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Regional Inspector General for Audit  
Nairobi, Kenya

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**Audit of the National Council for Population  
and Development Components of the  
Kenya Family Planning Services and Support  
Project No. 615-0232**

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Report No. 3-615-95-004-N  
July 31, 1995



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USAID



U.S. AGENCY FOR  
INTERNATIONAL  
DEVELOPMENT

July 31, 1995

MEMORANDUM FOR MISSION DIRECTOR, USAID/KENYA

FROM: Acting RIG/A/Nairobi, *John J. Burns*  
John J. Burns

SUBJECT: Agency-contracted Audit of the National Council for Population and Development Components of the Kenya Family Planning Services and Support Project No. 615-0232 for the period March 25, 1991, to April 30, 1995, Audit Report No. 3-615-95-004-N

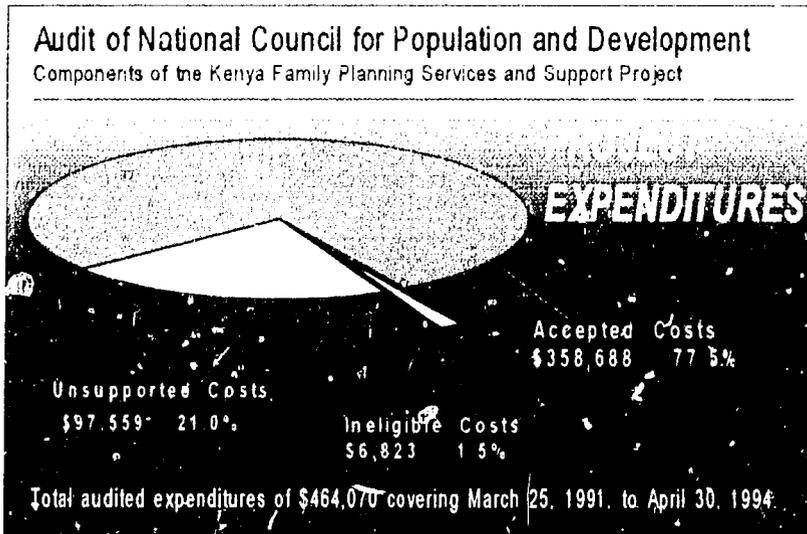
*Regional  
Inspector General  
Audit/Nairobi*

Attached are three copies of an Agency-contracted audit of the National Council for Population and Development (NCPD). The non-Federal accounting firm of Price Waterhouse, Nairobi, Kenya, performed the audit.

The Kenya Family Planning Services and Support Project (FPSS) was started in September 1985. The goal of the project was to lower Kenya's population growth rate by assisting the Government of Kenya, non-governmental organizations, and private contractors to improve services and increase the capacity of the Kenya public and private sectors to promote family planning. The National Council for Population and Development (NCPD) participated in 4 of the 10 components of the project. NCPD's participation in this project was audited previously (A.R. No. 3-615-92-012-N) and this audit report only covers NCPD's final project expenditures since March 25, 1991, the closing date of that audit.

The objective of the audit was to examine NCPD's Fund Accountability Statement (Statement) and express an opinion as to whether the Statement presents fairly the use of funds in accordance with the grant. To answer the objective, the auditors were to review the auditee's internal control structure to determine the auditing procedures necessary for expressing an opinion on the Statement. The auditors were required to report on significant internal control deficiencies and material weaknesses. As part of obtaining reasonable assurance about whether the Statement was free of material misstatement, the auditors were required to test the auditee's compliance with the terms of the grant and report any instances of material noncompliance. The audit covered grant expenditures of \$464,070 for the audited time period.

The auditors issued an adverse opinion on NCPD's Fund Accountability Statement since the audit identified \$6,823 in questioned ineligible costs and \$97,559 in questioned unsupported costs. The audit report also disclosed three material weaknesses involving NCPD's internal controls and one material instance of non-compliance with the terms of the grant agreement.



SOURCE: Audit Report

The draft report was submitted to NCPD and to USAID/Kenya for comments. USAID/Kenya declined to provide written comment on the contents of the draft report. NCPD generally agreed with the audit findings and provided minor comments on the draft report which were addressed in the final report. However,

NCPD cited the lack of practical mechanisms for isolating the taxes on fuel that comprised the bulk of the ineligible costs. NCPD's comments are presented in their entirety at Appendix 1.

The report contains five recommendations concerning the questioned costs, internal control weaknesses, and compliance issues. It is USAID/Kenya'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 USAID/Kenya determine the allowability and recover, as appropriate, from the National Council for Population and Development, questioned ineligible costs of \$6,823.

