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AUDIT OF
EASTERN AND SOUTHERN MANAGEMENT
INSTITUTE, TANZANIA

AUDIT REPORT NO. 3-621-87-2-N
November 26, 1986

REVIEW OF GRANTS BY THE UNITED STATES AGENCY FOR INTERNATIONAL DEVELOPMENT
(USAID) TO THE EASTERN AND SOUTHERN AFRICAN MANAGEMENT INSTITUTE (ESAMI)

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Introduction

1. The Eastern and Southern African Management Institute was formed in 1974 to improve the performance and management effectiveness of public and private institutions and enterprises within its member states. At present ESAMI has eighteen members namely Angola, Botswana, Comoros, Djibouti, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Seychelles, Somalia, Swaziland, Tanzania, Uganda, Zambia and Zimbabwe. USAID have obligated funds under three grants totalling US\$1,531,770 out of which an amount of US\$620,224 has been disbursed to date and US\$146,156 is accrued.

Audit Purpose and Scope

2. A limited review was undertaken by the Regional Inspector General for Audit of Nairobi (RIG/A/N) which indicated the need for a financial and compliance audit. The major emphasis of our review is centred on Project 698-0662-23, which is for providing management training in logistics of distributing family planning commodities, for several reasons:-

- (a) the survey phase indicated that there were potentially serious problems with the financial position of the contract;
- (b) the special investigation carried out by ESAMI's external auditors revealed misappropriation of funds on this project following which the co-ordinator for this project was suspended.

The main objectives of the audit were to determine the propriety of expenditure claimed by ESAMI for reimbursement under the grant and to suggest improvements in their internal controls to reduce the risk of misappropriation in the future.

Findings

Grant Funds

3. Our review of the funds which have been disbursed and accrued under Grants 698-0662-23 (FP), 698-0413-09 (AGR) and 623-0510-G-00-4028-00 (NA) up to 30 June 1985 confirm that funds for the FP grant have been misappropriated, but that there was no significant problem on the NA and AGR grants. The

project co-ordinator, responsible for the FP project has recently been suspended by ESAMI management. The primary reason why this fraud was not detected earlier was due to inadequate controls at ESAMI on reimbursable expenses and lack of monitoring of actual expenses against predetermined budgets by a person independent of the project co-ordinator.

Internal Control

4. A review of ESAMI's system of internal control, so far as it affects USAID Grants, has disclosed several weaknesses. There is no evidence that the following basic controls were performed before the funds expended were approved or reimbursed by ESAMI and before a claim for reimbursement was submitted to Regional Economic Development Services Organisation for Eastern and Southern Africa (REDSO/ESA):

- (a) checking the validity of the supporting documents;
- (b) checking the arithmetical accuracy of the supporting documents;
- (c) obtaining final approval from a responsible official before reimbursement.

We understand from ESAMI officials that this was not done in the past, where expenses related to funded projects, as it was expected that these controls would be performed by the donor agency, in this case USAID. Therefore, even though the voucher which was sent to USAID for reimbursement was signed by the Financial Controller of ESAMI, and in some cases by the Director, the signature did not signify that the documents supporting the claim had been checked in any detail.

5. Since the original supporting documents are kept at ESAMI and only photocopies sent to USAID, we recommend that the following is done at ESAMI before expenses are approved or reimbursed by ESAMI and before a claim is sent to REDSO/ESA for reimbursement:-

- (a) check the validity of the claim and the supporting documents;
- (b) check the arithmetical accuracy of the supporting documents;
- (c) evidence the performance of (a) and (b) above by initialling the documents;
- (d) stamp the documents as paid once the claim has been reimbursed; and
- (e) approval by a responsible official, who should ensure that (a) to (d) have been carried out.

Other Matters

6. The limited survey carried out by RIG/A/N identified several areas of concern. These are dealt with in detail in paragraphs 31 to 38. The more significant matters are as follows:-

(a) Tuition Fees

The manner in which tuition fees, for courses held at ESAMI, are set is very arbitrary and we understand that tuition fees were not revised between 1981 and 1986. The standard fee charged is approved by the board but it is not clear how the rates are arrived at. On the basis of the recurrent expenditure of ESAMI, it is likely that the tuition fees are too low. ESAMI management are aware of this and we understand that the primary reason for setting the tuition fees at a reasonably low level is to attract participants.

We understand that on some grants such as the FP grant, USAID reimburse ESAMI for part of the consultants' salaries. In such cases, it may be more appropriate if tuition fees charged on courses funded by USAID exclude consultants' costs. This however should be negotiated at the time the grant is approved, and the contract should specify fees to be charged.

(b) Accommodation fees

As in the case of tuition fees a standard rate is charged for accommodation, however, the basis used for setting the accommodation fees is arbitrary. We did a rough calculation based on the budgeted expenditure which indicated that the accommodation charge includes a profit element. As the rate charged is less than that of hotels in Arusha and also since the tuition fees are low, we do not recommend any disallowance on the accommodation charges. We suggest that the accommodation charge is approved by USAID prior to it being incurred in order to avoid such problems in the future.

(c) Transportation costs

ESAMI's method of charging for transport, when their own vehicle is used on courses, is not formalised. Our review indicated that the charge for transportation for use of ESAMI's bus on USAID funded projects was lower than market rates in Arusha at the time. ESAMI however needs to compile details of the costs of transportation in order to ensure that they recover their costs. The cost accounting system recommended by the United Nations Development Program (UNDP) suggests how this can be done and we recommend that ESAMI implements this as soon as possible.

(d) Currency for disbursements

The limited survey report suggests that if USAID reimburse funds in Tanzania shillings, significant dollar savings could be achieved. This would only be the case for expenses incurred in Tanzania shillings and if there was a significant devaluation of the Tanzania shilling between the time the expenses were incurred and the funds disbursed by USAID. However, since most of ESAMI's costs are denominated in hard currency, mainly US Dollars, we would not recommend that disbursements are denominated in Tanzania shillings as any dollar savings would be minimal. On the other hand there would be increased administrative costs for USAID and ESAMI if accounting for grants was in a currency other than US Dollars.

Conclusions

7. From our findings, it is clear that the fraud occurred primarily because of inadequate segregation of duties and lack of control over grant funds. In all three grants, the project co-ordinators were the custodians as well as the accounting officers for the funds advanced to them. The documentation submitted by them was not checked by an independent person and reliance was placed on USAID and the project co-ordinators for ensuring that the claim was valid. However as USAID do not receive the original supporting documentation the checking of validity of claims can only be done effectively at ESAMI. Our review indicated that fraudulent activities were confined to the FP project (698-0662-23).

8. Based on our examination, we recommend that certain expenses are either allowed, disallowed and/or negotiated further. These are as follows:-

	D i s b u r s e d				A c c r u e d			
	Total US\$	Allow US\$	Disallow US\$	Negotiable US\$	Total US\$	Allow US\$	Disallow US\$	Negotiable US\$
FP	330,777	271,237	59,540	-	118,829	97,556	21,273	-
AGR	265,473	264,872	606	-	27,327	16,067	5,558	5,702
NA	23,969	14,185	1,844	7,940	-	-	-	-
	620,224	550,294	61,990	7,940	146,156	113,623	26,831	5,702

The basis of arriving at the amounts to be disallowed and allowed is explained in detail in paragraph 17 to 20.

9. To prevent a recurrence of a similar incident in the future, ESAMI needs to strengthen internal controls within their organisation as suggested in paragraphs 22 to 30.

DETAILED REPORT

Background

10. The Eastern and Southern African Management Institute (ESAMI) is an educational institution which is located five kilometres from the town of Arusha in Tanzania. It was incorporated in 1974 as the East African Management Institute (EAMI) to answer the educational needs of three countries (Kenya, Tanzania and Uganda). The annual working conferences recommended expansion of the institution's charter to include other Eastern and Southern African countries and the transformation from EAMI to ESAMI began in 1976 and 1977. ESAMI came into legal existence on February 28, 1980.

11. The objective of ESAMI is to improve the performance and management effectiveness of public and private institutions and enterprises within its member states. In pursuance of the foregoing objective ESAMI promotes, organises, co-sponsors or facilitates the organisation of management training courses, workshops and seminars designed to enhance the performance of the member states.

