

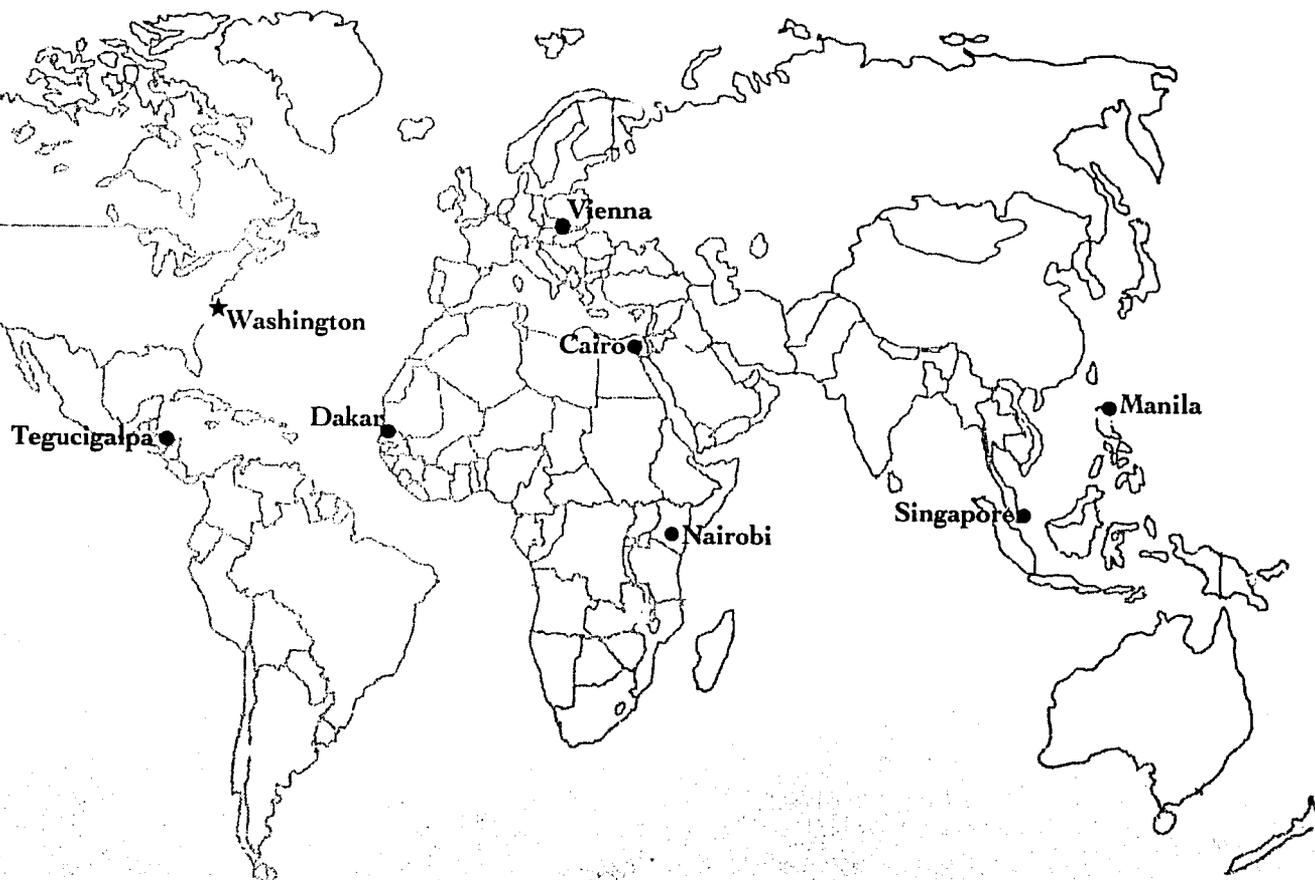
**Regional Inspector General for Audit  
Tegucigalpa, Honduras**

