PD-ABI-147

Regional Inspector General for Audit
Nairobi, Kenya

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

Report No. 3-623-94-009-N
March 18, 1994

FINANCIAL INFORMATION CONTAINED IN THIS REPORT MAY BE PRIVILEGED. THE RESTRICTIONS OF 18 USC 1905 SHOULD BE CONSIDERED BEFORE ANY INFORMATION IS RELEASED TO THE PUBLIC.

INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Regional Inspector General for Audit/Nairobi

March 18, 1994

TO: Director REDSO/ESA, Fred C. Fischer

FROM: for RIG/A/Nairobi, Everette B. Orr

SUBJECT: Audit of the Centre for African Family Studies Under REDSO/ESA Cooperative Agreement No. 623-0004-A-00-9042-00, A.R. No. 3-623-94-009-N

Attached are five copies of an Agency-contracted Audit of the Centre for African Family Studies Under REDSO/ESA Cooperative Agreement No. 623-0004-A-00-9042-00. The non-Federal accounting firm of Bellhouse Mwangi Ernst & Young, Nairobi, Kenya performed the audit.

The Regional Economic Development Services Office for East and Southern Africa (REDSO/ESA) signed a cooperative agreement in August 1989 with the Centre for African Studies (CAFS), a private voluntary organization located in Nairobi, Kenya. The estimated completion date of the agreement has been extended to December 31, 1994 and it has been incrementally funded to a total of $5,454,117. 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 family planning service institutions in the region. This would be accomplished through the provision of training and technical support.

The objective of the audit was to examine CAFS' Fund Accountability Statement (Statement) and to express an opinion as to whether the statement present fairly the use of funds in accordance with the cooperative agreement. To answer the objective, the auditors were asked to consider CAFS' internal control structure to determine the auditing procedures necessary to express an opinion on the Statement, and to report on significant internal control weaknesses. As part of obtaining reasonable assurance the Statements were free of material misstatement, the auditors were required to test CAFS' compliance with terms of the cooperative agreement and to report any identified material instances of non-compliance.

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The audit covered all USAID funds received and disbursed by CAFS under the cooperative agreement for the period August 1, 1991 to July 31, 1993. Disbursements by CAFS during this time period totalled $2,084,558. Earlier receipts and disbursements of USAID funds under this agreement were covered by a prior Agency-contracted audit (Audit Report No. 3-615-92-05-N, dated March 18, 1992).

The auditors issued a qualified opinion on the Fund Accountability Statement since the audit identified $67,575 in questioned costs; $57,360 in unsupported costs and $10,215 in ineligible costs. REDSO/ESA had previously disallowed $31,088 of these questioned costs which were still being carried on CAFS' Statements and RIG/A/N is not including a recommendation addressing these costs in its audit recommendation follow-up system. The remaining $36,487 are questioned in this audit for the first time. Imprest/advances amounting to $83,261 remained outstanding as of July 31, 1993 and were not included in the Fund Accountability Statement.

The audit report disclosed no material instances of non-compliance. The audit also noted considerable improvements in CAFS' internal control structure since the prior audit but still presented six material internal control weaknesses. These weaknesses can be summarized as follows:

- failure to reconcile the fund balance to USAID-designated bank accounts,
- delays in the submission of financial information or the submission of incomplete information from the sub-office to the head office,
- failure to follow-up on costs questioned and subsequently disallowed by USAID, and
- delays in accounting for imprests/advances.

The draft audit report was submitted to CAFS and to REDSO/ESA for comments and their comments were taken into consideration in the preparation of the final report. CAFS and REDSO/ESA comments are included in the final report as Appendix 1 and 2, respectively. REDSO/ESA stated that the report appeared to present a fair assessment of CAFS' accounting and control system and offered no comments on the findings. CAFS stated that it is now ready to justify all of the questioned costs in the report and submit claims for amounts previously disallowed by USAID. CAFS also stated that some of the reported internal control weaknesses were a result of political turbulence in Togo (site of CAFS' sub-office) and serious internal administrative and leadership problems that have since been corrected. The auditors, however, were correct in questioning costs for which supporting documentation was unavailable during the audit and in reporting conditions that existed during the audit period.

The report contains 28 recommendations and it is REDSO/ESA's responsibility to ensure appropriate action is taken on all the recommendations. We are including the following recommendations in the Office of the Inspector General's audit recommendation follow-up system.

Recommendation No. 1: We recommend that the Director, Regional Economic Development Services Office for East and Southern Africa determine the allowability, and recover as appropriate from the Centre for African Family Studies, questioned unsupported costs of $36,487.

Recommendation No. 2: We recommend that the Director, Regional Economic Development Services Office for East and Southern Africa, obtain from the Centre for African Family Studies a plan of action to correct internal control weaknesses that provides for:

2.1 reconciliation of the fund balance with USAID-designated bank accounts;

2.2 prompt submission of complete financial information to the head office;

2.3 timely follow-up on costs questioned by USAID; and

2.4 prompt accounting for imprests/advances.

We consider the recommendations to be unresolved. Recommendation No. 1 will be resolved when REDSO/ESA makes a final determination as to the allowability of the questioned amounts, and will be closed when REDSO/ESA takes action appropriate to the determination. Recommendation No. 2 will be resolved and closed when REDSO/ESA receives a plan of corrective action from CAFS.

Thank you for the cooperation extended to Bellhouse Mwangi Ernst & Young auditors and the Regional Inspector General for Audit representatives during the audit.

Attachments: a/s.

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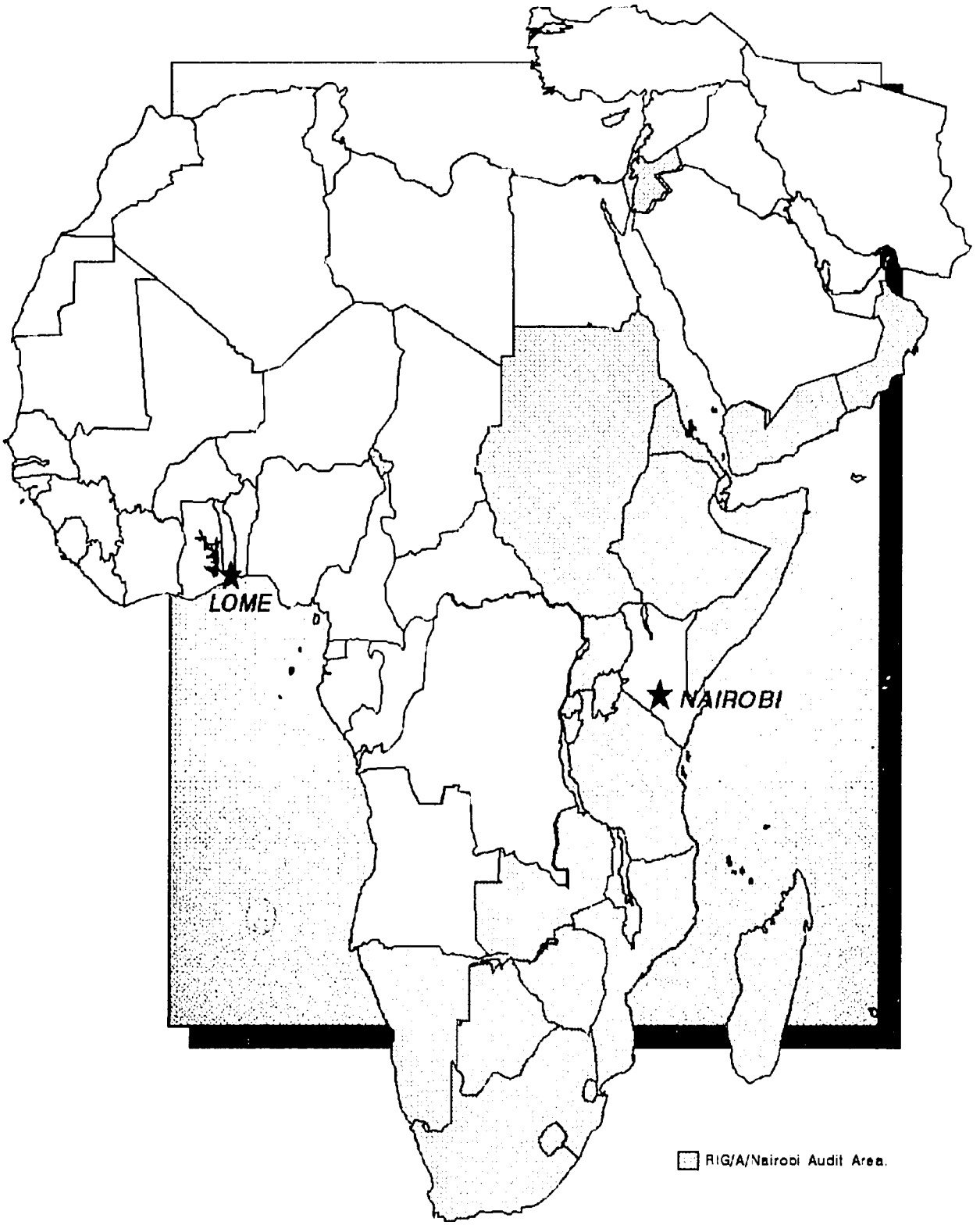

