no third party evidence was noted. It must be clearly stated that the resource persons CAFS hires to provide it with Technical Assistance are in the main individuals and not corporations or institutions. As such the kind of documentation expected of an institution is not normally easily available (e.g Invoice and Receipts). Instead CAFS has a system of entering into Contracts which are signed by both the resource persons and Director of CAFS and the Co-ordinator of the program. Payment is not made until the Co-Ordinator of the program confirms satisfactory performance by the Resource person.

The Auditors' expectations to obtain formal invoices and receipts from individuals, the majority of whom are civil servants, is considered unrealistic. Again the Auditors' should have sought verification of these payments through paid cheques which are accepted as a form of acknowledgement of payment. We strongly feel that these expenses are adequately supported and that the query as it stands may not be entirely justified.

SALARIES NOTE: 3

a) PERSONNEL RECORDS

As part of CAFS ongoing process of improving its and management information systems all personnel records are being updated and completed. Although original contracts for staff were available it is true to state that in the past the annual increments to staff were awarded automatically, there were no individual revisions to staff members contracts. This practice was stopped in January 1991 and from that time any adjustments to staff salaries are recorded in each personal file.

b) SALARIES

As was explained in note (i) above CAFS is in the process of developing a comprehensive costing system that will ensure all relevant costs to the Co-operative Agreement projects are identified for claim. However given the fact that this was not in place, it has been CAFS practice to claim salaries on an average basis based on the budget. CAFS realises that in fact that in some cases this may mean excess claims on certain individuals benefits. Whereas on others there were under-claims. In all fairness CAFS believes it may have lost overall through under-claims. The draft report should in all fairness be amended to reflect this position. CAFS will hence forth claim salaries on actual basis but will add back other personnel costs which have never been claimed.

SA

1. The following staff work almost 100% on the projects under the USAID Co-operative Agreement have not been claimed for:-

NAME	TOTAL SALARY US\$	NO OF YEARS WORKED UNDER THIS CO-OPERATIVE AGREEMENT	TOTAL UNCLAIMED US\$
Ms. S. Kazadi	35,925	1 11/12 Yr	68,856
Mr.K.Mensah	38,595	10/12 Yr	30,495
Dr. A.J.Akinwande	45,735	1 11/12 Yrs	87,658
Mr. E.B.Kalaule	49,515	1 11/12 Yrs	94,904
TOTAL UNCLAIMED			US\$ 281,913 =====

2. Even on the individuals on which CAFS raises claims there are certain personnel expenses which have not been claimed because they were already covered by the salary.

- Responsibility allowance
- Insurance/Medical)
- IAPA Insurance
- Education allowance
- annual/Home Leave allowance
- Housing allowance

(See Table 1,2 and 3)

CAFS feels therefore that on this particular comment it is clear that contrary to this view that there have been net over - claims, CAFS has net under-claims as follows:-

	<u>US\$</u>
- Staff employed 100% on USAID }	
- Projects but not claimed for }	281,913
- Over-claims - per Report	(261,643)
- Under-claim - per Report	95,593
Net under-claim by CAFS	<u>115,863</u>

55

As pointed out elsewhere in this report, the query on payment of salaries is one that should have been raised after studying the provisions of the Co-Operative Agreement itself. We sincerely believe that the net effect is that CAFS has lost out on salaries claim. We, therefore, do not accept the conclusion that US\$ 261,643 is unsupported.

PARTICIPANTS PER DIEM (NOTE 4)

As a matter of usual procedure CAFS obtains original documentation and third party receipts for payments it makes to Hotels etc. For participants hotel expenses (termed per diems in the USAID Co-operative Agreement Budget), from 1991 especially the systems have been refined to ensure adequate Audit trail in the order and payment procedure. At the beginning of the Co-operative Agreement it must be admitted that record keeping was not as good.

- COMMUNICATION (ENGLISH) HARARE 1990: \$ 17,329

CAFS conducted this course in Harare with the logistical assistance of Z.N.F.P.C who assisted by making the actual payments to the various hotels on CAFS behalf. At the end of the course Z.N.F.P.C. retained the original vouchers and forwarded, to CAFS duplicate copies of the same. Explanation given in considered satisfactory and the query should not stand.

- COMMUNICATION (ENGLISH) NAIROBI 1989 \$ 9,142

Some of CAFS files relating to 1988 and 1989 were misplaced during the relocation exercise of 1989 and 1990. The file relating to participants expenses on this course could not be traced to substantiate for a portion of the claim. Nevertheless the payment was genuine. The claim comprised participants per diem allowances as well as their Hotel accommodation costs at both the Silver Springs Hotel and Tea Hotel (Kericho).