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**Audit of USAID/Jamaica's  
Inner Kingston Development Project  
Managed by the Kingston Restoration Company Limited  
October 1, 1989 to September 30, 1991**

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**Audit Report No. 1-532-92-49-N  
August 20, 1992**



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**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.**

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**INSPECTOR  
GENERAL**

**U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT**

**Regional Inspector General for Audit  
Tegucigalpa, Honduras**

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Inner Kingston Development Project  
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U. S. MAILING ADDRESS:  
RIG/T  
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**AGENCY FOR INTERNATIONAL DEVELOPMENT**

OFFICE OF THE REGIONAL INSPECTOR GENERAL  
AMERICAN EMBASSY  
TEGUCIGALPA - HONDURAS

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August 20, 1992

**MEMORANDUM**

TO: D/USAID/Jamaica, Robert S. Queener

FROM: RIG/A/T Lou Mundy



SUBJECT: Audit of USAID/Jamaica's Inner Kingston Development Project, Managed by the Kingston Restoration Company Limited, October 1, 1989 to September 30, 1991

This report presents the results of a financial audit of the Inner Kingston Development Project (Project), USAID/Jamaica Project No. 532-0120, managed by the Kingston Restoration Company Limited (Company) for the period October 1, 1989 to September 30, 1991. The audit firm of KPMG Peat Marwick prepared the report dated July 10, 1992.

The purpose of the Project was to help revitalize Inner Kingston as a center for economic activity and job creation through the promotion of private sector investment. The Company, one of two entities implementing the Project, was provided a grant for \$7.3 million to complete the Industrial Development, Commercial and Community Development, Community Outreach, and Small Grants Program components of the Project. The audit coverage included A.I.D. funds of \$2.3 million provided to the Company and income of \$1.8 million generated with A.I.D. funding (total covered \$4.1 million) during the audit period.

The objectives of the audit were to determine whether: (1) the Company's fund accountability statement presents fairly, in all material respects, the Project's financial activities for the period audited, (2) the Company's internal control structure was adequate to manage Project operations, and (3) the Company had complied with Project agreement terms and applicable laws and regulations. The scope of the audit included an examination of Company activities and transactions to the extent considered necessary to issue a report thereon for the period under audit.

The auditors concluded that the fund accountability statement presents fairly, in all material respects, the financial position of the Company relative to its Project operations for the period audited. The auditors identified questionable costs of \$4,055 which they

did not consider sufficiently material to affect their opinion on the fund accountability statement.

The auditors identified no material weaknesses in the Company's internal control structure for Project activities and, with respect to the Company's compliance with agreement terms and applicable laws and regulations, found no material instances of noncompliance.

The report was discussed with management officials of the Company who expressed general agreement with the content of the audit report. Management did not provide a written response to the KPMG Peat Marwick report.

We are including the following recommendation in the Office of the Inspector General's audit recommendation follow-up system:

**Recommendation No. 1**

**We recommend that USAID/Jamaica resolve the questionable costs of \$4,055 (unsupported) identified in the KPMG Peat Marwick audit report dated July 10, 1992, and recover from the Kingston Restoration Company Limited all amounts determined to be unallowable.**

Recommendation No. 1 will be considered resolved upon the Mission's determination of the amount of recovery and will be considered closed upon the recovery of funds, offset of funds, or issuance of a Bill for Collection.

This final audit report is being transmitted to you for your action. Please advise this office within 30 days of actions planned or taken to resolve and close the recommendation.

**AUDIT OF INNER KINGSTON DEVELOPMENT PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0120**  
**MANAGED BY THE KINGSTON RESTORATION COMPANY LIMITED**  
**FOR THE PERIOD OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**

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# **KPMG** Peat Marwick

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**Mr. Reginald Howard**  
Regional Inspector General for Audit  
Agency for International Development  
Tegucigalpa, Honduras

**July 10, 1992**

Dear Mr. Howard,

This report presents the results of our financial audit of USAID/Jamaica Inner Kingston Development Project, USAID/Jamaica Project No. 532-0120, managed by Kingston Restoration Company Limited (KRC) for the period October 1, 1989 to September 30, 1991.