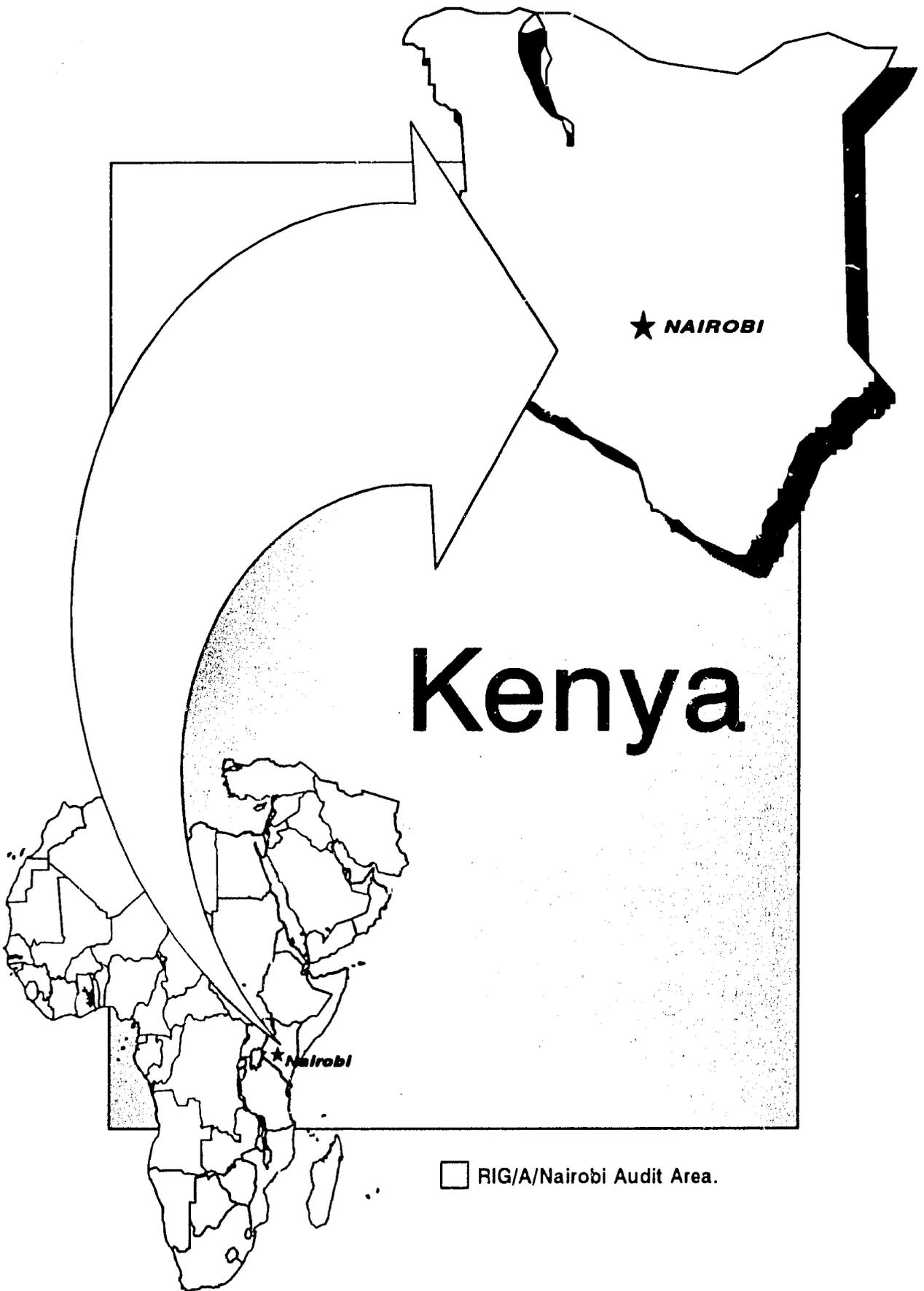
**Recommendation No. 2:** We recommend USAID/Kenya determine the allowability and recover, as appropriate, from the National Council for Population and Development, questioned unsupported costs of \$97,559.

We consider the recommendations to be unresolved. Both recommendations will be resolved when USAID/Kenya makes a final determination as to the allowability of the

questioned costs and will be closed when USAID/Kenya takes action appropriate to the determination. Please respond to this report within 30 days indicating action planned or taken to implement the recommendations.

Thank you for the cooperation extended to Price Waterhouse auditors and the Regional Inspector General for Audit representative during the audit.

Attachments: a/s



★ **NAIROBI**

# Kenya

★ **Nairobi**

□ RIG/A/Nairobi Audit Area.

**Audit of the  
National Council for Population and Development  
Components of the  
Kenya Family Planning Services and Support  
Project No. 615-0232  
for the period March 25, 1991 to April 30, 1995**

**A.R. No. 3-615-95-004-N**

**ATTACHMENTS**

**USAID/KENYA  
AGENCY CONTRACTED AUDIT OF THE NATIONAL  
COUNCIL FOR POPULATION AND DEVELOPMENT  
(NCPD) COMPONENTS OF THE KENYA FAMILY  
PLANNING SERVICES AND SUPPORT (FPSS) PROJECT  
FINAL REPORT  
APRIL 1995**

*Price Waterhouse*



July 25, 1995

Mr Richard Cain  
Supervisor  
RIG/A/N  
USAID  
Barclays Plaza  
Nairobi

Dear Mr Cain

**AGENCY CONTRACTED AUDIT OF THE NATIONAL COUNCIL FOR POPULATION  
AND DEVELOPMENT (NCPD) COMPONENTS OF THE KENYA FAMILY PLANNING  
SERVICES AND SUPPORT (FPSS) PROJECT  
DELIVERY ORDER No. 11**

Enclosed, please find the final audit report of the NCPD components of the Kenya Family Planning Services and Support project. This audit was performed in accordance with generally accepted auditing standards and the financial and compliance standards of the Comptroller General's Government Auditing Standards.

Our report incorporates comments received from NCPD on July 24, 1995. We understand that the Mission does not intend to issue written comments at this stage.

We would like to express our appreciation to the staff of USAID/Kenya and the National Population and Development Council (NCPD) for the cooperation and assistance provided to the Price Waterhouse team during this audit.

Should you have any questions in relation to matters raised in the report, please do not hesitate to contact us.