MANAGEMENT (ENGLISH) MOMBASA 1990: \$ 880

The oversight is noted and acknowledged.

- C.T.U (FRENCH) DAKAR: \$ 12,311

CAFS claimed according to the final funding pattern on the course. No. funding was received on this course from the Mali Mission, who had initially indicated interest in funding participants. CAFS therefore raised a claim based on the maximum allowable under AID fundings.

PARTICIPANTS TRAVEL (NOTE 5)

Due to a problem of incorrect invoicing from its former travel agents CAFS was until late 1990 claiming an average amount as reflected in the Co-operative Agreement Budget for participant Air Travel. Once again it was projected that there would be a net equalising effect between over and under-claims. The switch to a new and better organised Travel Agent late in 1990 has enabled CAFS to revert to an actual basis. Due to a problem of filing the final list of funded participants to the Research and Evaluation course in 1990 was found only after the Auditors had left CAFS. It is regretted that sometimes a participant listing maybe altered a number of times before it is considered final due to late participant withdrawals we would request the auditor to consider questioning US\$ 5,850 on pages 15 Note 2.

STAFF RECRUITMENT AND DEVELOPMENT (NOTE 9)

As indicated to the Auditor during the review exercise as much as one might wish to receive formal invoices and receipts from individuals and institutions providing CAFS with services this is not always the case. Some Institutions will request payment only via letters whilst others use prospectus with application forms demanding payments. However, in all cases that have involved staff development CAFS besides clearing the issue with its project manager at USAID, CAFS has only made payment by cheques and only against documentation from the third party institution. It is a pity that the institutions concerned have not forwarded to CAFS a formal receipt to acknowledge payment. However, acknowledgement has come in other forms including by correspondence and return of paid cheques. CAFS therefore feels that these payments have been adequately supported and that the query is not justified.

RELOCATION EXPENDITURE (NOTE 13)

Even though the project agreement amendment No.5 was finalised on June 4th 1991, for the claim for relocation this was simply because of the administrative procedure involved in amending and signing for the amendment. CAFS only submitted claims on receipt of the approval. CAFS therefore feels that the claim for US\$68,060 claimed in may 1991 should be approved. In addition the invoice from Mr. Ngugi Njenga was and is still available for review. What was missing was the actual payment voucher and any form of receipt from Mr. Ngugi Njenga. CAFS is however in reasonable contact with this contractor and is willing to call upon him to acknowledge receipt of all payments made. The payment voucher and invoice could have been misplaced during the many checks and audits that have been conducted at CAFS in the recent past.

1

OTHER ADMINISTRATIVE COSTS (NOTE 14)

As the report admits, CAFS administrative costs which relate in the greater proportion to USAID courses far exceed what CAFS was permitted to claim under the Agreement. CAFS was claiming on an average basis based on amount available in the budget in order to conserve this budget provision to last the period of the grant. CAFS is easily able to provide supporting documentation for all amount claimed here. CAFS therefore, feels that the claim should not be questioned. Again as could be appreciated lack of a determined overhead recovery rate renders it difficult to determine with a far amount of accuracy. Costing exercise when concluded will take care of this, the query may be set aside.

CAFS COMMENTS ON INTERNAL ACCOUNTING CONTROLS

1) Control Over USAID/REDSO Funds

The observation is noted and CAFS is aware that the USAID designated Bank Account should reflect all transactions claimable against USAID (REDSO).

However due to the nature of the Co-operative Agreement and the fact that some costs have to be met from sources other than USAID it is not possible at the moment to treat the transactions as suggested. This will only be possible after the costing exercise has been concluded.

2) Control Over Claims to USAID/REDSO

The observation is not entirely correct. Apart from the salaries for which an explanation has been given most of the expenses can be traced. The possibility of double funding is quite remote.

The segregation of a Bank Account in Lome will be instituted during 1992. The recommendation to claim salaries on basis of actual expenditure is accepted and will be instituted with effect from 1st January, 1992. As pointed out earlier this will mean introducing new budget lines that are not provided for in the Co-operative Agreement.