## **BACKGROUND**

The USAID/Jamaica approved the Inner Kingston Development Project on July 30, 1986, which provided grant funds and loan funds to the Urban Development Corporation (UDC) to provide additional space in the Inner Kingston area through rehabilitation and new construction suitable for light manufacturing activities and mixed commercial use. The project also provided grant funds to the KRC for related infrastructure improvements, and the development and establishment of a community outreach program. The UDC agreed to provide, or cause to be provided, the counterpart contributions necessary to complete the project, which had a project assistance completion date (PACD) estimated at September 29, 1991.

The goal of the project is to contribute to Jamaica's needs for increased investment and employment opportunities.

The agreements and their amendments provided funding of U.S. \$7,284,887 from USAID/Jamaica for the period July 30, 1986 to September 30, 1991. During the period October 1, 1989 to September 30, 1991, KRC received grant funds of US\$2,260,521. KRC also received counterpart contributions of J\$5,000,000 (US\$723,953).

## **BACKGROUND (CONT'D.)**

The project's primary purpose is to help revitalize Inner Kingston as a centre for economic activity and job creation through the promotion of private sector investment. The involvement of KRC in the project is through cooperative agreement with USAID/Jamaica. Its participation in the project is to complete the project components/items referred to as Industrial Development, Commercial & Community Development, Community Outreach and Small Grants Program.

## **AUDIT OBJECTIVES AND SCOPE**

The objectives were to determine whether:

- The fund accountability statement presents fairly, in all material respects, the financial situation of the project's activities managed by KRC for the period October 1, 1989 to September 30, 1991, and whether costs reported as incurred and reimbursed by USAID/Jamaica during the period are allowable, allocable, and reasonable in accordance with agreement terms and applicable laws and regulations.
- The internal control structure of KRC is adequate to manage the project's operations.
- KRC complied with agreement terms and applicable laws and regulations which may affect the project's goals and incurred costs.

Our audit work included the following procedures:

- **Evaluation of the Client's Control Environment**

We used customized computer generated questionnaires to evaluate the control environment. This questionnaire addressed the following aspects of the control environment:

- Control consciousness
- Segregation of duties
- Management override
- Competence of personnel
- Protection of assets and records
- EDP systems and installation evaluations.

- **Risk Assessment (Accounting System and Control Procedures)**

At this stage, our team used CEADISC (Cost Effective Auditing, Documentation of Information Systems and Controls) which is KPMG Peat Marwick's computerized approach to flowcharting systems and information streams and identifying controls. Essentially the methodology calls for us to interview the staff engaged in operations and trace all information from the point of origin to the point of collection, which will be an entry in the books of accounts. Through "on screen" questionnaires completed at the client's site, we traced all the relevant processing steps (both manual and computerized), indicating where control procedures take place. This methodology assisted us greatly in capturing the existing system for analysis and in assessing the risk factor of each transaction stream and thereafter plan an effective audit approach and carry out the audit of the financial statements.

- **Risk Assessment (Accounting System and Control Procedures) (cont'd)**

In addition, we assessed procurement procedures and practices, fixed assets controls, bank accounts controls, controls on counter-part contributions and controls to assure that changes to the project were proper and supported.

- **Planning**

Based on results obtained from the above mentioned stages, we planned the audit approach and prepared the audit programs considering the possibility of errors, omissions and irregularities.