Yours sincerely

Andrew Hollas

**AGENCY CONTRACTED AUDIT OF THE NATIONAL COUNCIL FOR POPULATION  
AND DEVELOPMENT (NCPD) COMPONENTS OF THE KENYA FAMILY PLANNING  
SERVICES AND SUPPORT (FPSS)  
PROJECT NO. 615-0232**

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**AGENCY CONTRACTED AUDIT OF THE NATIONAL COUNCIL FOR POPULATION  
AND DEVELOPMENT (NCPD) COMPONENTS OF THE KENYA FAMILY PLANNING  
SERVICES AND SUPPORT (FPSS)  
PROJECT NO. 615-0232**

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## EXECUTIVE SUMMARY

### 1.1 BACKGROUND

The Kenya Family Planning Services and Support Project (FPSS) was started in September 1985. The goal of the project was to lower Kenya's population growth rate by assisting the Government of Kenya (GoK), Non-Governmental Organisations (NGOs) and private contractors in improving services and also increasing the capacity of the Kenya public and private sectors to promote family planning. The FPSS has ten components, four of which concern the National Council for Population and Development (NCPD). These four components are:

- component 3 : Community based services
- component 6 : Administrative strengthening
- component 7 : Policy, planning and evaluation
- component 8 : Information and communication.

### 1.2 AUDIT APPROACH

#### 1.2.1 Audit Objectives and Scope

Price Waterhouse was contracted under contract No. 623-0000-1-00-2003-00 to perform a financial audit of the FPSS project. This was a follow on audit to the one carried out by M/s Peat Marwick (RIG/A/N Audit report No 3-615-92-12-N) and which in turn formed the basis of Price Waterhouse's financial review of the questioned costs in March 1994.

The objectives of the audit were to perform a financial audit in accordance with Generally Accepted Auditing Standards (GAAS) and the standards of the US Comptroller General's Government Auditing Standards (1994 Revision), and to:

- audit the Fund Accountability Statement of the NCPD component of the FPSS project in respect to expenditure submitted for reimbursement from March 25 1991 through completion of the project 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 contract/grant agreement
- consider NCPD's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses
- test NCPD's compliance with the terms of the contract/grant agreement and applicable laws and regulations, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of non-compliance.

Our audit was performed in accordance with generally accepted auditing standards issued by the Comptroller General of the United States, with the exception that we have not been subject to a quality control review by a non Price Waterhouse firm. Such reviews are not required and available to professional firms in Kenya. We do not believe that this departure has affected our audit. We were subject to a quality control review in June 1995 undertaken by an independent Price Waterhouse firm.

The scope of this follow-on audit was confined to expenditures for which reimbursements were paid to NCPD after March 25 1991 including vouchers where USAID/Kenya did not actually reimburse NCPD but applied NCPD's claims against questioned costs from the prior audit. However, our scope was limited in that we did not receive a letter of representation from NCPD.

## **1.2.2 Methodology**

Price Waterhouse conducted an initial survey of the accounting records in August 1994. We prepared our audit work plan and performed the fieldwork from 11 January, 1995 to 23 March, 1995.

NCPD did not prepare a Fund Accountability Statement. The Fund Accountability Statement in the report was compiled by Price Waterhouse based on vouchers submitted to USAID.

The principal audit tests performed included:

- detailed tests of the transactions to obtain reasonable assurance that the Fund Accountability Statement is free of material misstatement
- a review of the cost elements to establish those expenses that are considered to be allowable or questioned
- a review and evaluation of the internal control structure as it relates to the FPSS project
- a review of compliance with grant agreement terms and the applicable laws and regulations.

## **1.3 BRIEF SUMMARY OF THE AUDIT RESULTS**

### **1.3.1 Introduction**

This summary of audit results highlights only the significant findings. For the complete discussion of our findings, recommendations and observations arising from the audit, refer to the appropriate sections of this report.

### **1.3.2 Fund Accountability Statement**

Claims for reimbursement amounting to \$ 464,070 exceed the amount indicated on the delivery order by \$ 17,090. This is attributable to the fact that USAID has considered different shilling amounts for reimbursement compared to PW. Furthermore, USAID has applied a fixed exchange rate to translate the vouchers while PW has used an average monthly exchange rate in each month claimed in the voucher. (See Exhibit 3)

Accepted costs amounted to \$ 359,688 while ineligible and unsupported costs were \$6,823 and \$ 97,559 respectively.

### **1.3.3 Internal Control Structure**

Our evaluation of the internal control structure identified certain material weaknesses some of which are highlighted below:

- no audit trail established between the reimbursement claims submitted to USAID and the supporting documentation held at NCPD
- poor file maintenance of third party documents supporting the reimbursement claims submitted to USAID
- expense vouchers not effectively cancelled once claim is paid

### **1.3.4 Compliance with Grant Agreement Provisions**

Our evaluation of compliance with the grant agreement provisions and the US Government Regulations indicated that the total funds claimed for reimbursement to date were within budget. However we noted that NCPD had not maintained adequate books and records in accordance with Section B.5. of the grant agreement. This non-compliance had a material effect on the Fund Accountability Statement.

### **1.3.5 Summary of NCPD's comments**

NCPD has, in general terms, agreed with our findings in this audit report. However, in relation to the taxes on fuel which comprise the bulk of the ineligible costs, NCPD has cited the lack of practical mechanisms in isolating these costs. NCPD has also requested USAID to have audits conducted annually. NCPD management believe that this will minimise unaccountability arising from loss of records. The other comments relate mainly to clarifications required on our draft report and these have specifically been addressed in this report.

### **1.3.6 Mission Comments**

We understand that the Mission does not intend to issue any written comments on our report at this stage. Our final report, however, does incorporate oral comments made on our draft report by both the Mission and NCPD.



**2 FUND ACCOUNTABILITY STATEMENT**

**2.1 INDEPENDENT AUDITOR'S REPORT**

We have audited the Fund Accountability Statement of the National Council for Population and Development - Kenya Family Planning Services and Support Project number 615-0232 for the period March 25, 1991 to April 30, 1995. The Fund Accountability Statement is the responsibility of the NCPD. Our responsibility is to express an opinion on the Fund Accountability Statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards contained in the Government Auditing Standards, issued by the Comptroller General of the United States (1994 revision), with the exception that we have not been subject to a quality review by a non Price Waterhouse firm. Such reviews are not required and available to professional firms in Kenya. We do not believe that this departure has affected our audit. We were subject to a quality control review in June 1995 undertaken by an independent Price Waterhouse firm.

Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Fund Accountability Statement. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

The results of our audit include questioned costs of \$ 104,382 made up of ineligible costs of \$ 6,823 and unsupported costs of \$ 97,559. In addition, we were subject to a limitation of scope in that NCPD did not furnish us with a letter of representation.

In our opinion, because of the materiality of these costs in relation to the total expenditures, the Fund Accountability Statement examined by us does not represent fairly, in conformity with the basis of accounting described above, the expenditure claimed by NCPD in relation to the grant agreement and applicable laws and regulations with the United States Agency for International Development for the period March 25 1991 to April 30, 1995.



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 use of the National Council for Population and Development and the Agency for International Development, but is not intended to limit the distribution of the report if it is a matter of public record.

*Rice - Waterhouse*

**April 30, 1995**

## 2.2 FUND ACCOUNTABILITY STATEMENT

### FUND ACCOUNTABILITY STATEMENT FAMILY PLANNING AND SUPPORT SERVICES PROJECT NO. 615-0232 (NCPD) FOR THE PERIOD MARCH 25, 1991 TO APRIL 30, 1995

Line Item	Transfers from USAID US\$	Accepted Costs US\$	Questioned Costs			
			Ineligible US\$	Exhibit	Unsupported US\$	Exhibit
<b>Component J:</b>						
CPK - Maseno(Saradidi)	74,567	54,336	1,305	1.1	18,926	2.1
CPK - Eldoret	60,756	20,648	2,667	1.1	37,441	2.1
<b>Component 6:</b>	NIL	NIL	NIL		NIL	-
<b>Component 7:</b>	NIL	NIL	NIL		NIL	-
<b>Component 8:</b>						
CMA	97,573	58,997	1,884	1.2	6,692	2.2
YMCA	135,759	123,014	-		12,745	2.2
KMA	93,221	74,636	765	1.2	17,820	2.2
Salvation Army	32,194	28,057	202	1.2	3,935	2.3
<b>Totals</b>	<b>464,070</b>	<b>359,688</b>	<b>6,823</b>		<b>97,559</b>	
<b>Unutilized Funds</b>	<b>NIL</b>					

### NOTES TO THE FUND ACCOUNTABILITY STATEMENT

#### 1 Basis of Accounting

The Fund Accountability Statement has been prepared on a cash reimbursement basis which is a comprehensive basis of accounting other than Generally Accepted Accounting Principles (GAAP). Revenues and expenditures are recorded when cash is physically transferred.

#### 2 Transfers from USAID

Transfers represent reimbursement claims paid to NCPD after March 25, 1991 including vouchers where USAID/Kenya did not actually reimburse NCPD but applied NCPD's claims against questioned costs from prior audits.

**3 Expenditures**

Expenditures represent expenses incurred by the various NGOs governed by the Memorandum of Understanding between the NGO and NCPD. An Expenditure Return is prepared by NCPD in Kenya shillings to accompany the claim voucher.

**4 Exchange Rates**

Average historical monthly exchange rates have been used to translate the monthly expenditures recorded in the claims.

**2.3 FINDINGS AND RECOMMENDATIONS**

**2.3.1 Introduction**

The revenue and expenditure included in the Fund Accountability Statement are based on claims submitted to USAID. The revenues represent amounts reimbursed directly to NCPD and claims applied against questioned costs arising from prior audits. Expenditures represent expenses incurred by the NGOs under components 3 and 8 of the Grant agreement.

**2.3.2 Testing Criteria**

The basis of our testing were the Expenditure Returns submitted to USAID by NCPD. Our methodology involved selecting all expenses. We agreed the expenses to supporting documentation retained at NCPD.

**2.3.3 Summary of Audit Results**

Our audit results are summarized in the following table.

	Transfers from USAID US\$	Accepted costs US\$	Questioned Ineligible US\$	Costs Unsupported US\$
<b>Total</b>	464,070	359,688	6,823	97,559

**2.3.4 Questioned costs**

Questioned costs are categorized as follows:

**Ineligible**

These are costs that are considered to be either unallowable, unallocable or unreasonable. For the purposes of this project the ineligible expenditure relates mainly to taxes on petrol which USAID does not reimburse in accordance with the agreement. See Exhibit 1.1 - 1.2 for further details.

**Unsupported**

These are costs which are not supported by adequate documentation. Details of these costs are in Exhibit 2.1 - 2.3 which indicates that a significant proportion of these costs arise from expenditure files missing altogether or there being no audit trail between expenditure files and the returns submitted to USAID.

### **Recommendation**

For the ineligible expenditures (\$6,823), we recommend that USAID recover the amounts from NCPD where payment has already been effected or been used to recover questioned costs arising from prior audits.

For the unsupported costs (\$ 97,559) we recommend that NCPD locate the missing expenditure files or other alternative supporting documentation. Where the documentation is not available, USAID should consider recovering these costs from NCPD.

### **NCPD Comments**

The ineligible costs relating to taxes on petrol should be accepted by USAID as valid since there are no practical mechanisms for separating these costs from what is considered valid.

We shall address the issue of questioned and unsupported costs as soon as we compile returns for the NGOs we were following up on.