3. Bank and Cash

a) Bank Reconciliations

The bank reconciliations are reviewed regularly. The method adopted by CAFS to undertake this exercise may not have been understood by the Auditors.

b) Petty Cash

This observation is not entirely correct. The petty cash is checked regularly by Finance and Administration Manager specifically at the time of replenishment. CAFS is quite satisfied with the control over Petty Cash.

c) Foreign Exchange Floats

This is not entirely correct. CAFS has no foreign exchange float. What the Auditors had mistaken for the foreign Exchange float are excesses declared by Programme Officers on return from missions. CAFS Financial Regulations and Procedures adequately provides for the treatment of such funds.

d) Lome Bank Accounts

The personnel in Lome are still being trained on how to handle financial transactions. A seminar for the personnel in Lome is in the offing and we are hopeful that the recommendation will be taken up during 1992.

e) Purchase and Payments

Depending on the period the audit is referring to, it may be not correct to say PV's are not authorised. Since 1991 PV's are numbered correctly and sequentially. The Finance and Administration Manager personally approves all the payment vouchers.

f) Payroll

Item No.3 : Nairobi Staff Benefits

This observation is most unfortunate and the Auditors should prove this claim. As for medical bills the Auditors should have known that as of now CAFS does not handle medical bills. This is done through the Insurance Broker. If the Auditors had cared to verify this with the Finance and Administration Manager he would have been provided with satisfactory explanation.

Item No.4 Salary Calculations and Review of Payroll

Salary calculations are reviewed monthly by a responsible officer. The Auditors should have obtained confirmation of this from the Finance and Administration Manager who personally checks and approves every payroll. No payroll has ever been paid without, Finance and Administration Manager's authority. It is absolutely surprising that the Auditor did not verify this with CAFS management.

- g) The observation is noted. However due to computer breakdown the claims for months of September, October, November and December 1991 were submitted late. It was a regrettable experience on our part. The situation has since improved and timely submission of claims will be observed.

CONCLUSION

The draft audit report has deliberately highlighted weaknesses most of which have long been rectified. The question of claiming on budget basis has not been understood in its proper context. The weaknesses are inherent in the Co-operative Agreement and the audit should not have failed to highlight this fact, over the past one year firm operational systems have been put in place and positive results are there for anybody to see and verify. CAFS management continues to seek ways and means of improving its financial performance and believes very strongly that the USAID/REDSO/CAFS Co-operative Agreement is well managed.

" OTHER STAFF BENEFITS NOT INCLUDED IN CLAIMS "

<u>NAME</u>	<u>LEAVE PASSAGE</u>			
	<u>TICKETS</u>	<u>PER DIEM</u>	<u>KSHS.</u>	<u>US\$</u>
1. Dr. Adalakun (2 x 30,935)+	(15,468 x 2)		95,461 =	\$35,000
2. Mr. M. Kiruhi	\$200 x 2			\$ 400
3. Dr. N. Simelane	22,496 x 2	=	44,992 =	\$ 1,667
4. Ms. V. Munkombwe	21,475 x 3	=	64,425 =	\$ 2,386
5. Mr. P.S.Shumba	13,136 x 4	=	52,544 =	\$ 1,946
6. Mme Womas	-			-
7. Dr. Drabo	-			-
8. Dr. Sangare	-			-
9. Prof. Okoth-Ogendo	-			-
10.Mr. D.Odera	-			-
11.Mrs. J.R.Ochola	120 x 2	=	=	\$ 240
12.Ms. G. Owuor	120 x 2	=	=	\$ 240
13.Dr. Y. Ahade	16,383 + 65,533	=	81,916 =	\$ 3,034

OTHER STAFF - (FULLTIMERS)

14. S. Kazadi :	(18,000 + (2 x 11,500)=	41,000=\$	1,518
15. Mr. E.B.Kalaule	(5,535 x 8)	=	44,280=\$ 1,640
16. Dr. Akinwande	(2 x \$300)	=	=\$ 600
			<u>=\$ 3,758</u>

TOTAL LEAVE PASSAGE = US\$ 17,171
=====

129

PERSONNEL COSTS: 1ST SEPTEMBER, 1989 - 31ST DECEMBER, 1989

NAME	SALARY	HOUSE & MOTOR VEHICLE BENEFITS	MEDICAL AND JAPA INSURANCE PREMIUM	GRATUITY	INCOME TAX PAID	OTHER (SCHOOL FEES MEDIC)	TOTAL	
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	US\$
D.ODERA	268,342	17,436	3,500	70,216	12,805	-	301,883	10,781
Prof. De Graft Johnson	313,527	92,000	7,000	171,768	-	-	584,295	28,614
Dr. Y. Ahade	195,693	64,980	13,750	120,940	-	-	394,663	18,668
Mr. M.Kiruhi	82,227	98,000	12,000	81,400	-	-	273,627	12,323
Dr. S.Adelankun	-	-	-	-	-	-	-	-
Ms.Munkombwe	111,933	13,667	8,625	53,620	-	-	184,245	9,199
Dr. A.Inambao	164,333	13,667	12,000	83,840	-	?	273,840	13,411
Mme Womas	190,668	38,134	?	-	-	-	228,802	11,205
Dr. Drabo	-	-	-	-	-	-	-	-
Dr. M.Sangare	-	-	-	-	-	-	-	-
Mme S.Kazadi	154,284	30,032	-	?	-	-	184,316	9,070
Dr. N.Simelane	146,713	13,667	-	-	-	-	160,380	7,854
Mr. E.Kalaule	232,467	13,667	-	102,510	-	-	348,644	17,075

