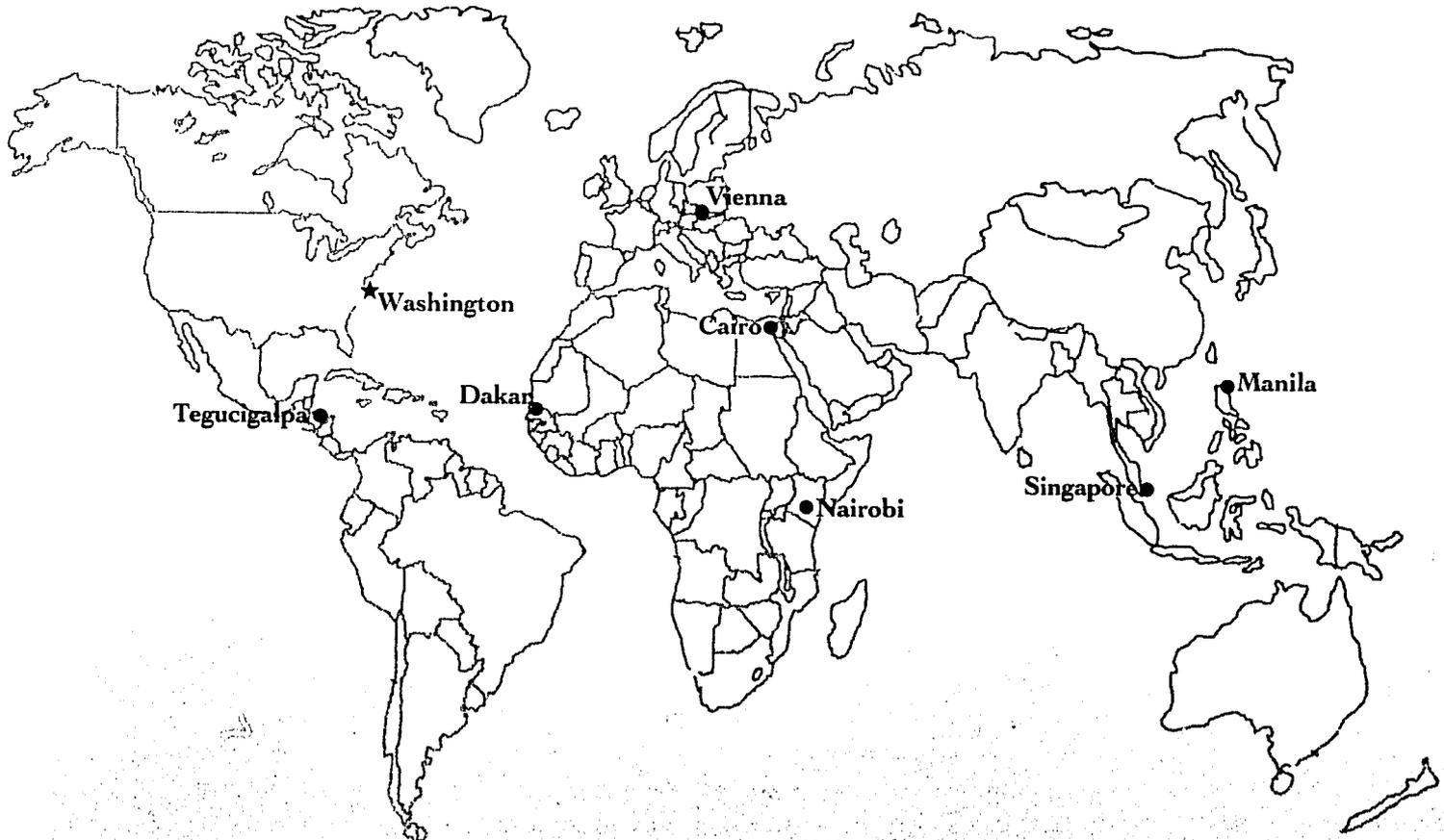


Regional Inspector General for Audit
Nairobi, Kenya

Audit of the
National Council for Population
and Development Under USAID/Kenya
Project No. 615-0232