**3 INTERNAL CONTROL STRUCTURE**

**3.1 INDEPENDENT AUDITOR'S REPORT**

We have audited the Fund Accountability Statements for the FPSS Project No. 615-0232 for the period March 25, 1991 to April 30, 1995 and have issued our reports thereon dated April 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and the standards contained in the Government Auditing Standards, issued by the Comptroller General of the United States (1994 revision), with the exception that we have not been subject to a quality review by a non Price Waterhouse firm. Such reviews are not required and available to professional firms in Kenya. We do not believe that this departure has affected our audit. We were subject to a quality control review in June 1995 undertaken by an independent Price Waterhouse firm.

Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement.

In planning and performing our audit of the Fund Accountability Statement of NCPD for the period March 25, 1991 through completion of the grant agreement, we have considered its internal control structure 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 NCPD is responsible for establishing and maintaining an internal control structure for the project. In fulfilling this responsibility, estimates and judgements by management are required to assess the 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 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 described in Note 1 to the Fund Accountability Statement. Because of the inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.



For the purposes of this report, we have classified the significant internal control structure policies and procedures as they relate to the Project in the following categories:

### **CONTROL ENVIRONMENT**

- Fund Accountability Statement
- National Council for Population and Development staff capabilities.

### **ACCOUNTING SYSTEM**

- National Council for Population and Development records.

### **CONTROL PROCEDURES**

- written procedures eg approvals and authorizations
- original supporting documents.

The auditee's internal control structure mainly consists of authenticating and maintaining supporting documentation received from the NGOs and preparing Grant claims submitted to USAID.

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

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

The following reportable conditions were observed:

- lack of sufficient audit trail between the expenditure returns supporting the Grant claims and the expense files containing the supporting documentation
- expense vouchers supporting the claims not effectively cancelled once claim is paid
- filing and retrieval of documents not satisfactory.



A material weakness is a reportable condition in which the design or operation of one or more specific internal control structure elements does not reduce to a relatively low level of risk that 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 material weaknesses in view of the fact that our audit results include questioned costs of \$ 104,382.

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 use of the National Council for Population and Development and the Agency for International Development, but is not intended to limit the distribution of the report if it is a matter of public record.

*Jim Watson*

April 30, 1995

## **3.2 INTRODUCTION**

### **3.2.1 Definition**

American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, section 319, defines an organisation's internal control structure as consisting of the policies and procedures established to provide reasonable assurance that a specific entity's objectives will be achieved. The internal control structure comprises three elements:

- the control environment
- the accounting system
- the control procedures.

The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of the methods and records established to identify, assemble, analyze, classify, record and report transactions. Control procedures are those policies and procedures in addition to the control environment and accounting system that management has established to safeguard the organization's resources.

As noted earlier, NCPD's internal control structure is restricted to obtaining the supporting documentation, authenticating it and thereafter preparing claims to USAID in conformity with the Grant Agreement and the Memorandum of Understanding. Therefore our review was based on the specific functions outlined above.

## **3.3 FINDINGS AND RECOMMENDATIONS**

Our findings and recommendations are presented, where applicable, under the three elements of internal control structure.

### **ACCOUNTING SYSTEM**

#### **3.3.1 Audit Trail**

##### **Finding**

NCPD could not relate certain expenditure returns supporting Grant claims to the expense files containing the supporting documentation. This is because the receipts were filed in manner that was difficult to relate them to the expenditure returns. The receipts were not even grouped by line item. This lead to the expenditures being categorized as unsupported.

##### **Recommendation**

We recommend that NCPD ensure that all supporting documentation is adequately grouped by line item and by claim to USAID. This would ensure an proper audit trail between claims and supporting documentation.

### **3.3.2 Filing and Retrieval of Documents**

#### **Finding**

Filing and retrieval of documents was not satisfactory. It took NCPD a long time to find supporting documentation and in the end were still not able to locate them all despite the existence of file movement register. This led to expenditures being categorized as unsupported.

#### **Recommendation**

The file movement register should be effectively utilised to ensure that all files are logged in and out.

### **CONTROL PROCEDURES**

### **3.3.3 Cancellation of Paid Vouchers**

#### **Finding**

Expense vouchers supporting claims are not effectively cancelled once the claim is paid. This could lead to double payment of vouchers.

#### **Recommendation**

We recommend that the "Paid" stamp available at the NCPD offices be utilised to cancel vouchers submitted for reimbursement to USAID.



4 COMPLIANCE WITH CONTRACT PROVISIONS AND APPLICABLE LAWS AND REGULATIONS

4.1 INDEPENDENT AUDITOR'S REPORT

We have audited the Fund Accountability Statements for the FPSS Project No. 615-0232 for the period March 25, 1991 to April 30, 1995 and have issued our reports thereon dated April 30, 1995.

We conducted our audit in accordance with generally accepted auditing standards and the standards contained in the Government Auditing Standards, issued by the Comptroller General of the United States (1994 revision), with the exception that we have not been subject to a quality review by a non Price Waterhouse firm. Such reviews are not required and available to professional firms in Kenya. We do not believe that this departure has affected our audit. We were subject to a quality control review in June 1995 undertaken by an independent Price Waterhouse firm.

Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement.

Compliance with terms of the agreement and referenced laws and regulations is the responsibility of the NCPD management. As part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, we performed tests of the Project's compliance with certain provisions of agreement terms and referenced laws and regulations. However, our objective was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not provide such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of agreement terms and referenced laws and regulations that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the Fund Accountability Statement. The results of our tests of compliance disclosed the following material instance of non compliance:

- failure to maintain adequate records to account for expenditure refunds claimed from USAID as required by the project grant standard provisions resulting in S 104,382 being categorized as questioned.



We considered this material instance of non compliance in forming out opinions on whether NCPD's Fund Accountability Statement is presented fairly, in all material respects, in conformity with the basis of accounting described in Note 1 to the Fund Accountability Statement, and this report does not affect our reports on the Fund Accountability Statement dated March 31, 1995.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, NCPD 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 NCPD had not complied, in all material respects, with those provisions.