12. The USAID through REDSO/ESA has awarded three grants to ESAMI for the following projects:-

Family Planning Project (693-0662-23)

This grant was signed on August 29, 1984 and has a Project Assistance Completion date of September 1, 1987. The project is for providing management training in logistics of distributing family planning commodities in nine Eastern and Southern African countries. Plans call for financing thirteen different categories of costs, including personnel, needs assessments, evaluations, external consultants, supplies and general training manuals, family planning courses, and training at different levels, such as ESAMI, country level, provincial, and districts.

Agriculture Project (698-0413-09)

This grant was signed on April 25, 1982 and the project activity completion date is December 31, 1986. The goal of the project is to assist in development of a regional centre which will help to improve the management and policy-making capabilities of public and private development enterprises in Eastern and Southern Africa.

This grant is designed to strengthen the training, research, and consultancy capabilities of ESAMI by:-

- (a) assessing management training needs of public and private sectors in 15 countries;
- (b) developing case studies and the library of the institution; and
- (c) developing institutional links between ESAMI and institutions in Africa, Asia, and the United States (U.S). The USAID grant has been financing equipment, round-table seminars, case studies, agricultural policy courses, trips, and three Participating Agency Service Agreements with the U.S. Department of Agriculture.

Needs Assessment exercise (623-0510-G-00-4028-00)

This grant was signed on June 17, 1984 and the project completion date was September 30, 1984. The purpose of the grant was to provide support to ESAMI in conducting a needs assessment exercise to identify the family planning supplies management problems and practices in four countries namely Lesotho, Uganda, Zambia and Zimbabwe.

A three week training program for managers and supervisors of family planning services was then to be designed to address the problems identified in carrying out the needs assessment. The grant also funded the following additional activities:-

- (a) development of a training manual for family planning service;
- (b) provision of a manual and materials for the three week course; and
- (c) procurement of journals and text books needed for the training course.

13. The funds which have been obligated, disbursed and accrued up to 30 June 1986 are as follows:-

Project No.	Obligated US\$	Disbursed US\$	Accrued US\$	Balance US\$
698-0662-23	1,000,000	330,777	118,829	550,394
698-0413-09	500,000	265,478	27,327	207,195
623-0510-G-4028-00	31,770	23,969	-	7,801
	1,531,770	620,224	146,156	765,390

Details of funds disbursed have been obtained from the Regional Financial Management Centre (RFMC) of USAID and details of accrued expenses have been obtained from ESAMI.

Purpose and Scope

14. Over the past few months REDSO/ESA and RFMC personnel have been questioning various expenditures claimed by ESAMI. As a result, a limited scope review was carried out by RIG/A/N. This survey showed that ESAMI's organisational structure and financial condition was basically sound. However there was a need for a financial and compliance audit as potential problems existed with pipeline information, cost allocation procedures, advances, tuition fees, per diem costs, transportation costs and supporting documents.

15. For the above reasons the main objectives of this assignment are as follows:

- (a) Itemise costs recommended for acceptance, further negotiation (questionable) and disallowance and to achieve this objective determine whether the costs claimed by ESAMI under the grants mentioned in paragraph 12 present fairly costs resulting from program implementation and ensure propriety and reasonableness of costs incurred.

- (b) Analyse the potential problems uncovered by the RIG/A/N's limited survey and determine their cause and effect on program procedures and costs so far as they affect USAID grants.
- (c) Prepare a professional report analysing the problem areas in need of improvement, internal control or procedural weaknesses of ESAMI as they might relate to the USAID grants and make recommendations for improvement.

16. The Tanzania Audit Corporation (TAC) who are ESAMI's external auditors had been asked by ESAMI to carry out a special investigation of USAID grant funds. Our review of their report suggested that they had not reviewed the AGR grant and on the FP grant only some vouchers relating to the funds disbursed had been covered by them. In addition certain items were incorrectly shown as disallowable on the TAC report. Our review of the vouchers therefore included those covered by TAC. The level of tests which we have applied is as follows:-

- (a) 93% of the funds disbursed and accrued on the FP grant;
- (b) 36% of the funds disbursed and accrued on the AGR grant. In calculating this percentage, we have included US\$82,263 expended directly by USAID on behalf of ESAMI. The vouchers supporting this expenditure have not been examined by us. If these vouchers were to be excluded, then the percentage examined by us is 51%.
- (c) 77% of the funds disbursed on the NA grant. There is no accrued expenditure under this grant.

During our review we have covered amounts disbursed and accrued up to 30 June 1986 as summarised in paragraph 13.

Grant Funds

Grant 698-0662-23 (FP)

17. Our review has confirmed that there was misappropriation of funds on the FP project. The primary reason for this was lack of adequate controls over grant funds and lack of monitoring of actual expenditure against budgeted expenditure by a person other than the project co-ordinator. The funds were misappropriated in the following manner:-

- (a) claiming expenses for courses and seminars which were never held;
- (b) alteration of genuine invoices by adding digits;
- (c) submitting false invoices; and
- (d) claiming for amounts paid to participants which were in some cases not paid to the participants indicated.

18. An analysis of the expenses and reasons for recommending these for disallowance or further negotiation (questionable) are detailed on Appendix II. Since our review did not cover 100% of the expenses disbursed and accrued to date, the following calculations need to be made:-

- (a) for disbursed vouchers USAID disallow expenses based on a percentage of the disallowable expenses identified from the vouchers examined;
- (b) for accrued expenses disallow only the expenses identified from the vouchers examined by us as the voucher not examined by us relates to consultants' salaries which REDSO/ESA have recommended is allowed in full.

Results of vouchers examined:-

	Vouchers examined		Allowable		Disallowable		Negotiable	
	US\$		US\$	%	US\$	%	US\$	%
Disbursed	324,015		265,504	82	58,511	18	-	
Accrued	92,574		71,301	77	21,273	23	-	
	416,589		336,805		79,784		-	

Projection:-

	Total	Allowable		Disallowable		Negotiable	
	US\$	US\$	%	US\$	%	US\$	%
Disbursed	330,777	271,237	82	59,540	18	-	-
Accrued	118,829	97,556	82	21,273	18	-	-
Total	449,606	368,793		80,813		-	-

Recommendation No. 1

The method of settlement of the amounts which are recommended for disallowance will have to be discussed by REDSO/RPMC with ESAMI. We recommend that:-

- (a) For amounts that have been disbursed, RPMC should disallow US\$59540. The disallowances may be effected through different procedures such as:-
- (i) issuance of a bill for collection,
 - (ii) deduction against future billings;
 - (iii) provision of other services by ESAMI and/or;
 - (iv) other appropriate manner agreeable to RPMC and ESAMI.
- (b) for amounts not yet disbursed the amounts recommended for disallowance be deleted from the reimbursement claims submitted by ESAMI and not paid by USAID.

Grant 698-0413-09 (AGR)

19. Our review of the AGR grant has not highlighted any significant problems. There are a number of minor items which we are recommending for disallowance and these are detailed on Appendix II. Since our tests on this grant were reasonably satisfactory we do not consider it necessary to apply the percentage of disallowed expenses revealed on our sample to the total funds disbursed and accrued under this grant.

Recommendation No. 2

We recommend the following amounts be disallowed and/or negotiated further on this grant.

	Reviewed by C & L	Allowable	Disallowable	Negotiable
	US\$	US\$	US\$	US\$
Disbursed	78,807	78,201	606	-
Accrued	26,725	15,465	5,558	5,702
	<u>105,532</u>	<u>93,666</u>	<u>6,164</u>	<u>5,702</u>

20. We noted that there were certain expenses which had been disallowed either in full or in part by REDSO/ESA on the AGR grant and for which in some instances a claim for reimbursement should have been resubmitted by ESAMI. It is not clear how ESAMI follow these up and ensure that wherever possible claims are resubmitted with the appropriate documents. This has an adverse effect on ESAMI's profitability as well as their cashflow which is very tight. We suggest that REDSO requests ESAMI to re-examine past RENC suspended and disallowed costs and re-submits those claims which are eligible.