The Centre for African Family Studies

Head office - Nairobi; Sub-office - Lome

Audit of
the Centre for African Family Studies
under
REDSO/ESA Cooperative Agreement
No. 623-0004-A-00-9042-00

A.R. No. 3-623-94-009-N

ATTACHMENTS

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Audit of
the Centre for African Family Studies
under
REDSO/ESA Cooperative Agreement

No. 623-0004-A-00-9042-00

THE CENTRE FOR AFRICAN FAMILY STUDIES
UNDER REDSO/ESA COOPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00

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THE CENTRE FOR AFRICAN FAMILY STUDIES
UNDER REDSO/ESA COOPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00

GLOSSARY OF TERMS

USAID	:	UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
US	:	UNITED STATES OF AMERICA
$	:	US DOLLARS
KShs	:	KENYA SHILLINGS
REDSO/ESA	:	REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE FOR EAST & SOUTHERN AFRICA
CAFS	:	THE CENTRE FOR AFRICAN FAMILY STUDIES

THE CENTRE FOR AFRICAN FAMILY STUDIES
UNDER REDSO/ESA COOPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00

1. INTRODUCTION

1.1 Background

The Centre for African Family Studies (CAFS) Cooperative Agreement was authorized on August 21, 1989 by the United States Agency for International Development (USAID) with an estimated completion date of June 30, 1993 and funding of $4 million. The Cooperative Agreement was incrementally funded to a total of $ 5,454,117 and the estimated completion date extended to December 31, 1994. The aim of the project is 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 the provision of training and technical support.

1.2 Audit Objectives and Scope

1.2.1 Objectives

Bellhouse Mwangi Ernst & Young were appointed by USAID under Contract No. 623-0000-I-00-2006-00 to carry out the audit of the CAFS Cooperative Agreement, for the period August 1, 1991 through July 31, 1993. An earlier agency-contracted audit (Audit Report No.3-615-92-05-N, dated March 18, 1992) covered the period from inception of the Cooperative Agreement to July 31, 1991.

The objectives of this engagement were to:

a. Audit CAFS's Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects, and in conformity with the basis of accounting described in the report, the use of funds in accordance with the Cooperative Agreement;

b. Consider the CAFS's internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses; and

c. Test CAF's compliance with the terms of the Cooperative Agreement, as part of obtaining reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and to report on any identified material instances of noncompliance.

The audit was undertaken in accordance with generally accepted auditing standards and the Government Auditing Standards issued by the US Comptroller General (1988 Revision). We were required to adhere to guidelines contained in the "Guide for Financial Audits Contracted by AID" and "Guidelines for Audits of Federal awards to Non-Profit Institutions".

1.2.2 Scope

Our audit covered all USAID funds received and disbursed by CAFS under Cooperative Agreement No. 623-0004-A-00-9042-00 amounting to $2,084,558, for the period August 1, 1991 to July 31, 1993.

In carrying out our audit, we did not comply with Government Auditing Standards 3.46 and 3.6 regarding External Quality Control Reviews and Continuing Professional Education respectively. It is our opinion that noncompliance with those standards did not impair our ability to perform the audit.

1.2.3 Methodology

The audit was performed using the Ernst & Young audit approach as modified by the Public Sector Services Manual Supplement.

We performed an initial survey for 3 days beginning October 4, 1993, after which an audit program was prepared for the approval of the Regional Inspector General/Audit/Nairobi (RIG/A/N). The actual audit fieldwork commenced immediately thereafter.

1.3 Summary of Audit Results

1.3.1 Fund Accountability Statement

Total revenues amounting to $2,431,931, of which $7,951 was the balance carried forward from the period ended July 31, 1991, were verified and found to be correctly stated. Of the total expenditures for the period of $2,084,558 our sample for verification covered $1,666,305 (79.9%). Of the total expenditures for the period, costs amounting to $67,575 (3.2%) were questioned; $57,360 being unsupported and $10,215 being ineligible. USAID had already disallowed $31,088 of these total costs for the period. As of July 31, 1993, imprests/advances amounting to $83,261 remained outstanding and have not been included in the Fund Accountability Statement.

1.3.2 Internal Control Structure

Following the implementation of recommendations from the previous agency-contracted audit, the internal control structure has improved considerably. However, we noted the following weaknesses:

i. The lack of reconciliations between the USAID fund balance to USAID-designated bank accounts.

ii. Reconciliations were not regularly prepared for USAID designated bank accounts operated by the Lome sub-office and for those prepared there was no evidence of review.

iii. Financial information on the operations of the Lome sub-office were not remitted to headquarters on a timely basis.

iv. Lack of follow-up for amounts questioned and subsequently disallowed by USAID.

v. Delays in accounting for imprests/advances

vi. Failure to update personnel files upon change in status of employees.

1.3.3 Compliance with Cooperative Agreement and related provisions

The instances of noncompliance noted were:

i. Commingling of funds contrary to USAID mandatory standard provisions.

ii. Delay in expenditure reporting contrary to standard provisions of the agreement.

iii. Lack of written updates on the Brooke-Alexander Amendment.

iv. Failure to adhere to the number of USAID-financed course participants.

1.3.4 Auditee response

i. Fund Accountability Statement

Of the questioned costs amounting to $67,575, CAFS is ready to justify the full amount and agree to submit claims for amounts fully supported but previously disallowed by USAID.

ii. Internal Control Structure

Failure to regularly perform reconciliations was a result of ineffective coordination between the Nairobi office and the Lome sub-office due to political turbulence in Togo that necessitated the eventual evacuation of CAFS office to Benin. At this time, access to bank accounts in Lome was impossible. Despite this problem CAFS had always maintained firm control over USAID funds as evidenced by monthly statements of expenditure. The situation in Togo is gradually getting back to normal and reconciliations of accounts will be insisted upon.

Costs questioned by USAID will be followed up vigorously and improved coordination with the Lome sub-office is envisaged.