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 use of the National Council for Population and Development and the United States Agency for International Development but this is not intended to limit the restriction of the report if it is matter of public record.

*Paul W. [unclear]*

April 30, 1995

## 4.2 INTRODUCTION

USAID requires all grantees, regardless of country or legal entity, to comply with the terms and conditions included in the grant agreement and its annexed provisions and referenced procurement regulations.

Steps performed in this audit to test compliance with the grant agreement and related provisions included:

- a review of the grant agreement provisions and related regulations to identify those provisions and regulations which could have a direct and material effect on the financial statements
- a review of the grant agreement amendments to incorporate variations agreed between USAID and the grantee
- a review of the PILs to ascertain clarity of understanding of the implementation parameters and procedures between USAID and the grantee
- audit procedures including detailed transactions testing and end use checks to evaluate NCPD's compliance with these provisions and regulations.

## 4.3 FINDINGS AND RECOMMENDATIONS

### Finding

We found that NCPD did not prepare a Fund Accountability Statement for the FPSS program. This is because NCPD did not have all the information for expenditures incurred by various recipient NGO's within the project.

### Recommendation

We recommend that NCPD maintains all expenditure files containing the original source documentation. This will facilitate the preparation of a Fund Accountability Statement.

## **EXHIBIT 1**

### **INELIGIBLE COSTS**

USAID/KENYA

KENYA FAMILY PLANNING SERVICES AND SUPPORT PROJECT  
SCHEDULE OF INELIGIBLE EXPENDITURES

NGO	VOUCHER NO	DATE	AMOUNT Shs	AMOUNT \$	DETAILS
CPK ELDORET	36153086	March 92	6,554	219	Petrol costs
		April 92	2,792	91	Petrol costs
		May 92	2,080	66	Petrol costs
		June 92	2,638	82	Petrol costs
		Sub - Total		14,064	459
CPK ELDORET	36153090	July 91	2,192	76	Petrol costs
		July 91	9,466	329	Kitchen Utensils
		July 91	2,000	69	Salary advance
		August 91	3,036	105	Petrol costs
		Sep 91	2,652	92	Petrol costs
		Oct 91	3,948	138	Petrol costs
		Nov 91	1,560	55	Petrol costs
		Nov 91	8,000	281	Salary advance
		Dec 91	5,645	199	Petrol costs
		Dec 91	17,000	601	Labour costs paid to Mwangaza Garage
		Jan 92	508	18	Petrol costs
		Jan 92	7,000	246	Salary advance
		Sub - Total		63,006	2,208
Total		77,071	2,667		
CPK MASENO	36151021	Jan/Feb 91	3,996	162	Petrol costs
		Mar 91	6,307	244	Petrol costs
		Apr/Sep 91	9,914	350	Petrol costs
		Sub - Total		20,217	756
	36151022	Jul 90	1,327	57	Petrol costs
		Sep 90	1,797	77	Petrol costs
		Oct 90	4,390	190	Petrol costs
		Nov 90	771	33	Petrol costs
		Dec 90	4,552	191	Petrol costs
Sub - Total		12,836	549		
Total		33,053	1,305		

USAID/KENYA

KENYA FAMILY PLANNING SERVICES AND SUPPORT PROJECT  
SCHEDULE OF INELIGIBLE EXPENDITURES

NGO	VOUCHER NO	DATE	AMOUNT Shs	AMOUNT \$	DETAILS
CRESCENT MEDICAL	36151023	Dec 91	1,920	68	Petrol costs
		Jan 92	4,366	153	Petrol costs
		Feb 92	480	16	Petrol costs
		Mar 92	2,720	91	Petrol costs
		Apr 92	2,261	74	Petrol costs
		May 92	2,780	88	Petrol costs
		June 92	3,280	103	Petrol costs
		Jul 92	3,468	107	Petrol costs
		Aug 92	22,319	678	Petrol costs
		Sep 92	3,862	117	Petrol costs
					<u>47,457</u>
	36153031	Nov 92	7,100	199	Petrol costs
Dec 92		6,838	190	Petrol costs	
			<u>13,938</u>	<u>389</u>	
Total			<u>61,395</u>	<u>1,884</u>	
KENYA MEDICAL ASSOCIATION	36150080	Dec 90	3,200	124	Petrol costs
		Jan 91	3,200	124	Petrol costs
		Feb 91	5,360	207	Petrol costs
		Mar 91	4,652	180	Petrol costs
		Apr 91	2,000	74	Petrol costs
		May 91	1,600	58	Petrol costs
Total			<u>20,012</u>	<u>765</u>	
SALVATION ARMY	36150081	Jan 91	180	7	Petrol costs
		Mar 91	478	18	Petrol costs
		July 91	2,302	89	Petrol costs
		Aug 91	349	13	Petrol costs
		Sept 91	617	24	Petrol costs
		Oct 91	226	9	Petrol costs
		Nov 91	851	33	Petrol costs
		Dec 91	214	8	Petrol costs
Total			<u>5,217</u>	<u>202</u>	
<b>GRAND TOTAL</b>			<u>196,747</u>	<u>6,823</u>	