Report No. 3-615-92-12-N
July 29, 1992



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INSPECTOR
GENERAL

U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

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

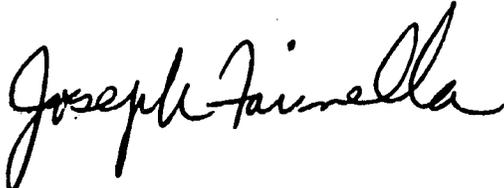
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July 29, 1992

memorandum

TO: John R. Westley, Director, USAID/Kenya

FROM: Joseph Farinella, Acting RIG/A/Nairobi 

SUBJECT: Audit of The National Council for Population and Development under USAID/Kenya Project No. 615-0232, Audit Report No. 3-615-92-12-N

Attached are five copies of a mission-contracted financial audit report of The National Council for Population and Development Under USAID/Kenya Project No. 615-0232. The accounting firm of KPMG Peat Marwick, Nairobi performed the audit.

The goal of the Kenya Family Planning Services and Support (KFPSS) Project No. 615-0232 is to lower Kenya's population growth rate by assisting the Government of Kenya, Non-Governmental Organizations (NGOs) and private contractors in improving services and increasing the capacity of the Kenya public and private sectors to promote family planning. The KFPSS Project has ten components, four of which concern Kenya's National Council for Population and Development (NCPD). These four components are:

- NCPD Community Based Services
 - NCPD Administration Strengthening
 - NCPD Policy, Planning and Evaluation
 - NCPD Information and Communication
- a -

RIG/A/Nairobi Audit Report No. 3-615-90-09 reported that project disbursements to NCPD for project costs incurred by NGOs were not properly controlled. As a result of this audit report, KPMG Peat Marwick was requested to perform a mission-contracted audit of project expenditures reimbursed to NCPD by USAID/Kenya from September 23, 1985 through March 25, 1991. During this period NCPD received \$3,223,928 of A.I.D. funds -- which was the amount audited.

The objectives of the audit were to:

- examine and express an opinion on NCPD's Fund Accountability Statement;
- examine and report on NCPD's internal control structure; and
- examine and report on NCPD's compliance with the grant agreement provisions and applicable laws and regulations.

The auditors disclaimed an opinion on the Fund Accountability Statement due to the amounts of questioned and unsupported costs. The auditors questioned \$160,410 (5.0%) of expenditures and considered \$828,438 (25.7%) of expenditures to be unsupported. The report on the internal control structure noted reportable conditions concerning NCPD's preparation of claims and maintenance of accounting records. The report on compliance noted that NCPD did not comply with the grant provision requiring the maintenance of adequate books and records.

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

Recommendation No. 1: We recommend that USAID/Kenya determine the allowability and recover, as appropriate, from the National Council for Population and Development:

1.1 \$160,410 in questioned costs; and

1.2 \$828,438 in unsupported costs.

Recommendation No. 2: We recommend that USAID/Kenya obtain from the National Council for Population and Development a plan of action to improve the internal control structure regarding the preparation, filing and documentation of claims.

We consider Recommendation Nos. 1 and 2 unresolved pending receipt of a plan for corrective action. The Mission has indicated that additional information and documentation assembled after the completion of the auditors' field work may lead to the allowance of certain unsupported and/or questioned costs. Please respond to this report within 30 days indicating actions planned or already taken to implement the recommendation.

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

Attachments: a/s.

**AUDIT OF THE
NATIONAL COUNCIL FOR POPULATION
AND DEVELOPMENT UNDER
PROJECT NO. 615-0232**

ATTACHMENTS

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MISSION-CONTRACTED AUDIT OF THE
NATIONAL COUNCIL FOR POPULATION AND
DEVELOPMENT (NCPD) UNDER USAID/KENYA
PROJECT NO. 615-0232

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MISSION-CONTRACTED AUDIT OF THE
NATIONAL COUNCIL FOR POPULATION AND
DEVELOPMENT (NCPD) UNDER USAID/KENYA
PROJECT NO. 615-0232