Failure to update personnel files and delays in accounting for imprests/advances was due to serious administrative and leadership problems at CAFS. The long outstanding imprests have since been retired and great attention will in future be paid to these observations of the audit.

iii. Compliance with Cooperative Agreement and relative provision

By our experience, commingling of funds is not serious as other funds have been used to fund USAID activities prior to receiving an advance from USAID. This is dictated by necessity and did not compromise propriety for utilization of USAID funds.

Delays in reporting were mainly due to periods when the accounting system was being overhauled, breakdown to the only accounting computer then, necessitating manual compiling of accounts, and political turmoil in Togo that hampered the flow of financial information from the Lome sub-office.

As for the number of USAID-financed courses participants, the point is not clear as CAFS expends funds on USAID approved participants. CAFS does not appear to qualify to comment on updates on the Brooke-Alexander Amendment.

1.3.5 REDSO/ESA response

The report appears to present a fair assessment of CAFS' accounting and control system. REDSO/ESA has no comments on the findings as presented.

THE CENTRE FOR AFRICAN FAMILY STUDIES
UNDER REDSO/ESA COOPERATIVE AGREEMENT
NO. 623-0004-A-00-9042-00

2. FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report

We have audited the Fund Accountability Statement of the Centre for African Family Studies Cooperative Agreement No. 623-0004-A-00-9042-00 for the period August 1,1991 through July 31,1993. This statement is the responsibility of the Centre for African Family Studies. Our responsibility is to express an opinion on this statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards (1988 Revision) issued by the U.S. Comptroller General with the exception that we did not comply with sections 3.46 and 3.6 on External Quality Control Reviews and Continuing Professional Education. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement. Our audit included examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement.

Our audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Fund Accountability Statement presentation. We believe that our audit provided a reasonable basis for our opinion.

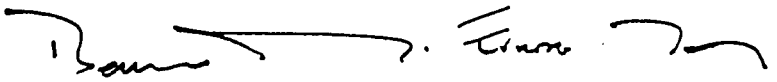
As discussed in Note 2 to the Fund Accountability Statement, this statement was prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles.

Imprests/advances amounting to $83,261 remained outstanding at July 31,1993 and have not been included in the Fund Accountability Statement, resulting in an overstatement of the fund balance and an understatement of expenditures under the project. In addition, expenditures totalling $ 67,575 were questioned of which $ 57,360 were unsupported and $ 10,215 ineligible.

Except for the matters noted in the preceding paragraph, in our opinion the Fund Accountability Statement presents fairly, in conformity with the basis of accounting described in the fourth paragraph above, the revenues and expenses of the Centre for African Family Studies Cooperative Agreement for the period August 1, 1991 to July 31, 1993.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public.

This report is intended solely for the information of the Centre for African Family Studies and the United States Agency for International Development but this is not intended to limit the distribution of the report if a matter of public record.



BELLHOUSE MWANGI ERNST & YOUNG
NAIROBI

November 24, 1993

CENTRE FOR AFRICAN FAMILY STUDIES
FUND ACCOUNTABILITY STATEMENT
FOR THE PERIOD AUGUST 1, 1991
THROUGH JULY 31, 1993

	US $
Revenue	2,431,930
Expenditures:	
Training staff salaries	532,771
Training staff travel	173,837
Participants travel	128,399
Participants per diem	446,066
Participants materials	38,909
Participants clinic use fees	761
Participants conference rooms	7,119
Administrative staff salaries	278,872
Computer support	39,760
Library equipment/supplies	30,061
Office & classroom rental	137,930
Staff recruitment	7,770
Staff development	40,436
Program marketing	25,417
Training materials publications	523
Technical assistance	44,798
Relocation expenses	94,412
Technical assistance follow-up	25,089
Interoffice collaboration	944
Other costs	30,684
Total Expenditures	2,084,558
Fund balance	347,372

Notes to the Fund Accountability Statement

1. **Currency translation**

United States dollar amounts are expressed at the average rate of exchange applied on the amounts received and expended over the period.

2. **Basis of Accounting**

The Fund Accountability Statement is prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

Notes to the Fund Accountability Statement (continued)

3. Revenue

Revenues represent amounts received under the grant from USAID in the period from August 1, 1991 through July 31, 1993 and a balance of $7,951 brought forward from the previous period.

4. Fund Balance

Fund balance includes imprests/advances amounting to $83,261 issued for the activities under the Agreement which had not been accounted for as of July 31, 1993, and are therefore not reflected as expenditures.

2.2 Findings and Recommendations

2.2.1 Introduction

The Fund Accountability Statement was prepared from the records maintained by the Centre for African Family Studies and is on page 6 of this report.

2.2.2 Sample Selection Criteria

For the expenditures, we established a key item value of $10,000. We tested all transactions whose value was equal to or greater than $10,000 which gave us a coverage of 77%.

We used random sampling to select and test transactions whose value was less than $10,000, this gave an additional coverage of 2.9% therefore bringing total coverage to 79.9% ($1,666,305). We considered this coverage to be adequate to enable us form our opinion.

2.2.3 Audit Results

All receipts were duly authorized and supported. Of the disbursements tested, costs amounting to $67,575 were questioned. The accepted amounts of $2,016,983 in the Fund Accountability Statement includes $5,165 in costs previously disallowed by USAID for which we found adequate supporting documentation. The $67,575 in questioned costs can be analyzed as follows:

ANALYSIS OF PROJECT COSTS

	Claimed $	Accepted $	Unsupported $	Note	Ineligible $	Note
Training staff salaries	532,771	523,105	9,666	2.2.4 (a)		
Training staff travel	173,837	165,530	8,307	2.2.4 (b)		
Participants travel	128,399	114,464	10,284	2.2.4 (c)	3,651	2.2.5 (a)
Participants per diem	446,066	421,735	21,652	2.2.4 (d)	2,679	2.2.5 (b)
Participants materials	38,909	31,768	7,141	2.2.4 (e)		
Participants clinic use fees	761	761				
Participants conference rooms	7,119	7,119				
Administrative staff salaries	278,872	278,872				
Computer support	39,760	39,760				
Library equipment/supplies	30,061	30,061				
Office & classroom rental	137,930	138,765	(835)	2.2.4 (f)		
Staff recruitment	7,770	7,770				
Staff development	40,436	40,436				
Program marketing	25,417	25,227	190	2.2.4 (g)		
Training materials publications	523	523				
Technical assistance	44,798	41,512	326	2.2.4 (h)	2,960	2.2.8 (c)
Relocation expenses	94,412	93,783	629	2.2.4 (i)		
Technical assistance follow-up	25,089	25,089				
Inter-office collaboration	944	944				
Other costs	30,684	29,759			925	2.2.5 (d)
	2,084,558	2,016,983	57,360		10,215	

2.2.4 Unsupported Costs

a. Finding: Unsupported payroll costs

Unsupported expenditure amounting to $9,666 as a result of CAFS claiming budgeted training staff payroll costs instead of actual costs.

Month		Actual per payroll $	Amount budgeted $	Overclaim $
August	1991	19,595	24,797	5,202
September	1991	19,923	22,717	2,794
October	1991	19,877	21,547	1,670
		59,395	69,061	9,666

Recommendation No. 1

We recommend that the CAFS provide supporting documentation for the difference between actual and budgeted payroll costs or refund $9,666 to USAID.