121

PERSONNEL COSTS: 1ST JANUARY, 1990 - 31ST JULY, 1990

NAME	SALARY	HOUSE & MOTOR VEHICLE BENEFITS	MEDICAL AND JAPA INSURANCE PREMIUM	GRATUITY	INCOME TAX PAID	OTHER (SCHOOL FEES MEDIC)	TOTAL	
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	US\$
D.ODERA	224,840	198,000	20,550	70,220	37,815	-	551,424	24,760
Prof. Okoth- Ogendo	57,318	-	-	-	22,460	-	57,318	2,516
Dr. Y. Ahade	781,163.70	41,000	20,000	120,940	-	53,772	1,013,352	44,484
Mr. M.Kiruhi	262,780	216,000	23,750	81,400	44,106	38,278	666,294	29,249
Dr. S. Adalaku (July -Dec.)	228,720	20,500	20,000	-	-	108,801	378,021	16,594
Ms. Munkombwe	311,387	41,000	10,605	53,620	-	98,177	521,521	22,894
Mr. P.S. Shumba (PO Research)	424,880	41,000	20,000	-	-	68,872	564,754	24,792
Mme Womas	798,788	-	16,250	-	-	-	815,038	35,779
Dr. Drabo	63,283	77,680	9,795	-	-	-	150,758	6,618
Dr. M. Sangare	185,925	34,300	9,795	-	-	-	230,020	10,097
Mme S. Kazadi	646,363	-	14,355	92,580	-	20,953	774,231	33,987
Dr. N. Simelane (Jan-June)	444,220	41,000	12,500	-	-	-	497,720	21,849
Mr. E. Kalaula	350,005	6,833	31,250	61,286(50%)	-	92,289	541,663	23,778
Prof. De Graft Johnson	286,280	91,120	8,750	865,327	-	106,803	1,358,280	59,626
Mr. Mac Okunnu	-	77,500	-	-	-	124,247	201,747	8,856

PERSONNEL COSTS: 1ST JANUARY, 1991 - 31ST JULY 1991

NAME	SALARY	HOUSE & MOTOR VEHICLE BENEFITS	MEDICAL AND JAPA INSURANCE PREMIUM	GRATUITY	INCOME TAX PAID	OTHER (SCHOOL FEES MEDIC)	TOTAL	
	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	KSHS	US\$
D. ODERA	268,342	17,438	3,500	-	12,605	-	301,883	10,781
Prof. Okoth- Ogendo	617,374	-	4,060	-	28,787	25,483	675,704	24,132
Dr. Y. Ahade	502,523	57,915	3,500	-	-	22,844	586,582	20,949
Mr. M. Kiruhi	302,617	18,946	3,500	-	14,702	31,808	371,573	13,270
Dr. S. Adalakun	228,413	51,452	4,060	192,792	-	20,080	556,797	19,888
Ms. Munkombwe	217,187	38,058	3,500	-	-	60,971	317,716	11,317
Mr. P. S. Shumba	268,342	41,449	4,060	140,432	-	34,050	488,333	17,440
Mme Womae	447,888	14,781	4,040	?	-	147,273	614,002	21,929
Dr. Drabo	479,587	88,534	4,060	-	-	-	552,181	19,721
Dr. M. Sangare	417,448	58,098	4,060	-	-	?	479,606	17,129
Mme S. Kazadi	352,960	45,840	4,060	-	-	?	402,860	14,388
Dr. N. Simelane	281,614	42,839	4,060	-	-	-	328,513	11,733
Miss. J. Muka	117,959	75,178	5,550	-	-	-	198,687	7,095
Ms. C. Olenja	93,414	39,440	5,350	-	-	-	138,204	4,938