Grant 698-0510-G-4028-00 (NA)

Our review of the NA grant has not disclosed any significant problems.

Recommendation No. 3

We recommend that the same treatment be adopted for the NA grant as for the AGR grant. We recommend the following amounts be disallowed and/or negotiated further on this grant by RENC/REDSO.

	Reviewed by C & L	Allowable	Disallowable	Negotiable
	US\$	US\$	US\$	US\$
Disbursed	18,381	8,597	1,844	7,940

Other matters

21. Several other independent evaluation teams have reviewed ESAMI's financial and organisational structure over the past three years. The most recent are a study by an internal committee on management information and a study by a group of donors headed by the Economic Development Institute of the World Bank in November 1984. From a technical view point, the different studies, particularly the November 1984 report, were thorough and comprehensive. Plans for implementation of the recommendations or finding alternative solutions have not yet been made. We have therefore not considered in any detail, the areas which have already been covered by the World Bank study. Discussions with the Financial Controller of ESAMI suggests that it will not be possible to implement most of the recommendations in the World Bank report unless ESAMI is able to negotiate a grant from one of the donor agencies for this purpose.

Recommendation No. 4

If REDSO/ESA intend to support ESAMI in the future by giving any further grants we would recommend that ESAMI's plans on implementing the recommendations in the World Bank report are discussed with ESAMI management. Consideration should also be given to whether any financial assistance could be given by REDSO to assist in the implementation of some of the recommendations in the World Bank report, possibly by reprogramming the balance not expended on the existing grants.

Control Weaknesses22. Checking the validity of invoices and documentation supporting claimsWeakness and Effect

There is no evidence that vouchers supporting reimbursement claims are checked to the underlying documentation by an independent responsible official. Lack of such a control resulted in advantage being taken by a certain employee, and consequently the misappropriation of funds. We understand that this is so only for reimbursement claims in respect of grants, as ESAMI relies on the donor to check the validity of the claim before approving it for disbursement.

Recommendation No. 5

In future, we recommend that REDSO asks ESAMI to ensure that reimbursement claims are checked by ESAMI's Financial Controller or his staff to supporting documents to establish their validity. This will help identify errors and fraudulent documents at an early stage. It will also ensure that ESAMI does not lose money due to such transactions, as remedial action can be taken immediately. ESAMI should introduce the use of a checking grid, with the various checking procedures to be carried out, which should be signed by the person responsible for performing this control. A specimen of such a grid is given on Appendix VIII.

23. Checking extensions and additions of invoices, receipts and other supporting documents

Weakness and Effect

The reimbursement claims examined by us had no evidence to indicate that the additions and extensions of the supporting documents had been checked. This would result in errors in calculations and additions not being detected before a claim is reimbursed.

Recommendation No.6

We recommend that REDSO asks ESAMI to ensure that the additions, extensions and summarisation of reimbursement vouchers and the supporting documents are checked. This check should be evidenced and for this purpose a grid such as the one suggested in Appendix VIII above could be used.

24. Final approval of reimbursement vouchers

Weakness and Effect

Form SF 1034 is completed at the time a claim for reimbursement is sent to REDSO. This summarises the total expenses being claimed and is signed by either ESAMI's Financial Controller, or in his absence, the Director or the Registrar. It is not clear from a review of the forms what this signature

signifies. In a number of instances a statement such as the following was made on the form:-

"To claim for actual expenses incurred in respect of.....as per documents attached"

The supporting documents include payment vouchers which have space for the following signatures:-

Financial Controller - "Certified that the procedure for this payment has been adhered to and that correct account has been charged".

Director - "Certified that the above payment is true and correct, and is in conformity with the Institutes Financial Regulations".

Our review of the payment vouchers indicated that in most cases the payment vouchers are not signed by the Financial Controller but are signed by the Director. Discussions held with the Financial Controller indicated that signing Form SF 1034 is only a formality and does not indicate that the supporting documents are reviewed in any detail at this stage. The onus of ensuring that the claim was valid was left up to the ESAMI project co-ordinator and the project officer at REDSO/EA.

Recommendation No. 7

We recommend that REDSO asks ESAMI to ensure that the Financial Controller or a member of his staff reviews documents supporting reimbursement claims for reasonableness and obvious alterations and errors before giving final approval. This review should be evidenced by initials on the checking grid.

25. Cancellation of documents to prevent subsequent re-use

Weakness and Effect

There are no procedures for the cancellation of documents supporting reimbursement claims to safeguard against subsequent re-use of such documents either in error or intentionally to support further claims.

Recommendation No. 8

We recommend that REDSO asks ESAMI to ensure that in future the original documentation supporting Form SF 1034 is stamped "PAID" at the time of reimbursement. This would prevent subsequent re-use of documentation to support further claims.

26. Coding of General Ledger transactionsWeakness and Effect

The coding of transactions for posting to the general ledger is not checked by an independent person or approved by a responsible official. In the absence of this control, coding errors could pass unnoticed leading to the distortion of amounts reflected in the financial statements.

Recommendation No. 9

We recommend that REDSO requests ESAMI to ensure that the coding of material categories of income, expenses, assets and liabilities is checked and approved by the Financial Controller.

27. Pre-numbering of Journal VouchersWeakness and Effect

ESAMI's stationery of journal vouchers is not pre-numbered. In the absence of pre-numbered journal vouchers it is not possible to ensure that all journal vouchers raised are recorded in the general ledger. This may result in the misstatement of amounts reflected in financial statements.

Recommendation No. 10

We recommend that REDSO requests ESAMI to ensure that the order of journal vouchers from the printers is sequentially pre-numbered and the numerical sequence of journal vouchers posted is controlled.

28. Procedures for despatch of chequesWeakness and Effect

We noted that after cheques have been signed by the cheque signatories they are returned to the originators for despatch to the payees. There are two dangers inherent in such a system:-

- (a) cheques made out in the name of fictitious suppliers can be removed before mailing;
- (b) the originator can change the payee or alter the amount.

Recommendation No. 11

We recommend that REDSO asks ESAMI to ensure that once the cheques have been signed they be passed for despatch to a person independent of the one who originated the request for payment.

29. Cash Advances

Weakness and Effect

Large cash advances are normally given to the project co-ordinators before the commencement of a course to be held outside Arusha. This has been necessary as it is not always possible to obtain credit facilities from hotels. If large cash advances are given to staff the risk of loss to ESAMI, as a result of theft or misappropriation, is greater.

Recommendation No. 12

We understand that steps are being taken to reduce the amount of cash advances given to project co-ordinators. We recommend that REDSO requires ESAMI to ensure wherever credit facilities are not available, ESAMI pays a deposit to the supplier by cheque or bankers' draft and settles the balance directly on conclusion of the course.

30. Management Information

Weakness and Effect

The following information in respect of Grant Funds is not at present prepared on a regular basis for review by management:-

- (a) Cumulative Grant Funds disbursed and balance outstanding.
- (b) Comparison of the actual expenditure with the expenditure budgeted at the time the grant was approved.
- (c) Expenses incurred which have been disallowed by the donor.
- (d) Balance due from the donor in respect of expenses incurred and awaiting disbursement.

In the absence of this information it is not possible to monitor the grant funds effectively and it is not easy to quantify the expenses incurred on funded projects which have been borne by ESAMI. In addition as a separate account for USAID grant funds is not maintained, control over ensuring that claims disallowed for lack of supporting documents are subsequently re-submitted may not be effective.

Recommendation No. 13

We recommend that REDSO suggests to ESAMI that separate control accounts be maintained for each USAID or other donors' grants. Expenses relating to the funded projects should then be debited to the relevant account and the reimbursement subsequently credited to the same account. A memorandum record should also be maintained for the grant given and funds utilised. This should then be compared with the original budget on a regular basis and all material fluctuations explained.

Other matters raised in the limited survey report

31. Accrued expenditure as at 30 June 1986 and ways of speeding the billing process

In the past, the project co-ordinators in particular the co-ordinator for the FP grant, did not account for advances given to him promptly on conclusion of a course or seminar. This resulted in delays in the billing process which has had adverse effects on ESAMI's cashflow.