Auditee response

$16,867, being additional payroll costs can be justified and the related documents are available for inspection. These costs are employee benefits and consist of gratuity and school fees refunds to various employees of CAFS.

b. Finding: Unsupported training staff travel costs

We noted unsupported training staff travel costs analyzed as follows:

	Month	Details	Amount $	Remarks
1.	August '91	Dr V. Ahade - per diem	3,283	Supported by photocopy of credit advice & no claim form.
2.	November '91	Per diem for Anglophone courses	208	Amount disallowed by USAID due to lack of supporting documents.
3.	November '91	Dr Simakone - per diem for "Middle Management" course	132	Amount disallowed by USAID but found to be supported by photocopies.
4.	October '92	Various per diem claims	3,549	Amount disallowed by USAID as $246 was supported by photocopies and $3,303 unsupported.
5.	March '93	Mme Mukombwa - per diem	1,135	Found unsupported during the audit and already disallowed by USAID.
		Total	8,307	

Recommendation No. 2

We recommend that for amounts disallowed by USAID and found unsupported or supported by photocopies during the audit, CAFS submit the original supporting documents together with a claim for the same to USAID or remove the amounts from the Fund Accountability Statement.

Auditee response

Supporting documentation are now available for inspection. CAFS is in the process of submitting a claim for amounts disallowed by USAID.

Recommendation No. 3

We recommend that for the amount of $3,283 above not fully supported, CAFS submit the original supporting documents or refund the amount to USAID.

Auditee response

Supporting documentation are now available for inspection.

c. **Finding: Unsupported participants travel costs**

We noted the following unsupported participants travel costs:

	Months	Details	Amount $	Remarks
1.	Jan '93	"Training of Trainers" course participants airfares	8,039	Supporting documentation could not be traced due to lack of audit trail. The reference of the journal voucher (No. 228) for this expenditure related to documents that were unrelated to the claim, thus the amount considered unsupported.
2.	Dec '91	Airfares & Local Travel	2,245	Amounts disallowed by USAID due to lack of supporting documents.
		Total	10,284	

Recommendation No. 4

We recommend that CAFS submit the original documentation supporting $8,039 or refund the amount to USAID.

Auditee response

The reference of the supporting documentation were revised as CAFS continued to standardize the referencing system. The documents are now available for inspection.

Recommendation No. 5

For item 2 above, our Recommendation No. 2 applies.

Auditee response

The supporting documentation are now available for inspection.

d. Finding: Unsupported participants per diem

We noted the following unsupported participants per diem

	Month	Details	Amount $	Remarks
1.	March '92	Blue Post Hotel - Thika	12,413	No supporting documents.
2.	January '93	Per diem paid to various participants	3,254	Payment voucher for cheque No. 280275 had no list of participants bearing signatures of recipients to support the payment.
3.	November '91	Per diem to participants of "Communications" Anglophone course & "Contraceptive Technology Update" Francophone course	236	No supporting documents
4.	December '91	Per diem paid to various participants	5,947	Amount disallowed by USAID as $3,298 was claimed twice and $2,649 was not supported.
5.	March '93	Under claim in per diem to participants of "Training of Trainers" course	(198)	The actual per diem was $744 and the amount claimed was $504. AID has allowed and given a credit of $42 as an under claim.
		Total	21,652	

Recommendation No. 6

For items 1, 2 and 3 above, we recommend that CAFS submit the original documentation supporting $15,903 or refund the amount to USAID.

Auditee response

The supporting documentation are now available for inspection.

Recommendation No. 7

For item 4 above our Recommendation No. 2 applies.

Auditee response

The total per diem of $12,449 incorporated the $5,947 for USAID funded participants and was presented only once. The supporting documents are available for inspection.

Recommendation No. 8

We recommend that for item 5 above, CAFS submit supporting documents with a claim to USAID for $198.

Auditee response

CAFS is in the process of submitting a claim for this previous underclaim.

e. **Finding: Unsupported participants training material costs**

We noted the following unsupported participants training material costs:

Month	Details	Amount $	Remarks
December '91	Cost of training materials	7,141	Amount disallowed by USAID due to lack of supporting documents.

Recommendation No. 9

Our Recommendation No. 2 applies to this finding.

Auditee response

Supporting documentation are now available to support this claim.

f. **Finding: Unsupported office and classroom rental cost**

We noted the following unsupported office and classroom rental costs:

Details	Amount $	Remarks
Office rent from August 1, 1991 through July 31, 1993	(835)	Total rental costs for space in Nairobi and the Lome sub office amounted to $272,265 of which the grant was to finance 47% which is $127,965. The total claim amounted to $127,130 thus the shortfall of $835.

Recommendation No. 10

We recommend that the CAFS submit a claim to USAID for reimbursement of the shortfall.

Auditee response

CAFS is in the process of submitting claims under this budget line item.

g. **Finding: Unsupported Program Marketing Costs**

We noted the following unsupported program marketing costs

Month	Details	Amount $	Remarks
August '91	Per diem under Program Marketing	190	Amount disallowed by USAID due to lack of supporting documents, however, the supporting documents were found but had no evidence of authorization as required by CAFS.

Recommendation No. 11

We recommend that the CAFS submit a claim together with duly authorized supporting documents for reimbursement.

Auditee response

The supporting documentation are now available for inspection and are to be submitted for claim by CAFS.

h. **Finding: Unsupported Technical Assistance Costs**

We noted the following unsupported technical assistance costs:

Month	Details	Amount $	Remarks
November '91	Technical Assistance	326	Amount not supported and already disallowed by USAID.

Recommendation No. 12

Our Recommendation No. 2 applies to this finding.

Auditee response

The supporting documentation are now available for inspection and are to be submitted as a claim to USAID.

i. **Finding: Unsupported relocation costs**

We noted the following unsupported relocation expenses:

Month	Details	Amount $	Remarks
March '92	Packing of Lome sub-office equipment	629	No supporting documents found.

Recommendation No. 13

We recommend that the CAFS submit the original supporting documentation or refund $629 to USAID.

Auditee response

The supporting documentation are now available for inspection.

REDSO/ESA response

REDSO/ESA has no comments on the above findings as presented.

2.2.5 **Ineligible Costs**

a. **Finding: Ineligible participants travel costs**

We noted the following ineligible participants travel costs:

Month	Details	Amount $	Remarks
November '91	Participants' airfares	3,651	Amount disallowed by USAID, as portion related to participants above approved number of USAID funded participants.

Recommendation No. 14

We recommend that the CAFS resubmit the claim and that REDSO/ESA determine allowability of the amount taking into consideration that for certain courses, the number of USAID funded participants was below the budgeted number and that REDSO/ESA approved the number of course participants prior to commencement of the courses. If the amount is still determined to be ineligible, CAFS should remove it from the Fund Accountability Statement.

Auditee response

CAFS claimed only 7/12 of the actual payment to Diners World Travel Ltd in line with the approved number of participants from USAID.

b. Finding: Ineligible participants per diem

We noted the following ineligible participants per diem:

	Month	Details	Amount $	Remarks
1.	May '92	Advance payment to hotel for accommodation	2,479	Amount disallowed by USAID
2.	March '93	Participants per diem	200	Amount disallowed by USAID. as portion related to participants above approved number of USAID funded. participants.
		Total	2,679	

Recommendation No. 15

We recommend that for item 1 above, CAFS remove the amount from the Fund Accountability Statement.

Auditee response

Confirmation of total amount paid to Reef Hotel is available as well as amount claimed from USAID both under advance and final payment. This can be verified and confirmed with CAFS and third party records.

Recommendation No. 16

For item 2 above, our Recommendation No. 14 applies.

Auditee response

CAFS is to present this amount to USAID in line with the Auditor's recommendation.

c. Finding: Ineligible technical assistance costs

We noted the following ineligible technical assistance costs:

Month	Details	Amount $	Remarks
January 1992	Technical assistance	2,960	Amount disallowed by USAID as it exceeded the budget.