- **Performance of audit work**

We evaluated project implementation actions and accomplishments to determine that costs incurred were allowable, allocable and reasonable under the agreement terms. Our examination included the following:

- Review of direct and indirect costs reimbursed by USAID/Jamaica, identifying and quantifying questionable costs. Any costs which were not supported with adequate documentation or not in accordance with applicable agreement terms were questioned and included as findings in our auditors' report.
- Review of the general ledger and project ledgers to determine whether costs incurred were properly recorded. Thereafter we reconciled direct costs reimbursed by USAID/Jamaica to the project ledgers and to the general ledger.
- Review the procedures used to control the funds, including their channelization to contracted financial institutions or other implementing units. We ensured that all project funding provided by the implementing entities was appropriately recorded in the accounting records and periodically reconciled with information provided by funding sources. We requested positive confirmation of balances.
- Determine whether advances of funds were justified with documentation including reconciliations of funds advanced, disbursed and available.
- Determine whether income and reimbursements, if any, representing recoveries of project costs, were credited to income or to project cost accounts. If any revenue was earned with project funding, the amounts were questioned if not credited as reductions to the project costs or used to further project objectives.
- Review direct payments and purchases made by USAID/Jamaica on behalf of the project to evaluate the procedures used by the implementing entities to properly record and control the assets, commodities and technical assistance received.
- Determine whether salary rates are reasonable for each position in Jamaica and salaries paid are supported by appropriate payroll records. We scrutinized records to determine whether overtime has been charged to the project and whether it is allowable under the terms of the agreement.

## **Performance of audit work (cont'd)**

We performed the following to determine whether KRC complied with agreement terms, project implementation letters, and applicable laws and regulations:

- Identified the agreement terms, project implementation letters and pertinent laws and regulations, and determined which of those not observed could have a direct and material effect on the project's fund accountability statement.
- Assessed the internal controls in place to assure compliance with agreement terms and applicable laws and regulations to provide reasonable assurance of detecting both intentional and unintentional instances of non-compliance that could have a material effect on the fund accountability statement.
- Scrutinized for project funds expended for purposes not in accordance with agreement terms.
- Verified that the counterpart contribution and technical assistance as applicable, were obtained opportunely according to the agreement and to the project's needs.

In addition, due attention was given to the possibility of errors, irregularities and illegal acts as required by SAS 53 and 54 of the American Institute of Certified Public Accountants (AICPA) and to identify areas where frauds, waste, abuse and mis-management exist or could exist as a result of inadequate controls.

## **RESULTS OF AUDIT**

### **Fund Accountability Statement**

Except for not conducting an external quality control review by an unaffiliated audit organization, and for not having received the continuing education in governmental matters, as required by the government auditing standards, we conducted our audit in accordance with generally accepted auditing standards issued by the Comptroller General of the United States.

As mentioned in note 4 to the fund accountability statement, disbursements amounting to J\$27,979 (US\$4,055 ) were considered questionable for the reasons explained herein. We consider that this questioning is not material and does not affect our opinion on the fund accountability statement.

In our opinion, the fund accountability statement presents fairly, in all material respects, the cash receipts and disbursements of the Inner Kingston Development Project's activities managed by the Kingston Restoration Company Limited, during the period October 1, 1989 to September 30, 1991.

### **Internal Control Structure**

We evaluated KRC's internal control structure in regard to USAID/Jamaica's Inner Kingston Development Project in order to assess control risk and to determine our auditing procedures for the purpose of expressing an opinion on the fund accountability statement, and not to provide assurance on KRC's internal control structure taken as a whole.

**RESULTS OF AUDITS (CONT'D)**

Our evaluation of KRC's internal control structure disclosed the following reportable condition:

There was no evidence of an independent review of the bank account reconciliations.

**Compliance with agreement terms and applicable laws and regulations.**

As part of our audit, we performed tests of compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures, to obtain reasonable assurance about whether the fund accountability statement is free of material mis-statement, and not to provide assurance on the KRC's compliance with such provisions.

The results of our tests indicated that, with respect to items tested, KRC complied in all material respects, with agreement terms and applicable laws and regulations. In regard to items not tested, nothing came to our attention that caused us to believe that KRC had not complied, in all material respects, with those provisions.