TABLE OF CONTENTS

	<u>Page</u>
1. INTRODUCTION	
1.1. Background	1
1.2. Audit Objectives	2
1.3. Audit Methodology	3
1.4. Audit Scope	4
1.5. Restrictions on Audit Scope	4
1.6. Summary of Audit Results	5-6
1.7. Summary of Recommendations	7-8
1.8. Summary of Auditee Management Comments	9
1.9. Summary of USAID/Kenya Management Comments	9
2. INDEPENDENT AUDITOR'S REPORT ON THE FUND ACCOUNTABILITY STATEMENT OF NCPD UNDER USAID/KENYA GRANT NO.615-0232	10
2.1. The Fund Accountability Statement	11
2.2. Questioned and Unsupported Costs	13-47
3. INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS	48-49
3.1. Findings	50-53
4. INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH LAWS, REGULATIONS AND GRANT AGREEMENTS	54
4.1. Items of Compliance	55
4.2. Items of Non-Compliance	56

APPENDIX

I. Management Comments: NCPD

II. Management Comments: USAID/KENYA

1. INTRODUCTION

1.1. Background

The goal of the Kenya Family Planning Services and Support Project (FPSS) is to lower Kenya's population growth rate by assisting the Government of Kenya (GOK), Non-Governmental Organizations (NGOs), and private contractors in improving services and increasing the capacity of the Kenya public and private sectors to promote family planning. The FPSS Project has 10 components, four of which concern Kenya's National Council for Population and Development (NCPD). These are:

- NCPD Community Based Services (component 3)
- NCPD Administrative Strengthening (component 6)
- NCPD Policy, Planning and Evaluation (component 7)
- NCPD Information and Communication (component 8)

The key features of each of the above components are as follows:-

1) Component 3: NCPD Community Based Services

This component of the grant was designed to increase awareness of the benefits of modern methods of preventive health, to encourage use of modern family planning methods and make supplies and other services conveniently accessible to couples and individuals by drawing upon Kenya's extensive network of community development leaders and organisations.

2) Component 6: NCPD Administration Strengthening

This component of the grant was designed to strengthen the effectiveness of the NCPD by increasing staffing levels and substantive skills in population awareness, and to improve the quality of strategic planning.

3) Component 7: NCPD Policy, Planning and Evaluation

This component was designed to provide funds to assist Kenya, through NCPD, in further developing the technical and analytical capacities of the NCPD secretariat.

4) Component 8: NCPD Information and Communication

This component was designed to increase the demand for family planning services by using a blend of mass media and interpersonal channels to reach selected target audiences with service-related messages.

From project inception date, September 23, 1985, through March 25, 1991 USAID/Kenya had reimbursed NCPD US\$ 3,223,928 under the four components.

RIG/A/Nairobi Audit Report No.3-615-90-09, dated June 22, 1990 reported that project disbursements to NCPD for project costs incurred by NGO's were not properly controlled.

As a result of the RIG/A/Nairobi Audit Report, Peat Marwick were requested to perform a Mission-contracted audit of project expenditures reimbursed to NCPD by USAID/Kenya under the grant.

The scope of the Mission-contracted audit included a review of expenditures reimbursed to NCPD under the grant. The fund accountability statement excludes, firstly, expenditures reported under the four components incurred directly by USAID/Kenya on behalf of NCPD, and secondly, expenditures reimbursed but not controlled by NCPD, for example, direct funding of NGO's.

1.2. Audit Objectives

Peat Marwick was contracted under its Indefinite Quantity Contract (OTR-0000-1-00-0014-00) to perform a Mission-contracted audit of the NCPD components nos. 3, 6, 7 and 8 of the Kenya Family Planning Services and Support Project, Grant No.615-0232 in accordance with generally accepted auditing standards and the U.S. Comptroller General's "Government Auditing Standards", (1988 Revision). The principal objective was to determine whether costs reimbursed to the auditee are adequately supported in accordance with the agreement and are allowable, allocable and reasonable. Total costs claimed as of March 25, 1991 are US\$3,223,928.

With respect to the costs claimed, Peat Marwick was requested to provide:

- an opinion on the auditee's Fund Accountability Statement;
- an evaluation and report on the auditee's internal control structure;
- a determination and report on the auditee's compliance with the project grant agreement and applicable laws and regulations.