Recommendation No. 17

We recommend that the CAFS resubmit the claim and REDSO/ESA determine the allowability of the amount considering that although the budget for the month was exceeded, the overall budget for the period for this line item was not exceeded.

Auditee response

CAFS is to submit the claim to USAID taking into account that consultants had to be utilized to assist in the running of service delivery courses until April 1992 when a physician was recruited, as well as for the fact that the overall budget item has not been exceeded.

REDSO/ESA response

REDSO/ESA has no comments on the above findings as presented.

d. **Finding: Other Ineligible costs**

Month	Details	Amount $	Remarks
March '93	Total expenditure	925	Amount disallowed by USAID as total claim of the month was converted at the average rate of $1 to KShs.45 as opposed to the actual rate of $1 to KShs.45.5038.

Recommendation No. 18

We recommend that CAFS submit a claim for the amount and that REDSO/ESA determine the allowability in view of the fact that other monthly claims made using the average rate of conversion had been accepted.

Auditee response

CAFS is to submit a claim for this amount taking into account the fact that CAFS has lost a great deal in the monthly claims as a result of using the ever-rising monthly average exchange rate, instead of the actual exchange rate at the time of receipt of the cash advance from USAID.

REDSO/ESA response

REDSO/ESA has no comments on the above findings as presented.

2.2.6 Supported costs disallowed by USAID

Finding: We noted the following costs previously disallowed by USAID for which we were able to find adequate supporting documentation:

1.	Training staff travel costs:			
	i. November '91	Dr Simakone - per diem for Middle Management course	544	Disallowed by USAID as unsupported. We found $544 to be fully supported.
	ii. October '92	Various per diem claims	292	Disallowed by USAID as unsupported, however found to be fully supported.
2.	Participants travel costs:			
	i. November '91	"Communications" and "Middle Management" courses participants airfares	3,057	Amounts disallowed by USAID as unsupported, however found to be fully supported.
	ii. March '93	Local travel	547	$547 disallowed by USAID for a claim by CAFS of $459 thus an over-disallowance of $88. During the audit $459 was found to be fully supported.
3.	Participants training material costs			
	November '91	Cost of training materials	667	Amounts disallowed by USAID as unsupported, however, found to be fully supported.
4.	Technical assistance costs			
	June '93	Technical assistance follow up	58	Amount omitted from claim, however, found to be fully supported.
			5,165	

Recommendation No. 19

We recommend that the CAFS submit the original documents supporting the amount of $5,165 together with a claim for the same to USAID for reimbursement.

Auditee response

In line with the Auditors recommendation, CAFS is to submit a claim to USAID for these costs whose supporting documentation are available.

REDSO/ESA response

REDSO/ESA has no comments on the above findings as presented.

THE CENTRE FOR AFRICAN FAMILY STUDIES UNDER REDSO/ESA COOPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00

3. INTERNAL CONTROL STRUCTURE

3.1 Independent Auditors' Report

We have audited the Fund Accountability Statement of the Centre for African Family Studies Cooperative Agreement No.623-0004-A-00-9042-00 for the period August 1, 1991 through July 31,1993 and have issued our report thereon dated November 24, 1993.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards (1988 Revision) issued by the U.S. Comptroller General. These standards required that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

In planning and performing our audit of the Fund Accountability Statement we considered the internal control structure established by the Centre for African Family Studies in so far as it relates to grant funds, 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.

The management of the Centre for African Family Studies is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments 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 the management's authorization and recorded properly to permit the preparation of the Fund Accountability Statement 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 tne effectiveness of the design and operation of policies may deteriorate.

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

Control Environment

- financial management capabilities
- personnel policies and practices
- familiarity with USAID rules

Accounting System

- budgeting and funds management
- general record keeping
- reporting to USAID
- disbursement of USAID funds.

Control Procedures

- authorization of transactions and activities
- written procedures
- bank reconciliations

For all of the control categories listed above, we obtained an understanding of the design or 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 condition under the 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 organizations ability to record, process, summarize and report financial data consistent with the assertion of management in the Fund Accountability Statement.

The following reportable conditions were observed:

a. Failure to reconcile the fund balance to USAID-designated bank accounts.

b. Failure to regularly reconcile bank accounts of the Lome sub-office.

c. Delays in the submission of financial information and the submission of incomplete information from the Lome sub-office.

d. Lack of regular update of personnel information.

e. Failure to follow-up amounts questioned and subsequently disallowed by USAID.

f. Delays in accounting for imprests/advances.

A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the Fund Accountability Statement 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 considered to be material weaknesses as defined above. However,we believe the reportable conditions described above constitute a material weakness in view of he fact that imprests/advances for expenditures under the project amounting to $83,261 remained unaccounted for as at July 31, 1993, and expenditures amounting to $67,575 were questioned.

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 for the information of the Centre for African Family Studies and the United States Agency for International Development but this is not intended to limit the distribution of the report if it is a matter of public record.

BELLHOUSE MWANGI ERNST & YOUNG,
NAIROBI

November 24, 1993

3.2 Work Performed

We reviewed the internal control structure of the Centre for African Family Studies and obtained an understanding of the design, relevant procedures and we assessed control risk. Our review considered the significant internal control structure and procedures categorized as follows:

Control environment

- financial management capabilities
- personnel policies and practices
- familiarity with USAID rules.

Accounting systems

- budgeting and funds management
- general record keeping
- reporting to USAID
- disbursement of USAID funds.

Control procedures

- authorization of transactions and activities
- written procedures
- bank reconciliations

3.3 Findings and Recommendations

3.3.1 Control Environment

The overall control environment was considered to be effective as the staff charged with the responsibility of the financial management of the Centre are qualified, capable of managing USAID funds, and fairly familiar with USAID rules and regulations concerning its grants. Personnel policies and practices are clearly defined in a staff handbook, except for the following weaknesses noted:

a. Finding: Incomplete personnel records

We noted that personnel files were not promptly updated with changes in status of employees. Staff salary reviews for February 1992 were not documented in the personnel files.

Recommendation No. 20

We recommend that individual personnel files should be promptly updated upon change in the status of the staff concerned.

Auditee response

In future, great attention will be paid to this observation. It should be appreciated that the period covered by the audit was one which was characterized by administrative and leadership problems at CAFS.

3.3.2 Accounting Systems

Following the recommendations made on the previous agency-contracted audit report, a different accounting system was implemented and has evolved to an advanced stage. This included the introduction of a budgeting system, separate bank accounts for USAID funds and a detailed financial and costing systems manual, however, the following weaknesses came to our attention:

a. Finding: Inadequate control over funds (fund management)

We noted that USAID funds are usually received in a common bank account together with other non-USAID funds at Citibank, New York. It was further noted that these funds are used to finance other non-USAID activities and vice-versa. Despite the review of all bank accounts maintained by CAFS and the settlement of inter-borrowings, USAID-designated bank accounts are not regularly reconciled to the USAID fund balance.

Recommendation No. 21

We recommended that all USAID funds should only be received into USAID-designated bank accounts and the fund balance, as reported on the financial returns to USAID, reconciled to the bank accounts monthly. USAID funds should not be used to finance unauthorized activities or activities outside the Cooperative Agreement.

Auditee response

Though this is desirable, it was practically difficult to adhere to due to the fact that the project is being implemented at two distant sites across the continent of Africa i.e. Nairobi and Lome of which the coordination between the two has not been very effective. The long protracted strike in Lome between November 1992 and September 1993 as a result of political turmoil in Togo saw the eventual evacuation of CAFS office to Benin.

b. Finding: Outstanding Advances

Advances to staff members for various course expenses were not promptly accounted for as required by CAFS regulations. Advances outstanding at July 31, 1993, for which the intended purpose had been accomplished but not accounted for by the drawer within 7 days of return to the workstation as stipulated in the CAF's financial procedures and regulations manual, amounted to $83,261.