**Management Comments**

The draft report was discussed with representatives of KRC on April 24, 1992. Management agreed in general with the contents of the report and expressed its willingness to take the corrective actions to implement the audit report recommendation.

*KPMG Peat Marwick*

**KPMG Peat Marwick  
Chartered Accountants**

# **KPMG** Peat Marwick

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## INNER KINGSTON DEVELOPMENT PROJECT

OCTOBER 1, 1989 TO SEPTEMBER 30, 1991

## FUND ACCOUNTABILITY STATEMENT

## INDEPENDENT AUDITORS' REPORT

June 15, 1992

We have audited the accompanying fund accountability statement of the Inner Kingston USAID/Jamaica Project no. 532-0120, activities managed by Kingston Restoration Company Limited (KRC), for the period October 1, 1989 to September 30, 1991. The fund accountability statement is the responsibility of KRC management. Our responsibility is to express an opinion on the fund accountability statement based on our audit.

Except as mentioned in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the Comptroller General of the United States. These standards require that we plan and perform an audit to obtain reasonable assurance whether the fund accountability statement is free of material misstatements. Our audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall fund accountability statement presentation.

The Government Auditing Standards of the Comptroller General of the United States require that audit organizations performing audits for the U.S. Government have completed: a) 24 hours of continuing professional education in government auditing during the two year period preceding the audit, and b) an external quality control review performed by an unaffiliated audit organization during the three years preceding the audit. We have not complied with such requirements because the engagement did not provide enough information on the matter.

As described in note 2, the fund accountability statement was prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the fund accountability statement presents fairly in all material respects, the receipts and disbursements of funds provided under the USAID/Jamaica project no. 532-0120.

This report is intended for the use of Kingston Restoration Company Limited and the United States Agency for International Development. This restriction is not intended to limit the distribution of the report which, upon acceptance by the office of the Inspector General, is a matter of public record.

*Peat Marwick*

**Peat Marwick**  
Chartered Accountants

**Inner Kingston Development Project  
October 1, 1989 to September 30, 1991  
Fund Accountability Statement**

	Life of project budget US\$	October 1, 1989 to September 30, 1991						Reflows bank account (note B)			Questionable costs			
		Local Budget		Local Disbursements		Accumulated September 30, 1989		Accumulated September 30, 1991		Property operations	Investments account	Total	Questioned	unsupported
		US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$	US\$
<b>Revenues</b>														
USAID grants	7,284,887	22,289,014	2,260,521	17,237,744	4,848,718	26,505,829	7,109,239	43,743,573	-	-	-	-	-	-
Loan repayment (note A)				200,000				200,000	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-	-	6,667,988	4,884,986	11,552,974	-	-	-
Inter bank transfers	-	-	-	-	-	-	-	-	181,766	640,511	822,277	-	-	-
	<u>7,284,887</u>	<u>22,289,014</u>	<u>2,260,521</u>	<u>17,437,744</u>	<u>4,848,718</u>	<u>26,505,829</u>	<u>7,109,239</u>	<u>43,943,573</u>	<u>6,849,754</u>	<u>5,525,497</u>	<u>12,375,251</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Expenditure</b>														
<b>INDUSTRIAL DEVELOPMENT</b>	4,243,451													
Knitting mill		755,000		884,824		5,100,135		5,984,959	-	24,413	24,413	-	-	-
38 A Harbour Street		3,181,220		2,946,644		-		2,946,644	-	133,746	133,746	-	-	-
Harbour street Properties		1,936,000		5,389		1,722,636		1,728,025	-	-	-	-	-	-
D & G Pechon Street		600,000		229,427		1,584,117		1,813,544	66,663	184,037	250,700	-	-	-
Machado Complex		-		-		10,516,987		10,516,987	-	-	-	-	-	-
	<u>4,243,451</u>	<u>6,472,220</u>		<u>4,066,284</u>		<u>18,923,875</u>		<u>22,990,159</u>	<u>66,663</u>	<u>342,196</u>	<u>408,859</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>COMMERCIAL DEVELOPMENT</b>	569,436													
40 Harbour Street		2,577,400		1,985,907		76,680		2,062,587	-	-	-	-	-	-
Public Building West		3,100,000		1,433,489		-		1,433,489	-	-	-	-	-	-
78-80 Harbour Street		1,500,000		1,700,000		-		1,700,000	-	184,750	184,750	-	-	-
	<u>569,436</u>	<u>7,177,400</u>		<u>5,119,396</u>		<u>76,680</u>		<u>5,196,076</u>	<u>-</u>	<u>184,750</u>	<u>184,750</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>PUBLIC PROJECTS</b>	732,000													
King Street improvements		4,820,000		4,695,999		81,351		4,777,350	-	183,222	183,222	-	-	-
Duke Street improvement		341,575		330,000		-		330,000	-	221,138	221,138	-	-	-
	<u>732,000</u>	<u>5,161,575</u>		<u>5,025,999</u>		<u>81,351</u>		<u>5,107,350</u>	<u>-</u>	<u>404,360</u>	<u>404,360</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Balance carried forward</b>	5,544,887	18,811,195		14,211,679		19,081,906		33,293,585	66,663	931,306	997,969	-	-	-