Recommendation No. 14

We recommend that wherever the duration of the course does not exceed say two weeks, REDSO requests for the advance to be accounted for within 2 days of completion of the course. Where the duration of the course is longer than two weeks, the guidelines in implementation letter, number 1 on Project 698-0662-23 are followed. This states that the grantee may request for an advance for budgetary requirements for a 30 day period. Within 45 days, from the completion of the advance period, the grantee will submit a report of actual expenditure with the

necessary receipts to clear the advance. Details for reporting are noted in the implementation letter, a specimen of which is attached as Appendix III. We believe the implementation of these guidelines will help provide a more realistic picture of the expenditure incurred at any time, eliminate the problem of long lead times before submission of reimbursement claims and ease ESAMI's cashflow. Whilst there will be some accrued expenditure at any particular time, the magnitude of this expenditure will be reduced significantly.

32. ESAMI liquidates advances in a manner that increases tuition fees

ESAMI accounts for USAID grants as follows :

- (a) expenses when incurred are debited to an expense heading in the profit and loss account.
- (b) amount reimbursed by USAID is credited to an income account in the profit and loss account.

In our opinion, it would be more appropriate to credit the reimbursement by USAID to the expense heading in the profit and loss account to which the amount was originally debited. The accounting treatment presently adopted results in an overstatement of income and expenses.

As course fees are calculated to result in a break-even position, the overstatement of expenses would theoretically have the effect of increasing tuition and accommodation fees. In practice, however, course fees before the January 1986 revision, were last revised in 1981. Thus any overstatement of expenditure has not resulted in increased course fees during this period. In fixing the course fees to be charged effective 1 January 1986, account was taken of the budgeted expenditure for 1986 and not the actual expenditure of prior years. The budgeted expenditure is based on an assessment of ESAMI's operating capacity in the coming year and is not an incremental budget. Hence the course fees determined by such a method will not reflect previous periods accounting errors.

Recommendation No. 15

The UNDP costing system and the World Bank report referred to in paragraph 21 above suggests the manner in which ESAMI should determine tuition and accommodation fees and we recommend that REDSO asks ESAMI to consider implementing this. If this is not implemented, we suggest that REDSO approves the standard rates set by ESAMI before these costs are incurred on the USAID funded projects so that there is no misunderstanding on what will be reimbursable.

33. Exact formula for determining tuition and accommodation fees

ESAMI course fees were revised effective 1 January 1986, and the charges now applicable to USAID projects are US\$250 per week for tuition fees and US\$280 per week for accommodation. As indicated in paragraph 32, the last revision to course fees prior to the 1986 revision was in 1981.

It was noted that whilst the aim is to ensure that the fees are set such that ESAMI recovers the full costs, this is not the case in practice, as the tuition fees so calculated are considered to be too high and it is believed that it would not be possible to attract a sufficient number of participants. The standard fee charged is approved by the board but we did not get a clear explanation on the exact formula used to arrive at the weekly tuition and accommodation fee. On the basis of the 1986 budget, in our opinion the tuition fee has been set at a level below expected costs and the accommodation fee includes a profit element. The 1986 budget excludes depreciation and consequently our workings are not affected by the increased depreciation as a result of revaluation of ESAMI's assets.

Recommendation No. 16

We do not recommend any disallowances on the rates charged for tuition and accommodation fees as any excess charge on accommodation would be more than offset by tuition, where the fees charged are low.

Concern has also been expressed by USAID on a possible duplication of accommodation charges when a daily rate of US\$20 is charged for vacant rooms whilst participants are at other locations. This would be so, as the accommodation fee is calculated on the basis of participant weeks and this therefore includes a vacancy factor. However, ESAMI charged for vacant rooms on one occasion only on a USAID funded project and it was disallowed by REDSO/EA.

We note that part of the consultants' salaries are reimbursable under the FP grant. It is not clear from the contract whether the tuition fees to be charged on the USAID funded projects should be adjusted for this. In the past, the fee charged by ESAMI, which is the standard fee charged to others, has not been adjusted for this.

Recommendation No. 17

We recommend that REDSO clarifies with ESAMI the exact treatment to be given for expenses such as consultants salaries in order to avoid any misunderstanding in the future.

34. Payments for field trips and transit expenses

There were various specific payments referred to in the limited survey report which were of a dubious nature. These related to voucher number 623-68342 and have been recovered in our detailed verification work, the results of which are summarised in Appendix II.

35. Transportation costs billed to USAID seem unsupported and arbitrary

ESAMI does not have a clearly defined method of calculating the rates charged when ESAMI owned transport is used on funded projects. We understand however, that ESAMI aims to ensure that their costs are recovered and their charges are competitive with those of car hire companies. In the absence of a clearly defined method of calculating the rates to be charged, we telephoned five tour and rental companies in Arusha and the details obtained are summarised on Appendix V. A comparison of the commercial rates with those charged by ESAMI on the USAID funded projects indicates that the amounts charged by ESAMI were reasonable.

The UNDP costing system recommends a method of accumulating and calculating transport costs. We understand that this will be implemented at the time the accounting system is computerised.

Recommendation No. 18

We recommend that once this has been implemented, REDSO requires ESAMI to charge for transport based on estimated costs. These charges should be approved by REDSO at the time they are fixed, so that there is no misunderstanding on the rates charged on the funded projects. This would also ensure that ESAMI recovers its full costs when a vehicle is used on a funded project.

36. Policies of USAID and ESAMI for per diem and mileage are in conflict

Our review of mileage and per diem rates used disclosed that the United Nations (UN) rates were only used in certain instances on the Agricultural Project on claims for per diem. ESAMI rates were used to claim mileage. On the reimbursed vouchers, the USAID approving Project Officer had adjusted the rates to comply with USAID rates. On the accrued vouchers, we have followed the same practice and disallowed amounts in excess of USAID rates. We understand that the wrong rates were used because the person responsible was not aware that USAID rates existed. Our comparison of USAID and UN per diem rates as analysed on the Appendix VI indicates that USAID rates are generally higher.

Recommendation No. 19

In order to avoid any such problems in the future we recommend that REDSO requests ESAMI to notify all ESAMI staff involved on USAID funded projects of the USAID rates. The use of USAID rates rather than UN rates on USAID funded projects would make it easier for USAID to monitor the expenses incurred.

37. USAID Disbursements are in U.S. Dollars

We do not concur with the comment in the USAID limited survey report that "significant dollar savings could be achieved" if funds were reimbursed in Tanzania shillings. Dollar savings would be achieved only if there was a significant devaluation of the Tanzania shilling and there were expenses

incurred in Tanzania shillings awaiting disbursement at the time of the devaluation. However, since most of ESAMI's costs are in hard currency in our opinion any dollar savings are unlikely to be substantial. On the other hand it would increase the administration costs for USAID to account for funds in a currency other than US dollars.

Recommendation No. 20

For the above reason do not recommend any changes in the currency in which transactions are denominated at present.

38. ESAMI had problems with Xerox Machine bought by AID

Our review of the bills credited for repairs in respect of the Rank Xerox machine disclosed no credit given to ESAMI subsequently. Consequently no credit is due to USAID. The voucher relating to these charges is analysed on Appendix VII. US\$1,463 which relates to repairs was specifically authorised by the Project Implementation Letter No.6 of 10 January 1986 (paragraph 4).