Recommendation No. 22

We recommended that advances should be accounted for within the stipulated time period. The management of CAFS should ensure that its financial rules, regulations and procedures are strictly adhered to.

Auditee response

It should be appreciated that strict financial controls were designed and implemented during the period covered by the audit and has taken considerable time and persuasion to internalize and institutionalize. Delays in accounting for imprests and advances is no longer a major problem as the new accounting system is now operational and the situation in Lome gradually returning back to normal.

c. Finding: Delay in submission of financial returns

The Lome sub-office financial returns were not being submitted to CAFS head office within the stipulated time period. This could mean that the financial reports to USAID were incomplete as of the date of reporting.

Recommendation No. 23

We recommend that financial returns, particularly those from the Lome sub-office, be submitted to CAFS headquarters within the stipulated time period and that the management of CAFS ensure strict adherence to this, in order to achieve more accurate and up-to-date financial reporting.

Auditee response

Operational delays between Lome sub-office and Nairobi are being attended to through effective coordination between the two offices.

3.3.3 Control Procedures

An adequate line of authority exists within the CAFS as defined in a financial procedures and regulations manual and complemented by the requirement of REDSO/ESA's final authorization on certain USAID-funded activities. As recommended in the previous agency-contracted audit report, bank reconciliations are prepared and reviewed through the existing line of authority as necessary, however, the following weakness was noted:

d. Finding: Incomplete and irregular bank reconciliations

Not all reconciliations for the USAID-designated bank accounts operated by the Lome sub-office were received, and for those received, there was no evidence of review and approval. Further, there were instances where the available reconciliations could not be verified because either the cash book extract or the bank statements were not available.

Recommendation No. 24

We recommend that bank reconciliations be prepared and reviewed regularly for correctness. The regional sub-office should regularly submit all the information pertaining to such reconciliations to facilitate such reviews.

Auditee response

There was a period in 1992 & 1993 when it was impossible to get information on Lome bank accounts due to political turbulence in Togo. The situation is gradually getting back to normal and regular reconciliations will be insisted upon.

REDSO/ESA response

REDSO/ESA has no comments on the above findings as presented.

THE CENTRE FOR AFRICAN FAMILY STUDIES UNDER
REDSO/ESA COOPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00

4. COMPLIANCE WITH COOPERATIVE AGREEMENT PROVISIONS AND APPLICABLE LAWS AND REGULATIONS

4.1 Independent Auditors' Report

We have audited the Fund Accountability Statement of the Centre for African Family Studies Cooperative Agreement No. 623-0004-A-00-9042-00 for the period August 1, 1991 through July 31, 1993 and have issued our report thereon dated November 24, 1993.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards (1988 Revision) issued by the U.S. Comptroller General. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the Fund Accountability Statement is free of material misstatement.

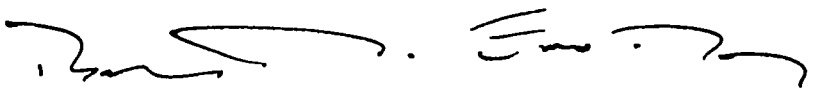
Compliance with laws, regulations, contracts, grants and binding policies and procedures applicable to the project funds is the responsibility of the management of the Centre for African Family Studies. As part of our audit we performed tests of the Centre for African Family Studies' compliance with certain provisions of laws, regulations, 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.

Our testing of transactions, and records selected disclosed instances of noncompliance with those laws and regulations. All instances of noncompliance that we found are identified in the accompanying section of findings and recommendations.

The result of our tests indicate that with respect to the items tested the Centre for African Family Studies 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 the Centre for African Family Studies had not complied, in all material respects, with those provisions.

Financial information contained in this report may be privileged. The provisions of 18 USC 1905 should be considered before any information is released to the public.

This report is intended for the information of the Centre for African Family Studies and the United States Agency for International Development, but this is not intended to limit the distribution of the report if it is a matter of public record.



BELLHOUSE MWANGI ERNST & YOUNG,
NAIROBI

November 24, 1993

4.2 Work Performed

Our audit of the Centre for African Family Studies (CAFS) Cooperative Agreement included obtaining assurances that the CAFS complied with grant provisions and US government regulations. Procedures performed to test such compliance included the following:

(i) a review of the Co-operative Agreement provisions and related regulations to identify those provisions and regulations which could have a material effect on the Fund Accountability Statement; and

(ii) audit procedures including detailed testing to confirm the CAF's compliance with these provisions and regulations.

4.3 Findings and Recommendations

Our findings and recommendations on compliance issues are set out below:

(a) Finding: Commingling of funds

Following the previous agency-contracted audit, CAFS opened USAID-designated bank accounts for USAID funds, however, as noted in point 3.3.2 of this report, there are still instances of commingling of funds contrary to mandatory standard provision for non-US non-governmental grantees.

Recommendation No. 25

Our Recommendation No.21 of this report applies to this finding.

Auditee response

From our experience, commingling of funds is not a serious case of non compliance because it happens when one project account runs out of funds and other projects lend money to enable the continuance of that project. This happened to the USAID project and other projects lent funds to enable USAID activities to continue. This practice is dictated by necessity and does not compromise the propriety for the utilization of USAID funds.

(b) Finding: Delays in Financial Reports to USAID

As also noted in the previous agency-contracted audit, delays in financial reporting by CAFS are still persistent, contrary to the incorporated optional standard provision AID 1420-54A of the Cooperative Agreement regarding payment - periodic advance. This provision requires that CAFS submit expenditure reports and funding claims within 15 days of the reporting date.

Recommendation No. 26

We recommend that management of CAFS ensure compliance with this provision by creating awareness to all staff concerned and giving priority to these requirements.

Auditee response

The delay in reporting was mainly caused by a period of the exercise of overhauling the accounting system, a period when the only computer available for accounting purposes broke down and the political turmoil in Togo which rendered it difficult to obtain finance and accounting information from the sub-office.

(c) **Finding: Brooke-Alexander Amendment update**

Despite complying with the Brooke-Alexander Amendment provisions as a result of the close involvement of REDSO/ESA through their approval prior to incurring expenditure on various project activities, there was no written evidence on the update of the "Brooke" as stipulated under the special provisions of the Cooperative Agreement.

Recommendation No. 27

We recommend that CAFS obtain all updates on the Brooke-Alexander Amendment to ensure that only approved participants or countries are selected at the initial stages of planning activities.

Auditee response

CAFS does not appear to qualify to comment on this.

(d) **Finding: Lack of decline in number of course participants**

Contrary to the Cooperative Agreement and as noted in the previous agency-contracted audit, CAFS has not adhered to the regulation on the number of course participants financed by USAID. The number of participants has not been declining over the life of the project as required. USAID is aware of this and has authorized it through approvals of individual course participants lists. Amendment No.6 to the Cooperative Agreement dated July 9, 1992 was budgeted on a fixed number of course participants, but this is not mentioned in the amendment.

Recommendation No. 28

We recommend that USAID ratify the fixed and non-declining number of USAID-financed participants and consider evidencing this by the provision of an amendment to the Cooperative Agreement.

Auditee response

This observation is not very clear to us. CAFS has always expended funds on USAID approved course participants.

REDSO/ESA Comments

REDSO/ESA has no comments on the above findings as presented.

Centre for African Family Studies (CAFS)
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7th March, 1994.