## **EXHIBIT 2**

### **UNSUPPORTED COSTS**

USAID/KENYA  
KENYA FAMILY PLANNING SERVICES AND SUPPORT PROJECT  
SCHEDULE OF UNSUPPORTED EXPENDITURES

NGO	VOUCHER NO	DATE	AMOUNT Shs	AMOUNT \$	DETAILS
CPK ELDORF	36153086	31.03.92	65,400.00	2,137	Insurance payment to Capital Insurance Brokers
		27.03.92	14,735.50	494	Payment to Mwangaza Garage for repairs and maintenance
		19.03.92	25,300.00	763	Additional payroll charge in March
		29.05.92	44,617.50	1,416	Payment made through cheque no. 002029
		29.05.92	10,916.50	347	Repairs and maintenance costs paid through voucher no.11
		15.05.92	14,300.00	470	Repairs and maintenance costs paid through voucher no.10
		17.06.92	490.00	17	Fuel receipts missing from voucher no. 2
		Sub - Total		176,369.50	5,794
CPK ELDORF	36153090		443.601	21,753	Missing files for expenditure incurred between July 1990 and June 1991
		19.07.91	2,000	69	Salary advance
		19.07.91	2,000	35	House rent for Koech
		24.07.91	4,550	158	Allowances
		04.09.91	32,000	1,107	Salary and allowances paid for August 1991
		26.09.91	31,330	1,088	Salary and allowances paid for September 1991
		24.10.91	3,432	120	Workmen's compensation
		25.10.91	40,100	1,397	Salary and allowances for Oct 1991
		22.11.91	40,925	1,436	Salary and allowances for Nov 1991
		29.11.91	2,000	70	House rent for Wilson Koech
		Dec 91	7,795	2,608	Salary and allowances for Dec 1991
		31.12.91	1,250	44	Imprest given to Rosebella Birech
		31.01.92	1,000	33	Allowance paid to David Ombao
		23.01.92	7,550	268	Allowances paid to several employees in January
		19.02.92	21,000	722	Allowances paid to several employees in February
		05.02.92	12,019	413	Vehicle hire charges paid to CPK Corat
		05.02.92	2,254	77	Repairs costs incurred on KZV 714
Sub - Total		429,906	31,646		
Total		1,003,776	37,441		
CPK MASENO	36151021	15.01.91	10,000	386	Consultancy fees
		23.01.91	40,320	1,557	Consultancy fees
		25.03.91	2,000	77	Travelling and accommodation
		30.09.91	157,118	5,552	Salaries for April, May and June 1991
		16.10.91	3,599	657	Repairs to KZG 672
		Sep 91	150,000	5,300	Distributors allowance for April, May and June 1991
		14.10.91	17,520	630	Training and seminars
Sub - Total		395,357	14,159		
CPK MASENO	36151022	Aug 90	110,587	4,767	Expenditure files for Aug 90 missing
Sub - Total		110,587	4,767		
Total		1,006,443	39,226		

USAID/KENYA  
KENYA FAMILY PLANNING SERVICES AND SUPPORT PROJECT  
SCHEDULE OF UNSUPPORTED EXPENDITURES

NGO	VOUCHER NO	DATE	AMOUNT Shs	AMOUNT \$	DETAILS
CRESCENT MEDICAL	36151023	15 11.91	5,750	293	Payment to employee not on payroll- Anne Omar
		15 11.91	5,750	293	Payment to employee not on payroll- Anne Omar
		03 12.91	5,750	293	Payment to employee not on payroll- Anne Omar
		06.02.92	115,382	4,068	Salaries for Jan and Feb 1992
		27 03.92	49,912	1,669	Salaries for March 1992
Sub - Total			191,950	6,346	
CRESCENT MEDICAL	36153031		12,356	346	Expenditure files for Oct, Nov and Dec missing
Sub - Total			12,356	346	
Total			204,306	6,692	
YMCA	36150079		294,185	12,745	Expenditure files for the period July 89 to Dec 90 have no audit trail
Total			294,185	12,745	
KENYA MEDICAL ASSOCIATION	36150080	06.12.90	9,250	357	Travel expenses part of Shs 14,400 total
		17.12.90	69,700	2,691	Salary and benefits for Dec 1990
		14.12.90	15,000	579	General administration expense
		23.01.91	23,200	896	Salary and benefits for Jan 1991
		02.01.91	15,000	579	Telephone, postage and office supplies
		18.02.91	70,700	2,730	Salary and benefits for Feb 1991
		11.02.91	5,400	208	Stamps
		24.02.91	20,000	772	Education and training
		24.02.91	24,000	927	Education and training
		24.02.91	12,000	463	Education and training
		22.03.91	70,700	2,730	Salary and benefits for Mar 1991
		22.03.91	11,195	432	Education and training (most not accounted for)
		22.04.91	70,700	2,609	Salary and benefits for April 91
		21.05.91	22,200	804	Benefits for May 1991
30.09.91	30,000	1,042	Administration costs		
Total			469,045	17,320	