CURRENCY: US DOLLARS

Voucher reference	Value	Allowable	Disallowable (Appendix II)	Negotiable (Appendix II)
<u>Disbursed</u>				
1. 623-59650	62,992	60,478	2,514	-
2. 623-68864	65,880	43,887	21,993	-
3. 623-68454	34,085	25,566	8,519	-
4. 623-58324	28,966	20,294	8,672	-
5. 623-58484	16,965	10,606	6,359	-
6. 623-68342	75,947	72,161	3,786	-
7. 623-58125	39,180	32,512	6,668	-
TOTAL OF DISBURSED VOUCHERS EXAMINED	324,015	265,504	58,511	-
<u>Accrued</u>				
MFP 147	92,574	71,301	21,273	-
TOTAL OF ACCRUED AND DISBURSED VOUCHERS EXAMINED	416,589	336,805	79,784	-
TOTAL DISBURSED AND ACCRUED	<u>449,606</u>			
PERCENTAGE OF TOTAL EXAMINED	<u>93%</u>			

4

PROJECT 698-0413-09
 CURRENCY: US DOLLARS
 Voucher reference

SUMMARY OF VOUCHERS EXAMINED

		Value	Allowable	Disallowable	Negotiable
<u>Disbursed</u>					
1.	623-68366	25,688	25,082	606	-
2.	623-68065	18,447	18,447	-	-
3.	623-57488	25,487	25,487	-	-
4.	623-68507	6,661	6,661	-	-
5.	623-68503	2,524	2,524	-	-
		<u>78,807</u>	<u>78,201</u>	<u>606</u>	<u>-</u>
<u>Accrued</u>					
1.	MA 101	3,253	2,000	218	3,035
2.	MA 146	3,667	1,000	-	2,667
3.	MA 154	8,738	5,589	3,049	-
4.	MA 176	1,670	1,325	345	-
5.	MA 191	3,567	2,952	615	-
6.	MA 198	3,830	2,499	1,331	-
		<u>26,725</u>	<u>15,465</u>	<u>5,558</u>	<u>5,702</u>
TOTAL EXAMINED		<u>105,532</u>	<u>93,666</u>	<u>6,164</u>	<u>5,702</u>
TOTAL DISBURSED AND ACCRUED		<u>292,805</u>			
PERCENTAGE OF TOTAL EXAMINED		<u>36%</u>			

26

PROJECT 623-0510-G-00-4028-00

SUMMARY OF VOUCHERS EXAMINED

CURRENCY: US DOLLARS

Voucher Reference	Value	Allowable	Disallowable (Appendix II)	Negotiable (Appendix II)
<u>Disbursed</u>				
1. 623-57188	9,781	6,472	1,769	1,540
2. 623-57189	8,600	2,125	75	6,400
TOTAL OF DISBURSED VOUCHERS EXAMINED	18,381	8,597	1,844	7,940
TOTAL DISBURSEMENTS	<u>23,969</u>			
PERCENTAGE OF TOTAL EXAMINED	<u>77%</u>			

27

PROJECT : 698-0662-23

Currency : US Dollars

VOUCHERS EXAMINED

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
D. <u>Voucher No 623-59650</u>						
<u>Value US\$ 62992</u>						
Kabat Travels and Car Hire Services - Nairobi Cash Sale No 48 dated 31.10.84	MFP 554	577	Supplier cannot be located			
Kumarshan & Sons Ltd Tours and Travel Agents Nairobi Invoice No 6 - Receipt No 300 of 1/11/84 and 3/11/84 respectively	MFP 556	1,937	Supplier cannot be located			
Allowable expenses						60,478
VOUCHER TOTAL		2,514		-		60,478
D. <u>Voucher No 623-68864</u>						
<u>Value US\$ 65860</u>						
Per diems to ESAMI Consultants	MFP 161	454	Participants have confirmed that they were not paid this			
Commonwealth Youth Programme Africa Centre - Lusaka Receipt Nos. 1111, 1144, 1140 of 30 January 1986	MFP 162 MFP 164 MFP 165	21,539	The Centre only confirms having received US\$ 2,982 equivalent to Kwacha 17,000. The balance claimed is disallowed.			2,982
Allowable expenses						40,905
VOUCHER TOTAL		21,993				43,887

D - Disbursed

PROJECT : 698-0662-23

Appendix II

VOUCHERS EXAMINED

Page 2

Currency : US Dollars

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
D <u>VOUCHER NO 623-68454</u>						
<u>Value US\$ 34,085</u>						
Lilongwe Hotels Limited, Malawi 19/10/85 Invoice 1022, Receipt No 1132	MFP 196 MFP 198 MFP 193	8,519	Supplier confirms that invoice is not valid			
Allowable expenses						25,566
VOUCHER TOTAL		8,519		-		25,566
D <u>VOUCHER NO 623-58324</u>						
<u>VALUE US \$ 28966</u>						
Uganda Printing Press Limited Cash Sale 013 13-6-85	MFP 387 MFP 388	8,672	Supplier cannot be located.			
Allowable expenses						20,294
VOUCHER TOTAL		8,672				20,294

VOUCHERS EXAMINED

Currency : US Dollars

Supplier and Document Reference	Working Paper Reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
D <u>VOUCHER NO 623-58484</u>						
<u>VALUE US \$ 16965</u>						
MOH and other staff - subsistence allowance to Dr Kigondu	MFP 338	58	Voucher altered from Shs 2,000 to Shs 3,000. Shs 1,000 disallowed at the rate of Shs 16.93.			
Subsistence allowance to others	MFP 335	1,789	Amount disallowed based on confirmations received.			
Rabat Travel and Car Hire Services Nairobi Receipt No 336	MFP 336 MFP 356	703	Supplier cannot be located.			
Express Kenya Limited - Nairobi Receipt 31029 of 7-8-85	MFP 335 MFP 355	120	Receipt of Shs 800 altered to Shs 2,800. Shs 2,000 has been disallowed at a rate of KShs 16.72.			
UTC Car Hire - Nairobi Cash Sale 129522 of 14-8-85	MFP 335 MFP 355	591	Receipt altered from Shs 1,940 to Shs 11,940. Shs 10,000 at a rate of Shs 16.93 disallowed.			
Rubber Stamped - details not available	MFP 336 MFP 356	787	Supplier cannot be located.			
Kenya Fluorspar Company Ltd	MFP 336 MFP 356	266	This had been classified as disallowed by TAC on the basis that government vehicles used. This is common on the courses. However expenditure does not look reasonable.			

c/f

4,314

df

PROJECT : 698-0662-23

VOUCHERS EXAMINED

Currency : US Dollars

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
	b/f	4,314				-
Boulevard Hotel RNO 78008 dated 24/8/85	MFP 336 MFP 359	189	Original receipt in the name of Mr Sharrif Ali.			
Family Planning Association of Kenya R No 256528 of 13.8.85	MFP 336 MFP 359	30	Verification with the copy showed an error of Shs 507.60 at a rate of 16.93. Receipt altered and overstated amount disallowed.			
Bahati Restaurant - Nyeri Cash sale 178 of 12.8.85	MFP 336 MFP 359	59	Receipt altered from Shs 160 to Shs 1,160.			
Boulevard Hotel - Photocopying Receipt No 37296	MFP 360	66	Receipt altered from Shs 1 to Shs 1,131 Shs 1,130 at a rate of 17.1 disallowed.			
Receipt No 337293	MFP 360	58	Receipt altered from Shs 108 to Shs 1,108. Overstated by Shs 1,000 at 17.1.			
Receipt No 37295	MFP 358	39	Shs 6 changed to Shs 666. Overstatement of Shs 660 at 17.1.			
Receipt No 37291	MFP 358	140	Receipt changed from shs 60 to Shs 2460. Overstated by Shs 2,400 at 17.1.			
Windsor Bookshop Cash sale 20825	MFP 361	47	Cash Sale changed from Shs 37.50 to 837.50. Overstated by Shs 800 at 17.1			
	c/f	4,942				

PROJECT : 698-0662-23

VOUCHERS EXAMINED

Currency : U S Dollars

Supplier and Document Reference	Working Paper reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
	b/f	4,942				-
Windsor Bookshop Cash Sale No 19411	MFP 361	47	Receipt altered from Shs 35 to Shs 835. Overstatement of Shs 800 at 17.1.			
Cash Sale No 20880	MFP 361	29	Receipt altered from Shs 300 to Shs 800. Overstatement of Shs 500 at Shs 17.1.			
Cash Sale No 19551	MFP 361	47	Receipt altered from Shs 42 to Shs 842 Overstatement of Shs 800 at 17.1.			
Muranga Flamingo Bookshop Cash Sale 41655	MFP 361	35	Receipt altered from Shs 14 to Shs 614. Overstatement of Shs 600 at 17.1.			
Cash Sale 41665	MFP 362	36	Receipt altered from Shs 3 to Shs 623. Overstatement of Shs 620 at Shs 17.1.			
Radio Printing Press - Nairobi Cash Sale 3001	MFP 362	44	Receipt altered from Shs 6 to Shs 760. Overstatement of Shs 754 at Shs 17.1.			
Equipment Household Transparencies Nairobi Cash Sale (No Number)	MFP 362	47	Receipt altered from Shs 20 to Shs 820. Overstatement of Shs 800 at Shs 17.1.			
Arcade Stationers - Nairobi						
Cash Sale 45801	MFP 364	468	Cash sale altered from Shs 689.50 to Shs 8,689.50. Overstatement of Shs 8,000 at Shs 17.1.			
Cash Sale 45691	MFP 364	58	Altered from Shs 97.50 to Shs 1,097.50. Overstatement of Shs 1,000 at Shs 17.1.			
Cash Sale 45687	MFP 363	117	Receipt altered from Shs 375 to Shs 2,375. Overstatement of Shs 2,000 at Shs 17.1.			
Walk-in Bookshop - Nairobi Cash Sale (No number)	MFP 363	56	Manager confirmed they have never maintained non-serialised receipts. Overstatement of Shs 953 at Shs 17.1.			
	c/f	5,926				