19

EDUCATIONAL ALLOWANCES:- VARIOUS STAFF 1990

1.	Dr. Yao Ahade		
	a)		
	b)		
2.	Mr. Macharia Kiruhi		
	a) PV 68	Kshs. 7,188.80	
	b) PV 176	Kshs. 3,366.75	
		<hr/>	
		10,555.55	
		<hr/>	
3.	Dr. A. S. Adalakun		
	a) PV 172/3	Kshs.47,566.05 }	
	b) PV 444	Kshs.14,863.30 }	77,129.35
	c) PV 41 (A/C 2)	Kshs.14,700.00 }	
4.	Ms.V. Munkombwe		
	a) PV 177	Kshs.57,292.50	
	b) PV 42 (A/C 2)	Kshs.27,832.50	
		<hr/>	
		Kshs.27,832.50	
		<hr/>	
5.	Mr. P.S Shumba		
	a) PV 179	Kshs.16,797 }	
	b) PV 442	Kshs.13,500 }	43,872
	c) PV 43 (A/C 2)	Kshs.13,575 }	
6.	Mme A. Womas		
	a)		
	b)		
	c)		
7.	Mme S. Kazadi		
	a)		
	b)		
	c)		
8.	Mr. E. B. Kalaule		
	a) PV 2	Kshs. 31,047.75 }	
	b) PV 322	Kshs. 61,241.00 }	194,799
	c) Cheque 1052 F.N.New York	Kshs.102,510.00 }	

66

EDUCATIONAL COSTS AND OTHERS - 1991

1) Dr. S. A. Adelakun	
PV 34 (General)	Kshs. 18,930
CV 34 (AID)	Kshs. 1,150
	<hr/>
	Kshs. 20,080
	<hr/>
2) Mr. Macharia Kiruhi	
a) PV 35 (General)	Kshs. 14,193.60
b) PV 96 (General)	Kshs. 1,500.00
c) PV 3 (AID)	Kshs. 4,012.00
d) PV 47 (AID)	Kshs. 11,902.50
	<hr/>
	Kshs. 31,608.10
	<hr/>
3. Ms. Viola Munkombwe	
PV 39	Kshs. 29,300
PV 66	Kshs. 31,671
	<hr/>
	60,971
	<hr/>
4. Mr. P.S. Shumba	
PV 36 (General)	Kshs. 16,275
PV 23 (AID)	Kshs. 17,775
	<hr/>
	34,050
	<hr/>
5. Prof. Okoth-Ogendo	
PV 41	Kshs. 8,000.00
PV 116	Kshs. 17,482.50
	<hr/>
	25,482.50
	<hr/>
6. Mme A. Womas	
Letter FAD/280- (\$4,193)	Kshs. 147,273.20
	<hr/>
7. Dr. Yao Ahade	
- Letter FAD 6.2/91 F.Fr.4727	Kshs. 22,644.20
	<hr/>

EDUCATIONAL COSTS AND OTHERS - 1991

1) Dr. S. A. Adalakun	
PV 34 (General)	Kshs. 18,930
OV 34 (AID)	Kshs. 1,150
	<hr/>
	Kshs. 20,080
	<hr/>
2) Mr. Macharia Kiruhi	
a) PV 35 (General)	Kshs. 14,193.60
b) PV 96 (General)	Kshs. 1,500.00
c) PV 3 (AID)	Kshs. 4,012.00
d) PV 47 (AID)	Kshs. 11,902.50
	<hr/>
	Kshs. 31,608.10
	<hr/>
3. Ms. Viola Munkombwe	
PV 38	Kshs. 29,300
PV 66	Kshs. 31,671
	<hr/>
	60,971
	<hr/>
4. Mr. P.S. Shumba	
PV 36 (General)	Kshs. 16,275
PV 23 (AID)	Kshs. 17,775
	<hr/>
	34,050
	<hr/>
5. Prof. Okoth-Ogendo	
PV 41	Kshs. 8,000.00
PV 116	Kshs. 17,482.50
	<hr/>
	25,482.50
	<hr/>
6. Mme A. Womas	
Letter FAD/280- (\$4,193)	Kshs. 147,273.20
	<hr/>
7. Dr. Yao Ahade	
- Letter FAD 6.2/91 F.Fr.4727	Kshs. 22,644.20
	<hr/>

68

REPORT DISTRIBUTION

American Ambassador to Kenya	1
Director, REDSO/ESA	5
AA/AFR	2
AFR/EA/KR	1
AFR/CONT	1
XA/PR	1
LEG	1
GC	1
AA/FA	1
AA/OPS	1
FA/FM	1
POL/CDIE/DI	1
FA/MCS	1
REDSO/RFMC	1
REDSO/Library	1
IG	1
AIG/A	1
D/AIG/A	1
IG/A/PPO	2
IG/LC	1
IG/RM/C&R	5
AIG/I	1
RIG/I/N	1
IG/A/PSA	1
IG/A/FA	1
RIG/A/EUR/W	1
RIG/A/Vienna	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RAO/Manila	1
RIG/A/Singapore	1
RIG/A/Tegucigalpa	1
IG/RM/GS (Unbound)	1