**Inner Kingston Development Project  
October 1, 1989 to September 30, 1991  
Fund Accountability Statement**

	Life of projected budget US\$	October 1, 1989 to September 30, 1991		Accumulated September 30, 1989 J\$	Accumulated September 30, 1991 J\$	Reflows bank account (Note B)			Questionable costs		
		Local budgeted J\$	Local Disbursements J\$			Property operations J\$	Investments account J\$	Total J\$	Questionable costs J\$	Unsupported J\$	
<b>Expenditure. (cont'd)</b>											
Balance brought forward	5,544,887	18,811,195	14,211,679	19,081,906	33,293,585	66,663	931,306	997,969	-	-	
COMMUNITY DEVELOPMENT	210,000	495,000	347,943	838,338	1,186,281	1,250	-	1,250	-	-	27,979
RESTORATION GRANT	230,000	1,055,000	581,617	727,785	1,309,402	-	48,266	48,266	-	-	
OPERATIONS	950,000	1,089,819	889,409	3,752,186	4,641,595	4,808,314	3,055,024	7,863,338	-	-	
TECHNICAL ASSISTANCE	350,000	838,000	621,046	1,199,316	1,820,362	-	50,300	50,300	-	-	
INVESTMENT IN SHORT TERM DEPOSIT	-	-	-	-	-	910,634	1,273,249	2,183,883	-	-	
INTER BANK TRANSFERS	-	-	-	200,000	200,000	758,777	63,500	822,277	-	-	
	<u>7,284,887</u>	<u>22,289,014</u>	<u>16,651,694</u>	<u>25,799,531</u>	<u>42,451,225</u>	<u>6,545,638</u>	<u>5,421,645</u>	<u>11,967,283</u>	<u>-</u>	<u>-</u>	<u>27,979</u>
<b>Bank balance</b>				<u>706,478</u>	<u>1,492,348</u>						

**Note A**

Amount represent repayment of funds advanced to local shareholders account in September 1989.

**Note B**

Reflows represent the following:

1. Net rental income from USAID financed projects
2. Realised sale value of projects originally financed from USAID funds.