Bellhouse Mwangi Ernst & Young
Alico House
Mamlaka Road
P. O. Box 44286
NAIROBI.

Dear Sirs,

CAFS COMMENTS ON DRAFT REPORT ON THE AGENCY-CONTRACTED AUDIT OF THE CENTRE FOR AFRICAN FAMILY STUDIES UNDER REDSO/ESA COOPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00

We have the pleasure to enclose herewith a document which contains CAFS comments on the draft report on the Agency Contracted Audit of the Centre for African Family Studies under REDSO/ESA Cooperative Agreement No.623-0004-A-00-9042-00 for your study and incorporation into the final report.

We shall be grateful to receive a copy of your final report.

Yours faithfully,

Mr. Alpha M. Diallo
ACTING DIRECTOR - CAFS

cc: Mrs Angela Franklin Lord
CAFS Project Manager
USAID/REDSO/ESA
NAIROBI

MM:m.

CAFS COMMENTS ON DRAFT REPORT ON THE AGENCY CONTRACTED AUDIT OF THE CENTRE FOR AFRICAN FAMILY STUDIES UNDER REDSO/ESA COOPERATIVE AGREEMENT NO. 623-0004-A-00-9042-00

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In acknowledging receipt of the Draft report on the Agency contracted audit of the Centre for African Family Studies under REDSO/ESA Cooperative Agreement we wish to comment as follows:-

1.3.2 Internal Control Structure

The recognition that CAFS Internal Control Structure has improved considerably during the period covered by the Audit is well appreciated. CAFS will continue to strive to achieve high level control over its finances and activities. The weaknesses noted are commented upon as follows:-

i. <u>The lack of reconciliations between the USAID fund balance to USAID designated bank accounts</u>. -

Though this is desirable it was practically difficult to adhere to due to the fact that the project is being implemented at two distant sites across the continent of Africa i.e. Nairobi and Lome and that the coordination between the two offices had not been very effective. The political turmoil in Togo did not help the matter either. For the period 15th November 1992 to September 1993 there was a long protracted strike in Lome and eventually evacuation of CAFS office to Benin.

During this period CAFS had no access to its USAID bank account in Lome.

However, with the situation hopefully getting back to normal in Togo, USAID fund balance will be reconciled regularly with the USAID designated bank accounts. Despite the above problem CAFS had always maintained a very firm control over the USAID fund balance as evidenced by monthly statements of expenditure.

ii <u>Reconciliations were not regularly prepared for USAID designated bank accounts operated by the Lome sub-office and for those prepared there was no evidence of review</u>. - As indicated in (i) above there was a period in 1992 and 1993 when it was manifestly impossible to obtain bank accounts operated by the Lome Sub-Office due to political turbulence in Togo. Again as shown above, the situation is gradually getting back to normal and regular reconciliations of accounts will be insisted upon.

iii <u>Financial information on the operations of the Lome Sub-Office were not remitted to headquarters on a timely basis</u>. - The position explained in I and II above is relevant here. However, the normal operational delays between Lome Sub-Office and Nairobi headquarters are being attended to through insistence upon effective coordination between the two offices. Improved coordination is envisaged in the current year.

iv <u>Lack of follow-up for amounts questioned and subsequently disallowed by USAID</u>. - The few instances where amounts have been questioned will forthwith be followed up vigorously.

v <u>Delays in accounting for imprests/advances</u> - It should be appreciated that strict financial controls were designed and implemented during the period covered by the audit. It had taken considerable time and persuasion for the controls to be internalized and institutionalized. The delays in accounting for imprest and advances is no longer a major problem especially that the new accounting system is now operational and the situation in Lome gradually returning back to normal.

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vi <u>Failure to update personnel files upon change in status of employees</u>. - Great attention will in future be paid to this particular observation. It should be appreciated that the period covered by the audit was one which was characterized by serious administrative and leadership problems at CAFS.

1.3.3 <u>Compliance with Cooperative Agreement and related provisions</u>

We wish to comment on reported instances of non compliance as follows:

i <u>Commingling of funds contrary to USAID mandatory standard provisions</u>. - Our experience has shown that commingling of funds is not necessarily a serious case of non compliance because it happens in cases where one project account runs out of funds. and this has happened to USAID account as well in which case other project funds had to lend money to enable USAID activities to continue. This practice was dictated by necessity and it did not in any way compromise the propriety for the utilisation of USAID funds. This is because the replenishment of accounts is done promptly and no funds have been lost in this manner.

ii <u>Delay in expenditure reporting contrary to standard provisions of agreement</u>. - The delay in report of expenditure was caused by four distinct factors. Firstly, that during the audit period CAFS started the exercise of overhauling its accounting system. Secondly for the period of five months between 1991 and 1992 the only computer available for accounting purposes had a serious breakdown and much of accounting work had to be done manually. Thirdly, there was turmoil in Togo which rendered it difficult for CAFS to obtain finance and accounting information from the Sub Office. Fourthly, for period August 1993 to march 1994 CAFS was in a state of turmoil during which there were serious institutional investigations, audit and general disturbances in operation.

iii <u>Lack of Written updates on the Brook-Alexander Amendment</u> - CAFS does not appear to qualify to comment on this.

iv <u>Failure to adhere to the number of USAID-financed course participants</u> - This particular observation is not very clear to us. CAFS has always expended funds on USAID approved course participants.

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2. FUND ACCOUNTABILITY STATEMENT

2.1 Independent Auditor's Report

There is an indication at paragraph five that imprest and advances amounting to US$83,261 remained outstanding as at July 31st 1993. This imprest has since been retired.

RESPONSE TO THE DRAFT AUDIT REPORT ON USAID FUNDED ACTIVITIES AT CAFS BY

BELLHOUSE MWANGI ERNST & YOUNG

2.2.4 a)UNSUPPORTED PAYROLL COSTS

MONTH	ACTUAL PER PAYROLL $	AMOUNT BUDGETED $	OVERCLAIM $	EXPENSES NOW JUSTIFIED $	RESPONSE
AUG.1991	19,595	24,797	5,202	11,690	Non-payroll employee benefits were paid to Mme Womas for her Gratuity by Cheque No.234857.for Kshs 327332.3(approx. US $ 11690-).The voucher is available for inspection.
SEPT.1991	19,923	22,717	2,794	4,899	Non-payroll employee benefits relating to School Fees refund were paid to Ms.Munkombwe,Messrs.Adelakun & Shumba against Cheque No.s 157338,157339, 157427 & 198905 The vouchers amounting to KShs.137184=(US$4899) are avialable for inspection.
OCT. 1991	19,877	21,547	1,670	278	Non-payroll employee benefits relating to School Fees refund were paid to Mr.M.Kiruhi against Cheque No.220754 for KShs.7789= (approx.US $ 278) The voucher is available for inspection.
	59,395	69,061	9,666	16,367	

2.2.4 b) UNSUPPORTED TRAINING STAFF TRAVEL COSTS

MONTH	DETAIL	AMOUNT US$	EXPENSES NOW JUSTIFIED US$	RESPONSE
AUG.91	Dr.Ahade's PerDiem	3,293	3,293	LSO .P.Vocher made under CHQ.No.234864 is now available for inspection
NOV.91	Per Diem Anglicanon courses	208	208	Voucher made under CHQ.No.220801 is now available for inspection
NOV.91	Dr.Simaiane PerDie	132	132	CAFS in the process of submitting claim to reclaim previously disallowed claim, as vouchers were available and seen by Auditors under JV 139
OCT.92	Various Per Diems	3,549	3,549	The following vouchers are available for inspection: - Chq.No.293983 ifo Ms.Munkomowe - JVs.No.s 120,121, & 144
MARCH 93	Mme.Munkomowe's Per Diem	1,135	1,135	Original vouchers are available for inspection under JV.No.318 of Dec.92
		8,307	8,307	