USAID/KENYA  
KENYA FAMILY PLANNING SERVICES AND SUPPORT PROJECT  
SCHEDULE OF UNSUPPORTED EXPENDITURES

NGO	VOUCHER NO	DATE	AMOUNT Shs	AMOUNT \$	DETAILS
SALVATION ARMY	J6150081	10.01.91	6,000	146	Expenditure receipts for staff training and seminars missing from payment voucher no. 1
		10.01.91	2,259	54	Expenditure receipts for staff training and seminars missing from payment voucher no. 2
		13.02.91	402	16	Expenditure receipts for staff training and seminars missing from payment voucher no. 2
		13.02.91	2,900	116	Expenditure receipts for staff training and seminars missing from payment voucher no. 1
		13.02.91	5,172	208	Expenditure receipts for staff training and seminars missing from payment voucher no. 3
		13.02.91	6,500	261	Expenditure receipts for staff training and seminars missing from payment voucher no. 3
		13.02.91	6,500	261	Expenditure receipts for staff training and seminars missing from payment voucher no. 6
		06.02.91	2,192	88	Expenditure receipts for staff training and seminars missing from payment voucher no. 10
		13.03.91	263	10	Expenditure receipts for staff training and seminars missing from payment voucher no. 1
		April 91	27,250	1,006	Expenditure receipts for staff training and seminars missing from payment voucher no. 6, 7, 8, 10, 11, 12, 14.
		16.04.91	5,056	197	Expenditure receipts for staff training and seminars missing from payment voucher no. 9
		16.04.91	1,814	67	Expenditure receipts for staff training and seminars missing from payment voucher no. 13
		May 91	21,500	790	Expenditure receipts for staff training and seminars missing from payment voucher no. 10, 11, 13, 14, 15
		23.05.91	45	2	Expenditure receipts for staff training and seminars missing from payment voucher no. 3
		23.05.91	130	5	Expenditure receipts for staff training and seminars missing from payment voucher no. 4
		23.05.91	50	2	Expenditure receipts for staff training and seminars missing from payment voucher no. 5
		19.06.91	360	13	Expenditure receipts for staff training and seminars missing from payment voucher no. 1
		05.06.91	3,900	137	Expenditure receipts for staff training and seminars missing from payment voucher no. 3
		31.07.91	640	23	Expenditure receipts for staff training and seminars missing
		31.07.91	37	1	Stationery and printing
		31.08.91	1,340	65	Expenditure receipts for staff training and seminars missing
		31.08.91	127	4	Stationery and printing
		22.08.91	15	1	Travel and accommodation
		21.08.91	2,600	92	See photocopy of supporting document
		21.08.91	6,700	236	See photocopy of supporting document
		19.11.91	100	7	Postage
	Total			104,760	1,935
<b>GRAND TOTAL</b>			<b>2,582,515</b>	<b>97,559</b>	

## **EXHIBIT 3**

### **TOTAL EXPENDITURE**

USAID/KENYA  
KENYA FAMILY PLANNING SERVICES AND SUPPORT PROJECT  
TOTAL EXPENDITURE CLAIMED FOR RIMBURSEMENT

NGO	VOUCHER NO	TOTAL CLAIMED		DIFFERENCE \$
		PER PW \$	PER USAID \$	
CPK ELDORET	36153086	16,836	22,674	(5,838)
CPK ELDORET	36153090	43,920	51,178	(7,258)
CPK MASENO - SARADIDI	36151021	46,134	1,828	44,306
CPK MASENO - SARADIDI	36151022	28,433	27,704	729
CRESCENT MEDICAL	36151023	60,272	43,914	16,358
CRESCENT MEDICAL	36153031	7,301	11,250	(3,949)
YMCA	36150079	74,330	74,330	0
YMCA	36150082	61,429	70,365	(8,936)
KENYA MEDICAL ASSOCIATION	36150080	93,221	105,499	(12,278)
SALVATION ARMY	36150081	32,194	38,238	(6,044)
<b>TOTAL</b>		<b>464,070</b>	<b>446,980</b>	<b>17,090</b>

NGO	VOUCHER NO	TOTAL CLAIMED		DIFFERENCE Kshs
		PER PW Kshs	PER USAID Kshs	
CPK ELDORET	36153086	518,109	518,109	0
CPK ELDORET	36153090	1,178,376	1,178,376	0
CPK MASENO - SARADIDI	36151021	1,244,515	41,770	1,202,745
CPK MASENO - SARADIDI	36151022	662,843	633,040	29,803
CRESCENT MEDICAL	36151023	1,801,630	1,003,431	798,199
CRESCENT MEDICAL	36153031	257,060	257,060	0
YMCA	36150079	1,715,714	1,715,714	0
YMCA	36150082	1,607,841	1,607,841	0
KENYA MEDICAL ASSOCIATION	36150080	2,410,644	2,410,644	0
SALVATION ARMY	36150081	873,746	873,746	0
<b>TOTAL</b>		<b>12,270,478</b>	<b>10,239,731</b>	<b>2,030,747</b>

## **APPENDIX 1**

### **NCPD COMMENTS**

1002/95  
JUL 21 1995

OFFICE OF THE VICE PRESIDENT AND MINISTRY OF PLANNING AND ECONOMIC DEVELOPMENT  
NATIONAL COUNCIL FOR POPULATION AND DEVELOPMENT

Address: NCPD, Nairobi  
Telephone: Nairobi 710275  
Fax: 710281  
When receiving please quote

CHANGERY BUILDING  
VALLEY ROAD  
P.O. Box 48994  
NAIROBI

No. NCPD 18/2/1 Vol. V11/(28)  
Iss date



..... 19.....

July 20, 1995

Price Waterhouse  
NAIROBI

Dear Sir,

RE: AGENCY CONTRACTED AUDIT OF THE NATIONAL COUNCIL FOR POPULATION AND DEVELOPMENT

We have seen your report for the above mentioned audit and have the following comments:-

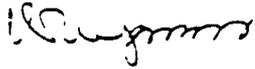
1. The "ineligible costs" relating to taxes on petrol should be accepted by USAID as valid costs since there were no practical mechanisms for separating these costs from what is considered valid.
2. The last sentence of paragraph 3.2 is rather ambiguous and may be misleading. We believe that NCPD maintains adequate financial records.
3. The finding on paragraph 4.3 on the maintenance of "separate and proper accounting records" does not appear fully justified. A clear indication should be given on what is deemed "separate and proper".

We shall address the issue of questioned and unsupported costs as soon as we compile returns from the NGOs we were following up on.

Handwritten mark

As in our previous comments, it will help greatly if USAID conducts its audits annually to minimize on unaccountability due to loss of records. Otherwise, this is on the whole a good report.

Yours faithfully,



**K.CHEPSIROR**  
**FOR: DIRECTOR, NCPD**

Copy to:

Chief  
Population & Health  
USAID/KENYA (Att. Emma Njuguna)

The Supervisor  
RIG/A/N  
USAID