**INNER KINGSTON DEVELOPMENT PROJECT**  
**OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**  
**NOTES TO THE FUND ACCOUNTABILITY STATEMENT**

**1. Background**

The USAID/Jamaica approved the Inner Kingston Development Project on July 30, 1986, which provided grant funds and loan funds to the Urban Development Corporation (UDC) to provide additional space in the Inner Kingston area through rehabilitation and new construction suitable for light manufacturing activities and mixed commercial use. The project also provided grant funds to the KRC for related infrastructure improvements, and the development and establishment of a community outreach program. The UDC agreed to provide, or cause to be provided, the counterpart contributions necessary to complete the project, which had a project assistant completion date (PADC) estimated at September 29, 1991.

The goal of the project is to contribute to the meeting of Jamaica's need for increased investment and employment opportunities. The project's primary purpose is to help revitalize Inner Kingston as a centre for economic activity and job creation through the promotion of private sector investment. The involvement of Kingston Restoration Company Limited (KRC) in the project is through cooperative agreement with USAID/Jamaica. Its participation in the project is to complete the project components/items referred to as Industrial Development, Commercial & Community Development, Community Outreach and Small Grants Program.

**2. Basis of Accounting**

The fund accountability statement has been prepared on the cash basis of accounting. Consequently, funding provided is recognized when received rather than when earned and expenditures are recognized when paid rather than when the obligations are incurred.

**3. Rate of exchange**

- a. Transactions in foreign currency are converted at the rate of exchange ruling at the dates of these transactions.
- b. Foreign currency balances at September 30, 1991 are translated at the rate ruling at that date.

**4. Questionable Costs**

According to USAID applicable regulations, costs charged to the projects must meet the following general criteria:

- a. Be reasonable for the performance of the projects. A cost is reasonable if, by its nature or amount, it does not exceed what would be incurred by a prudent person under the same circumstances.

**INNER KINGSTON DEVELOPMENT PROJECT****OCTOBER 1, 1989 TO SEPTEMBER 30, 1991****NOTES TO THE FUND ACCOUNTABILITY STATEMENT (CONTD)**

- b. Be allocable to the projects. A cost is allocable in accordance with the relative benefit received.
- c. Conform to any limitations or exclusions set forth in the agreement in which the project is based.
- d. Be adequately documented.

Questioned costs are all those costs unallocable and/or unallowable in accordance with the terms of agreements and applicable laws and regulations. Unsupported costs are all those costs not properly supported by the recipient, costs in excess of the budgeted amount per line item and costs considered unreasonable under the circumstances.

The following project costs incurred by the Inner Kingston Development Project are determined to be questionable (unsupported) because they did not conform with the above-mentioned criteria.

Expenditures amounting to J\$27,979 (US\$4,055) for which no supporting documents were available.

**5. Subsequent Event**

Effective December 4, 1991, the project assistance completion date was extended to September 28, 1992.

# **KPMG** Peat Marwick

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## **INNER KINGSTON DEVELOPMENT PROJECT**

### **USAID/JAMAICA PROJECT NO 532-0120**

### **OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**

### **INTERNAL CONTROL STRUCTURE**

### **INDEPENDENT AUDITORS' REPORT**

June 15, 1992

We have audited the fund accountability statement of Inner Kingston Restoration Project, USAID/Jamaica Project No. 523-0120, activities managed by Kingston Restoration Company Limited (KRC), for the period October 1, 1989 to September 30, 1991, and have issued our report thereon dated June 15, 1992.

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

In planning and performing our audit of the fund accountability statement for the period October 1, 1989 to September 30, 1991, we examined KRC'S internal control structure related to project operations, in order to determine our auditing procedures for the purpose of expressing our opinion on the fund accountability statement and not to provide assurance on the internal control structure of KRC taken as a whole.

The management of KRC is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by managers are required to assess the expected benefits and the related cost of internal control structure, policies and procedures. The objectives of internal control structure are to provide management with reasonable, but not absolute, assurance that 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 the fund accountability statement in accordance with the basis of accounting used. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of an 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: revenues, payroll and disbursements.