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2.2.4.c) UNSUPPORTED PARTICIPANTS TRAVEL COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
JAN.93	T.O.T.Paricipants Airfare	8,039	8,039	The supporting documentation originally JV.No.228 had it's ref.No.revised as CAFS continued to standardise the referencig system.The revised No.is JV.No.118 and the voucher is now available for inspection.
DEC.91	Airfares & Local Travel	2,245	2,245	The payment vouchers made under the following Chqs. and JV's are avilable for inspection - CHQ.No. 226110 - JV.No's 173,174,175
		10,284	10,284	

2.2.4 d) UNSUPPORTED PARTICIPANTS PER DIEM

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
MARCH 92	Blue Posts Hotel	12,413	12,413	Payment Vouchers relating to this claim are now available for inspection Cheque No.s 252256 & 267259
JAN.93	Per Diem -various participants	3,254	3,254	Returns from the course on Financial Management 1992 where the participants signed forms are available to support the claim under Cheque No.280275.
1.91	Per Diem- Comm.(E) and CTU(F) partic	236	236	Payment Vouchers under Cheque No. 220804 is available for inspection
DEC.91	CTU(F) participant per diem	5,347	5,347	Our records indicate that JV.No.173 incorporating the total per diem of US $ 12449 relating to the 4 usaid funded participants on this CTU(F) course was only presented once. The JV is available for inspection.
MARCH 93	T.O.T (E) Per Diem undercliaim	(198)	(198)	CAFS is in the process of submitting a claim for this previous undeclaim.
		21,652	21,652	

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2.2.4 e) UNSUPPORTED PARTICIPANTS TRIANING MATERIAL COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
DEC.91	COST OF TR.MAT.	7,141	7,141	The following vouchers are available to support the claim:- - JV No.s 173,174 & 175 - Cheque No.s 226108,226138-Munshiram. Inter.Business & Rank Xerox. - Lome Sub-Office Cheque No.s 307442/3/5/6

2.2.4 f) UNSUPPORTED OFFICE & CLASSROOM RENT

DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
Office Rent :1/8/91-31/7/93	(835)	(835)	CAFS is in the process of submitting claims under this Budget line item .

2.2.4 g) UNSUPPORTED PROGRAM MARKETING COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
AUG'91	PER DIEM EXPS.	190	190	Payment Voucher made under CHQ.No.157327 i.f.o. Mr.S.Lewis is now available for inspection, and is to be submitted for claim by CAFS.

41

2.2.4 h) UNSUPPORTED TECHNICAL ASSISTANCE COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
NOV.91	Tec.Assistance Exp	326	326	JV.No.138 containing supporting documentation is now available for inspection and is to be submitted as a claim to USAID.

2.2.4 i) UNSUPPORTED RELOCATION COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
MARCH'92	Relocation Costs	629	629	Payment Voucher made under LSO CHQ.No.0525053 is now available for inspection.

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2.2.5 a) INELIGIBLE PARTICIPANTS TRAVEL COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
NOV.91	Particip. Airfare	3,651	3,651	CAFS claimed only 7/12 of the actual payment under CHQ.No.220801 to Diners World Travel Ltd.in line with the approved number of participants from USAID.

2.2.5 b) INELIGIBLE PARTICIPANTS PER DIEM COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
MAY 92	Advance Payment to Reef Hotel	2,479	2,479	Confirmation of total amount paid to Reef Hotel is available as well as amount claimed from USAID both under Advance and final payment. This can be verified and confirmed with CAFS & third party records
March 92	Particips Per Diem	200	200	CAFS is to present this amount to USAID in line with the Auditors recommendation.
		2,679	2,679	

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2.2.5 c) INELIGIBLE TECHNICAL ASSISTANCE COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
JAN 1992	Tech.Assistance	2,360	2,360	CAFS was not able to recruit a Physician until April 1992 . Before this date CAFS was obliged to utilise consultants to assist in the running of the service delivery courses.As recommended by the Auditors , CAFS is to submit the claim to USAID taking the above into account as well as the fact that the overall budget item has not been exceeded.

2.2.5 d) OTHER INELIGIBLE COSTS

MONTH	DETAILS	AMOUNT US $	EXPENSES NOW JUSTIFIED US $	RESPONSE
MARCH'93	Total Expend.	325	325	As recommended by the Auditors CAFS is to submit a claim for this disallowed figure ,taking into account the fact that CAFS has lost a great deal in the monthly claims as a result of using the ever-rising monthly average exchange rate ,instead of the actual exchange rate at the time of receipt of the Cash Advance from USAID.

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2.1.5. SUPPORTED COSTS DISALLOWED BY USAID

MONTH	DETAILS	AMOUNT	EXPENSES NOW JUSTIFIED	RESPONSE
		US $	US $	
1. Training Staff Travel Costs				
NOV.91	Dr.SimalonePerDiem Mid.-Management	544	544	In line with the Auditors recommendation ,CAFS is to submit a claim to USAID for this cost whose supporting documentation is available. The voucher was not previously seen by USAID.
OCT.92	Various Per Diems	292	292	In line with the Auditors recommendation ,CAFS is to submit a claim to USAID for these costs whose supporting documentation are available. The voucher was not previously seen by USAID.
2. Participants Travel Costs				
NOV.91	Communications(E) & Mid-Management Particip.Airfare	3,857	3,857	In line with the Auditors recommendation ,CAFS is to submit a claim to USAID for these costs whose supporting documentation are available. The voucher was not previously seen by USAID.
MARCH 93	Local Travel	547	547	In line with the Auditors recommendation ,CAFS is to submit a claim to USAID for these costs whose supporting documentation are available. The voucher was not previously seen by USAID.
3. Participants Training Material Costs				
NOV.91	Cost of Training Materials	567	567	In line with the Auditors recommendation ,CAFS is to submit a claim to USAID for these costs whose supporting documentation are available. The voucher was not previously seen by USAID.
4. Technical Assistance Costs				
JUNE 93	Tech.Assist.Follow Up	58	58	In line with the Auditors recommendation ,CAFS is to submit a claim to USAID for these costs whose supporting documentation are available. The voucher was previously omitted from CAFS claim.
		5,165	5,165	

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APPENDIX 2

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./REDSO/ESA
UNIT 64102
APO AE 09831-4102

International Postal Address
POST OFFICE BOX 30261
NAIROBI KENYA

March 10, 1994.

Bellhouse Mwangi Ernst & Young (BMEY),
P. O. Box 44286,
NAIROBI.

Dear Sir,

Re: The Centre for African Family Studies (CAFS).
Draft audit report for the period Aug. 1, '91 thru July 31, '93

REDSO/ESA has reviewed the subject draft report and found it appears to present a fair assessment of the Centre for African Family Studies' (CAFS) accounting and internal control system. REDSO/ESA has no comments on findings as presented.

Yours faithfully.

Fred C. Fischer
Director, REDSO/ESA

ATTACHMENT II

Report Distribution

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Director, REDSO/ESA	5
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GC	1
AFR/EA/K	1
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IG	1
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IG/A/FA	1
IG/A/PSA	1
IG/A/SR	2
IG/LC	1
IG/RM/C&R	5
IG/RM/GS (Unbound)	1
AIG/I&S	1
IG/I/NFO	1
RIG/A/Bonn	1
RIG/A/Cairo	1
RIG/A/Dakar	1
RIG/A/EUR/W	1
RIG/A/San Jose	1
RIG/A/Singapore	1