1.3. Audit Methodology

Peat Marwick conducted an initial survey of the accounting records from March 21, 1991 to April 4, 1991, at which time the selection of transactions for detailed testing was completed. Peat Marwick subsequently prepared its audit work program for approval by RIG/A/N, secured approval and performed the field work from May 16, 1991 to April 10, 1992.

The principal audit steps performed included:

- a review of the terms and conditions of the project grant agreement, applicable standard provisions and regulations and other project documents as deemed necessary;
- a review of the auditee's internal control structure in order to assess the auditee's significant internal control policies and procedures;
- performance of detailed compliance, internal controls, and errors and irregularities (SAS 53 and 54) audit procedures to evaluate the auditee's compliance with grant and applicable provisions, adequacy of accounting system and internal controls, and to obtain reasonable assurance of detecting errors, irregularities and illegal acts;
- testing of cost transactions from the Fund Accountability Statement to determine the extent of non-compliance, unallowable or unallocable expenses and the effectiveness of internal controls.

1.4. Audit Scope

(a) Audit Report on the Fund Accountability Statement

The audit covered expenditure reimbursed to NCPD during the period September 23, 1985 to March 25, 1991. Expenditure incurred by USAID/Kenya on behalf of NCPD and expenditure reimbursed to other institutions not controlled through NCPD under the grant are excluded.

(b) Audit Report on the auditee's internal control structure

The audit reviewed the internal control structure relevant to the recording of receipts from USAID/Kenya and expenditure incurred and claimed against USAID/Kenya under the grant.

(c) Audit Report on auditee's compliance with laws, regulations and the Grant Agreement

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

1.5. Restrictions on Audit Scope

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

1.6. Summary of Audit Results

1.6.1. Review of Internal Control Structure

Our review of NCPD's internal control structure is set out in section 3. Our report notes that NCPD's accounting systems are inadequate in the following respects:-

- Preparation of reimbursement claims to USAID/Kenya and the relevant audit trails.
- Maintenance of independent accounting records for the purpose of preparing the fund accountability statement.
- Maintenance and filing of third party documents supporting reimbursement claims to USAID/Kenya.

1.6.2. Audit Report on the Fund Accountability Statement

Our audit report on the Fund Accountability Statement reports that there are unsupported costs of US\$817,400 and questioned costs of US\$171,448. The detailed results of our report are set out in section 2.

A summary of the results is as follows:-

<u>Unsupported Costs</u>	<u>US\$</u>
1) Differences between expenditure returns submitted by NGO's to NCPD and reimbursement claims submitted by NCPD to USAID/Kenya	90,920
2) NGO expenditure files not located	326,333
3) Items on NGO expenditure returns not supported by third party documents	194,871
4) NGO reimbursement claims duplicated by NCPD	102,690
5) NCPD secretariat claims not supported by third party documents	20,774
6) Unidentified	<u>81,812</u>
	<u>817,400</u>

<u>Questioned Costs</u>	<u>US\$</u>
Deemed 40% government tax on petrol vouchers	14,629
Questioned community health workers distribution allowances, Saradidi project	41,404
Questioned rent allocation, CPK-Eldoret	703
Non-verification of former NCPD staff	11,038
Lack of audit trail between claims and voucher files	103,674
	US\$ <u>171,448</u>

1.6.3. Review of Grant Compliance

Our review of NCPD's compliance with the Project grant agreement and applicable laws and regulations is set out in section 4. Our major finding was that NCPD failed to comply with Project grant standard provision, section B.5(b), concerning the maintenance of books and records.