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VOUCHERS EXAMINED

Currency : US Dollars

Supplier and Document Reference	Working Paper Reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
	b/f	5,926		-		-
Mbiri Bookshop - Muranga Cash Sale 70122	MFP 363	53	Altered from Shs 15 to Shs 915. Overstatement of Shs 900 at Shs 17.1.			
Elite Book Centre - Nairobi Cash Sale 90168	MFP 365	35	Altered from Shs 30 to Shs 630. Overstatement of Shs 600 at Shs 17.1.			
Everite office Requisites - Nairobi						
Cash Sale 2665	MFP 367	292	Altered from Shs 300 to Shs 5,300. Overstatement of Shs 5,000 at Shs 17.1.			
Muranga Bookshop - Muranga Cash Sale 58370	MFP 367	53	Altered from Shs 18 to Shs 918. Overstatement of Shs 900 at Shs 17.1.			
Expenses allowed						10,606
VOUCHER TOTAL		6,359		-		10,606
D	<u>VOUCHER NO 623 - 68342</u>					
	<u>VALUE US\$ 75947</u>					
1.	Hotel Boulevard - Nairobi Receipt 80177 dated 18.11.85	MFP 248	1,582	Boulevard confirmed that only Shs 17,650 was charged and not Shs 43,364. Receipts issued to ESAMI were numbers 80179 and 80180. 80177 was issued to another hotel resident and the original must have been irregularly obtained.		
2.	Somalia and Mauritius participants transit expenses	MFP 234	1,635	Participants signatures on vouchers sent to USAID differ from specimens at ESAMI.		
	c/f		3,217			

PROJECT : 698-0662-23

VOUCHERS EXAMINED

Currency : U S Dollars

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
	b/f	3,217		-		-
3. Rank Xerox - Koinange Street Cash Sale 82	MFP 248	59	Cash sale altered from Shs 6 to Shs 960. Disallowed Shs 954 at Shs 16.25.			
Cash Sale 861	MFP 249	55	Altered from Shs 10 to Shs 910. Overstatement of Shs 900 at Shs 16.25.			
4. Dima Traders - Nairobi Cash Sale 90304 dated 31.10.85	MFP 248	24	Shs 40 changed to Shs 440. Disallowed Shs 400 at Shs 16.25.			
5. Makucni Bookshop - Nairobi Cash Sale 20603 dated 30/10/85	MFP 249	185	Shs 1,350 altered to Shs 4,350. Disallowed Shs 3,000 at Shs 16.25.			
6. Rank Xerox Cash Sale 48355 dated 29/10/85	MFP 249	246	Shs 428 altered to Shs 4,428. Disallowed Shs 4,000 at Shs 16.25.			
Expenses allowed						72,161
VOUCHER TOTAL		3,786		-		72,161
D <u>VOUCHER NO 623-58125</u>						
<u>VALUE US \$ 39,180</u>						
1. Nakasubi Hotel INV 399 dated 25/2/85	MFP 447	137	Hotel cannot be located.			
	c/f	137				

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VOUCHERS EXAMINED

Currency : U S Dollars

Supplier and Document Reference	Working Paper Reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
	b/f	137		-		-
2. Nakasubi Hotel R NO 400 dated 1.3.85	MFP 448	815	Hotel cannot be located.			
3. (Nameless) No Number - Entebbe	MFP 447	165	Cannot be located. Telephone number not Entebbe format.			
4. Participants per diem	MFP 450 MFP 451	1,193	A comparison of a sample of signatures on correspondence at ESAMI with those on list appear to show that signatures differ.			
5. Uganda Printing Press Cash Sale 001 dated 27/3/85	MFP 472	573	Supplier cannot be located			
Cash sale 031 dated 28/3/85	MFP 472	3,378	Supplier cannot be located			
6. Chartur Hardware Cash Sale 28 dated 28.10.84	MFP 502	113	Supplier cannot be located			
7. Kumarshan & Sons Limited R No (Numberless) dated 30.10.84	MFP 502	294	Supplier cannot be located			
Allowable expenses						32,512
VOUCHER TOTAL		6,668		-		32,512

VOUCHER EXAMINED

Supplier and document reference	Working Paper Reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
A <u>MFP 147</u>						
<u>VALUE US\$ 92,574</u>						
Mileage Claim - Mr Omuodo	MFP 149/1	365	Mr Omuodo, Esami Consultant in the Health Services Management Division confirms his car was used but he has not been paid this.			
Mileage Claim - Mr L K Ndungu	MFP 149/2	267	Mr Omuodo, Esami Consultant confirmed that Mr Ndungu's car was not used.			
Republic of Kenya official Receipt AE 4569 dated 6.4.86	MFP 149/10 MFP 149/10/1	5,942	Confirmed with the Executive Officer National Family Planning Welfare Centre that the premises were provided free.			
Pre-workshop expenses - per diems received, Nairobi	MFP 149/11	250	Allocated on the basis of confirmations received upto 8.9.86.			557
Pre Workshop expenses, Nyeri - per diems received	MFP 149/18	-	Allowed on the basis of confirmations received upto 8.9.86			627
- travel expenses	MFP 149/20	405				475
Ministry of Health Resource Persons - per diems received	MFP 149/19	782	Allocated on the basis of confirmations received upto 8.9.86			261
Ladies Tailoring House, Nyeri Dated 7/4/86 (not numbered)	MFP 149/28	112	Purchase of six Casio calculators. Cost not reasonable			
Scholars Bookshop, Nyeri. Cash Sale 20110 dated 7.4.86	MFP 149/31	25	Purchase of 30 rubbers at 70 cts changed to 130 rubbers and value changed from Shs 21 to Shs 421. Disallowed Shs 400 at Shs 16.1.			
Wamugu Bookshop - Nyeri Cash Sale 2553 dated 7.4.86	MFP 149/31	20	Purchase of pencil sharpeners. Cost not reasonable.			
Elloway Service Station, Eldoret Cash sale 133990, dated 8.3.86	MFP 149/36	26	Dates of invoices different from period of seminar.			
	<u>c/£</u>	<u>8,194</u>				<u>1,920</u>

Currency : US Dollars

VOUCHERS EXAMINED

Supplier and Document Reference	Working Paper Reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
	b/f	8,194				1,920
Republic of Kenya : Receipt No. AE 4570 dated 6.4.86	MFP 149/46	4,064	The Health Centre at which the course was held confirmed verbally receiving US\$166.6. The balance of the US\$4,064 claimed is disallowed. (written confirmation awaited)			1,666
Participants travel - Kisumu	MFP 149/47 MFP 149/48	192	Allocated on the basis of confirmations received upto 8.9.86.			817
Forest Lodge, Meru Invoice 1201 dated 25/4/86	MFP 149/58 MFP 149/59	1,108	Forest Lodge, Meru confirmed \$3,364 and not \$4,472 as invoiced and receipted.			
Participants travel, Meru Per diems	MFP 149/60 MFP 149/61	332	Allocated on the basis of confirmations received upto 8.9.86.			359
Oceanic Hotel - Mombasa Bill Nos 31914 and 32027	MFP 149/68	150	Bar and sundry items on bill.			
Mombasa Safe Lodge - Mombasa	MFP 149/86	2,655	Lodge cannot be located			
Per diems : Mrs Ochwo - Mombasa	MFP 149/62	300	Mrs Ochwo confirmed that she did not receive this money.			
Participants Travel - Mombasa Per diems	MFP 149/90 MFP 149/91	979	Circularisation not possible since no addresses available for course participants.			
Ngong Crescent Motel - Ngong Road, Nairobi	MFP 149/94	3,278	Motel cannot be located			
Car Mileage - Mr Ndungu	MFP 149/95	21	Wrongly calculated			
Allowable expenses						66,539
VOUCHER TOTAL		21,273				71,301