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

We noted a certain matter involving the internal control structure and its operation that we consider to be a reportable condition 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 KRC'S ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

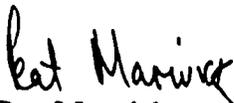
**INNER KINGSTON DEVELOPMENT PROJECT**  
**USAID/JAMAICA PROJECT NO 532-0120**  
**OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**  
**INTERNAL CONTROL STRUCTURE**  
**INDEPENDENT AUDITORS' REPORT (CONTD)**

For the period from October 1, 1989 to September 30, 1991 we obtained an understanding of the design of relevant policies and procedures and whether they were in operation or not. The reportable condition is described on the following page of this report.

A material weakness is a reportable condition in which the design or operation of the specific internal control does not reduce to a relatively low level the risk that errors or irregularities in amount 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 above is a material weakness.

This report is intended for the use of KRC and the United States Agency for International Development. This restriction is not intended to limit the distribution of this report which, upon acceptance by the Office of Inspector General, is a matter of public record.

  
Peat Marwick  
Chartered Accountants

**INNER KINGSTON DEVELOPMENT PROJECT**  
**OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**  
**FINDINGS**

**Condition**

Bank reconciliations which were prepared by the accounting clerk were not reviewed by an independent employee.

**Criteria**

All bank reconciliations should be prepared and reviewed promptly so that any errors or irregularities in the preparation could be detected and corrected on a timely basis.

**Cause**

Non-performance of internal control over bank reconciliations.

**Effect**

Unless bank reconciliations are prepared and reviewed on time, errors, omissions and unusual and significant reconciling items concerning cash might not be investigated on a timely basis.

**Recommendations**

All bank accounts should be reconciled to the general ledger, reviewed and signed by a senior member of staff on a regular basis (preferably monthly).

**Management comment**

Bank reconciliations are reviewed by an independent employee, commencing April 1992.

# **KPMG** Peat Marwick

Chartered Accountants

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**INNER KINGSTON DEVELOPMENT PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0120**  
**OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**  
**COMPLIANCE WITH THE AGREEMENT TERMS**  
**AND APPLICABLE LAWS AND REGULATIONS**  
**INDEPENDENT AUDITORS' REPORT**

June 15, 1992

We have audited the fund accountability statement of the Inner Kingston Development Project, USAID/Jamaica Project No. 532-0120, activities managed by Kingston Restoration Company Limited (KRC), for the period October 1, 1989 to September 30, 1991, and have issued our report thereon dated June 15, 1992.

We conducted our audit in accordance with generally accepted auditing standards and the Government Auditing Standards 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 fund accountability statement is free of material misstatement.

Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to the Inner Kingston Development Project is the responsibility of Kingston Restoration Company Limited's (KRC) management. As part of our audit, we performed tests of KRC's compliance with certain provisions of laws, regulations, contracts, grants and binding policies and procedures. However, it should be noted that we performed those tests of compliance as part of obtaining reasonable assurance about whether the fund accountability statement is free of material misstatement; our objective was not to provide an opinion on compliance with such provisions.

The results of our tests indicate that with respect to the items tested, KRC complied, in all material respects, with the provisions referred to in the third paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that KRC had not complied, in all material respects, with those provisions.

This report is intended for the information of the management of KRC and the United States Agency for International Development. The restriction is not intended to limit distribution of this report which, upon acceptance by the office of the Inspector General, is a matter of public record.



**Peat Marwick**  
Chartered Accountants

**INNER KINGSTON DEVELOPMENT PROJECT**  
**USAID/JAMAICA PROJECT NO. 532-0120**  
**OCTOBER 1, 1989 TO SEPTEMBER 30, 1991**  
**LIST OF REPORT RECOMMENDATIONS**

**Internal Control Structure**

**Bank Account**

We recommend that all bank accounts be reviewed and signed by a senior member of staff on a regular basis (preferably monthly). Any difference should be investigated and adjusted promptly.

*Peat Marwick.*

**Peat Marwick**  
**Chartered Accountant**

APPENDIX I

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