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VOUCHERS EXAMINED

Currency : U S Dollars

Supplier and Document Reference	Working Paper Reference	Value Disallowed	Reason	Value Negotiable	Reason	Value Allowable
D <u>VOUCHER NO 623 - 68566</u> <u>VALUE US\$ 25688</u>						
Ethiopian Airlines Invoice No 22525 - 26/6/85	MA 347/1 MA 337	606	Invoice cost of ticket Tshs 51,632 On claim this was typed as TShs 61,632. Overstatement of TShs 10,000 at TShs 16.5			
Allowable expenses						25,082
VOUCHER TOTAL		606		-		25,082
D <u>VOUCHER NO 623 - 68065</u> <u>VALUE US\$ 18,447</u>	MA 275	-		-		18,447
D <u>VOUCHER NO 623-57485</u> <u>VALUE US\$ 25487</u>	MA 361	-		-		25,487
D <u>VOUCHER NO 623-68507</u> <u>VALUE US\$ 6661</u>	MA 257	-		-		6,661
D <u>VOUCHER NO 623-68503</u> <u>VALUE US\$ 2524</u>	MA 210	-		-		2,524

D - Disbursed

A - Accrued

Currency in US Dollars

PROJECT 698-0413-09

VOUCHERS EXAMINED

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
A <u>MA 161</u> <u>VALUE US\$ 5,253</u>						
Mr A Mtowa - Expenses of commuting between hotels and airports on a trip to India and the Far East	MA 165			86	No supporting documents	
A Mtowa - Mileage	MA 165 MA 166	218	Rate used to claim is T Shs.7.00 per kilometre (ESAMI rate). USAID rate is US\$.205 per mile. Amount claimed was US\$207. Amount claimable US\$ 89. Balance disallowed (Factor mile to Km = .621). Kilometres claimed 700.			
A Mtowa - Air ticket				400	Mtowa incurred additional US\$ 400 as he had gone to Tokyo-Hong-Kong on a private visit but was unable to resume his journey from Manila due to political upheavals. Resumed from Tokyo	
				2,549	Expenditure over and above US\$2,000 estimated and approved in PIL No.6	2,000
VOUCHER TOTAL		218		3,035		2,000

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VOUCHERS EXAMINED

Currency : US Dollars

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowable</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
A <u>MA 146</u> <u>VALUE US\$ 3,667</u>	MA 146			2,667	PIL No.6 only approved US\$1,000 for Xerox training.	1,000
A <u>MA 154</u> <u>VALUE US\$ 8,738</u>	MA 154	3,049	Expenditure was not in compliance with agreed terms between Esami and USAID on remuneration of relief personnel.	-		5,689
A <u>MA 176</u> <u>VALUE US \$ 1,670</u>						
Per diem - Dr V Mvano Uganda 6/3 - 15/3/86	MA 177	290	Per diem in March in Uganda was US\$ 70. Claimed US\$ 99. Disallowed US \$29 for 10 days.	-		-
Mileage - Dr V Mvano 600 kms	MA 177	55	Rate used KShs. 3.50 per km. Correct rate is .205 US\$ per mile (factor mile to km .621). Claimable is US\$ 76. Claimed US\$ 131. Balance disallowed.	-		1,325
VOUCHER TOTAL		345		-		1,325
A <u>MA 191</u> <u>VALUE US \$ 3,567</u>						
Mileage - Dr E Chiviya	MA 195	615	Claimed 3317 kilometres mileage. The amount disallowed is the difference between the rate used and the USAID rate. Rate used was Shs.5 per km.			2,952
VOUCHER TOTAL		615				2,952

4/10

PROJECT 698-0413-09

VOUCHERS EXAMINED

Currency : US Dollars

<u>Supplier and Document Reference</u>	<u>Working Paper Reference</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
A- <u>MA 128</u> <u>VALUE US\$ 3,830</u>						
Per diem - Mr C Simuyemba Lusaka June 1986	MA 202	552	Per diem relates to Lusaka where the person was involved in data collection for case writing. The per diem claimed is US\$ 96 though the rate applicable at the period was US\$73. US\$23 for 24 days disallowed.			2,499
		79	Taxi fares incurred before commencement of official trip.			
		.700	ESAMI expense incorrectly included in voucher.			
VOUCHER TOTAL		1,331				2,499

VOUCHERS EXAMINED

Currency : US Dollars

<u>Supplier and Document Reference</u>	<u>Working Paper Ref</u>	<u>Value Disallowed</u>	<u>Reason</u>	<u>Value Negotiable</u>	<u>Reason</u>	<u>Value Allowable</u>
<u>VOUCHER NO 623-57189</u>						
VALUE US\$ 9781						
Chartur Hardware Limited	MNA 160	46	Supplier cannot be located			
(Name not legible)	MNA 161	360	Supplier cannot be located			
Kumarshan and Sons Ltd Receipt No 90 of 3G-7-85	MNA 160	298	Supplier cannot be located			
Salary : Mr Mwamburi	MNA 157	75	Per salary records, was earning US\$ 1,425 and not US \$ 1,500			
Per diems : Mr Katorobo & Mr Ndungu	MNA 158 - 159	132	Days at stations overstated			
Secretarial Services	MNA 157			1,540	No supporting documents	
Taxi Charges - Harare, Lusaka and Kampala Allowable expenses	MNA 154-155	858	No supporting documents.			6,472
VOUCHER TOTAL		1,769		1,540		6,472
<u>VOUCHER 623-57188</u>						
US\$ 8600						
Salary	MNA 139	75	Mr Mwamburi was earning US\$ 1,425 but US\$ 1,500 was claimed.			
Educational materials Allowable expenses	MNA 144-150			6,400	No supporting documents were submitted.	2,125
VOUCHER TOTAL		75		6,400		2,125

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UNITED STATES OF AMERICA

APPENDIX III PAGE 1

AGENCY FOR INTERNATIONAL DEVELOPMENT
EAST AFRICA REGIONAL ECONOMIC DEVELOPMENT SERVICES OFFICE

UNITED STATES POSTAL ADDRESS
NAIROBI (ID)
DEPARTMENT OF STATE
WASHINGTON, D. C. 20520

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 3022
NAIROBI, KENYA

September 27, 1984

The Director
ESAMI
P.O. Box 3030
ARUSHA, Tanzania

Subject: AID PROJECT NO. 698.0662.23

Implementation Letter No. 1

Dear Sir,

This letter is to advise the East and Southern African Management Institute (ESAMI) that, pursuant to Section 4.2 of the Grant Agreement, the Grantee has met the condition precedent specified in Section 4.1 by submitting the required specimen signatures received in your letter of September 25, 1984.

This letter also sets forth the procedures for disbursement of funds of the above grant. Nothing in this letter alters the scope of the Project Agreement or the terms of the specific sections of the Project Agreement that are referred to or explained in this communication. The letter may be supplemented or modified by subsequent Project Implementation Letters issued from time to time as may be required:

Advances:

The Grantee may request advances for planned expenditures for a period not to exceed 30 days per request. The advance request should be in the following format:

a) A completed SF 1034 Public Voucher for Purchase of Services Other than Personal denoting complete payee's name and address and amount requested for payment. The SF-1034 must bear the signature of the person holding or acting in the office of the Grantee (Grant Agreement Article 4 Section 4.1).

b) Budgetary requirements for 30 day period.

Within 45 days from the completion of the advance period, the Grantee will submit a report of actual expenditures with the necessary receipts to clear the advance. Details for reporting are noted in the following paragraphs. At no time will the Grantor process advances for activities in excess of 60 days.

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Reporting Actual Costs:

The following documentation is required in reporting actual costs against advances received:

a) A completed SF 1034 with complete payee's name, address and amount reported with the period (month or actual dates) noted. Attached herewith SF-1034s.

b) A supporting schedule in the following format (see sample attached):

- i) Description of budgetary line item
- ii) Budget by line item
- iii) Expenditures (cash disbursements) previously reported
- iv) Expenditures claimed this period (Inception to-date)
- v) Cumulative Grant Expenditures (Inception to-date)

These reports are in addition to the quarterly financial reports described in Annex 1 - Amplified Description of Project, Item 2 Inputs, Budget.

Supporting documentation required

Training Courses

1. List of people trained
2. Copy of signed list of trainees receiving per diem
3. Itemization of related transportation expenses (note mileage claim cannot exceed USG standard of \$.205 per mile, i.e. K.Shs.2.00 per kilometer). If rental vehicles are utilized copies of the receipts should be attached.

Training Manuals and Materials

1. Copies of appropriate receipts for printing and binding costs
2. Itemization of charges for work performed by ESAMI staff.

External Consultants

1. Copies of payment vouchers for fees paid to consultants shall not exceed rates normally paid by ESAMI without prior approval of AID.

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2. Copies of payment vouchers for travel costs and per diem expenses limited to the US Government rates per the Standardized Regulations Section 925 as periodically adjusted.

Personnel

1. A list of the personnel being paid with their title and salary in currency paid to be provided with initial report.
2. Exchange rate noted for each type of currency.
3. Subsequent billings need to include the title and a breakdown by salary, education allowance, housing allowance, and/or subsistence allowance paid for each person receiving payment.

Reconciling Advances

If an advance request exceeds the actual costs reported, the next advance request received by the Grantor will be reduced by a corresponding amount.

If an advance request is less than the actual costs reported, RFMC will draw a check to the payee as designated on the SF-1034 for that difference to be paid.

Submission of SF-1034's

All requests for advances and actual cost reporting with supporting documentation in triplicate should be submitted to the Project Manager:

Linda Jacobson
REDSO/ESA
Box 30261
Nairobi.

The paying office will be the Regional Financial Management Center (RFMC) which acts in the capacity of controller for this grant activity. Advance Disbursement will be made within 20 days of receipt and acceptance of the approved voucher.

Method of Payment

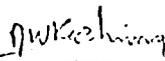
Disbursements for advances and reimbursements will be made in Kenya Shillings per Article 7 Section 7.4 of the Project Grant Agreement and in US dollars as designated on the SF-1034s.

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All checks can be collected from the USAID/Kenya Cashier, 4th Floor, Union Towers Building between the hours of 9:00 - 10:00 a.m. and 3:00 - 4:00 p.m. on weekdays Monday through Friday.

Should you have any questions concerning the above outlined procedures, please contact the AID Grant Project Manager, Ms. Linda Jacobson.

Sincerely



John W. Koehring
Director

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E S A M I

PROJECT NO: 698-0662.23

Description	<u>Budgetary items</u>		<u>E x p e n d i t u r e s</u>		Cumulative Inception to date (dates)
	Amount	Previously Reported.	Claimed this period (dates)		

T O T A L S

Exchange rates used for currency:

receipts attached

US\$ 1:00 = T.Shs. _____

US\$ 1:00 = K.Shs. _____

FILE

REPORT ON TUITION FEES CHARGED BY VARIOUS FIRMS IN KENYA

The objective of this survey is to gather information on the tuition fees that are currently being charged by the various firms that conduct training in Kenya. This information will assist ESAMI in:-

1. Formulating its policies in respect of training
2. Determining the right prices that should be charged for various courses i.e. tuition fees.
3. Negotiating with sponsors on the fees that ESAMI can charge and thus strengthen ESAMI's marketing capability and bargaining power.

TUITION FEES PER PERSON		
FIRM	TUITION FEES PER DAY	TUITION FEES PER WEEK (5 DAYS)
1. Promin Consultants Limited (PCL)	600	3,000
2. Kenya Institute of Management (KIM):		
Members	650	3,250
Non Members	800	4,000
3. Kenya Institute of Administration (KIA) (Government Owned):		
Non Executives	600	3,000
Executives	1,500	7,500
4. K.H.I. Consultants Limited		
Fees vary from programme to programme:		
a) PAYE Annual Returns (Supervisors)	800	
b) Supervisory Management Development (1st Line Supervisors)	800	4,000
c) Support to Management (Senior Secretaries & Personal Assistants)	4 days 1,000	4,000
d) Managing People (Senior Managers)	1,300	6,500
e) Principles of Personnel Management Programme (Potential Personnel Managers)	1,000	5,000
f) Marketing Management etc.	1,350	6,750

ESAMI's tuition fee is US \$250 per week per person which is equivalent to \$250 x shs. 16 = Kshs. 4,000. The tuition fee of Kshs. 4,000 charged by ESAMI for all its courses compares favourably with those charged by various firms in Kenya as the table above shows.

NOTE: TOBIAS S. MWANYIKA is an employee of ESAMI

March, 1986

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APPENDIX V

COMPARISON OF TRANSPORTATION CHARGES OF ESAMI AND ARUSHA TOUR OPERATORS

The rates charged by ESAMI on the two occasions they used their big bus on the USAID sponsored project

	Rate per Km
November 1984	TShs. 14.00
November 1985	16.50

Tour operators charges applicable when there is no fuel shortage are shown below. When there is a fuel shortage charges will be higher:

TOUR OPERATOR	TYPE OF BUS	1984/1985	
		RATE PER KM TSHS	1986 TSHS
1. Arusha International Conference Centre	Mini-Bus	Shs.14 plus standing charges	Shs.20 plus Shs.600 standing charge per day
2. Laitolya Tours	Mini-Bus		Shs.25 plus Shs.600 standing charge per day
3. Ranger Safaris	Mini-Bus	Shs.15-20 plus Shs.550 standing charge per day	Shs.25-30 plus Shs.750 standing charge per day
	Big-Bus	Shs.25 plus Shs.800 standing charge per day	Shs.40 plus Shs.1200 standing charge per day
4. Bobby Tours	Mini-Bus	Shs.20 plus Shs.400 standing charge per day	Shs.25 plus Shs.600 standing charge per day
5. International Lion Safaris	Mini-Bus	Shs.20	Shs.25

APPENDIX VI

COMPARISON OF USAID AND UNITED NATIONS (UN) PER DIEM RATES -(EFFECTIVE 1
AUGUST 1985

	UN Rate US\$	USAID Rate US\$
KENYA		
Nairobi (Hilton, Intercontinental, Mt. Kenya Safari Club & New Stanley	78	80
Nairobi elsewhere	60	80
Elsewhere	35	27
MALAWI		
Lilongwe (Capital Hill)	77	65
Lilongwe (Elsewhere)	58	65
SOMALIA		
Mogadishu	38	44
Elsewhere	15	34
SWAZILAND		
Mbabane (Royal Swaziland)	42	49
NiLangano	33	49
Mbabane (Elsewhere)	27	49
Elsewhere	20	49
TANZANIA		
Dar es Salaam	82	86
Zanzibar	82	71
Arusha	73	69
Elsewhere	53	53
LESOTHO		
Maseru	21	57
Elsewhere	18	57

APPENDIX VI I

ANALYSIS OF XEROX MACHINE CHARGES

	KShs.	US\$.	%
Labour charges	9,630	594	9
400 Reams photocopying paper	56,000	3,457	52
Repair charges	14,078	869	13
Spares	28,208	1,741	26
	<hr/>	<hr/>	<hr/>
	107,916	6,661	100
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

ILLUSTRATIVE CHECKING GRID

1.	Purchase Order Reference and date	
2.	Prices checked	
3.	Additions and Extensions checked	
4.	Documentation complete	
5.	Authorisation	

NOTES

- a. Items 1 to 3 to be checked by the donor accountant. Items 2 to 4 are to be initialled.
- b. Item 5 to be signed by persons authorised to sign Form SF 1034.
- c. This grid may take the form of a standard for or a rubber stamp.