1.7. Summary of Recommendations

A summary of our recommendations is set out below:-

	<u>Recommend- ation Number</u>	<u>Page Number</u>
Resolve unsupported costs of US\$65,035	1	15
Resolve questioned costs of US\$41,404	2	16
USAID/Kenya to recover questioned costs of US\$265	3	16
Resolve unsupported costs of US\$13,541	4	17
Resolve unsupported costs of US\$942	5	19
USAID/Kenya to recover questioned costs of US\$21	6	19
Resolve questioned costs of US\$703	7	19
Resolve unsupported costs of US\$11,308	8	20
Resolve unsupported costs of US\$10,205	9	23
Resolve unsupported costs of US\$75	10	24
Resolve unsupported costs of US\$1,160	11	26
Resolve unsupported costs of US\$81,812	12	27
Resolve unsupported costs of US\$21,750	13	28
Resolve unsupported costs of US\$216,921	14	32
USAID/Kenya to recover questioned costs of US\$5,146	15	32
Resolve unsupported cost of US\$113,237	16	35
USAID/Kenya to recover questioned costs of US\$4,959	17	35
Resolve unsupported costs of US\$60,030	18	37
USAID/Kenya to recover questioned costs of US\$3,338	19	37
Resolve unsupported costs of US\$ 21,007	20	39
USAID/Kenya to recover questioned costs of US\$425	21	39
Resolve unsupported costs of US\$108,193	22	41
Resolve questioned costs of US\$38,520	23	41
Resolve unsupported costs of US\$74,023	24	43
USAID/Kenya to recover questioned costs of US\$475	25	43
Resolve unsupported costs of US\$9,334	26	44
Resolve questioned costs of US\$65,154	27	46
Resolve unsupported costs of US\$20,135	28	46
NCPD to reference expenditure returns to third party documentation at time of receipt. An audit trail should be provided to show how reimbursement claim to USAID/Kenya is constructed	29	51

All reimbursement claims to USAID/
Kenya to be filed sequentially,
together with supporting documentation 30 52

All grant documentation to be
maintained in a secure central
location. A register should be
maintained to safeguard location
of files 31 52

In resolving recommendations numbered 1 to 28, the following points
should be recognised:-

1. RIG/A/Nairobi Audit Report number 3-615-90-09 indicated
questioned costs of US\$1,828, and unsupported costs of
US\$22,404. From our review of reimbursement claims in the
period to March 25, 1991, we have identified the following
deductions made by USAID/Kenya against claims relating to the
resolution of RIG/A/Nairobi Audit Report recommendations.

	<u>US\$</u>
Salvation Army	38
Family Planning Association of Kenya	303
	—
	<u>US\$ 341</u>
	===

These amounts should be deducted from amounts recovered by
USAID/Kenya when resolving the above recommendations.

2. Whilst performing our substantive work on NGO expenditure
claims, it was noted that the NCPD/Ministry of Home Affairs
internal audit function had previously reviewed a number of
claims and disallowed unsupported items. We are informed that
the internal audit department performs this function after
submission of claims to USAID/Kenya.

In resolving the above recommendations, claims subsequent to
the period covered by our audit should be reviewed to identify
whether the unsupported items noted by internal audit covering
the period of our audit have been deducted from subsequent
claims. If this is the case, these items should be deducted
from amounts recovered by USAID/Kenya, to avoid double
counting the recovery of unsupported items.

1.8. Summary of Auditee Management Comments

The response of NCPD management to our audit report is attached in Appendix I. In general, auditee management agree with our findings.

However, NCPD management raised the following specific points.

Firstly, they noted that the audit report covers a period of six years. Due to the length of the period under audit, the availability of complete records has been a problem at both NCPD and the NGO's. Documents have been mislaid due to NCPD accounts department moving offices, and the movement of records during various Government of Kenya and donor audits. NCPD feel that the audit results would have been better if the audit had been conducted annually.

Secondly, NCPD accept that US regulations do not allow the recovery of tax on petrol, but advise that it has proved administratively difficult to recover this tax out of claims from NGO's.

Thirdly, NCPD management note that a number of documents noted as missing or unavailable in our audit report have now been located. These items are noted in management's response to individual recommendations throughout our report.

1.9. Summary of USAID/Kenya Management Comments

The response of USAID/Kenya management to our audit report is attached in Appendix II. USAID/Kenya management concur with the NCPD response to the report.

KPMG Peat Marwick

Certified Public Accountants

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2.

INDEPENDENT AUDITOR'S REPORT ON THE FUND
ACCOUNTABILITY STATEMENT OF NCPD UNDER
USAID/KENYA GRANT NO. 615-0232
(THE FINANCIAL STATEMENT)

We have audited the Fund Accountability Statement for the period from September 23, 1985 to March 25, 1991. This financial statement is the responsibility of the management of NCPD. Our responsibility is to express an opinion on this financial statement based on our audit.

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

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

As noted in section 2.2. to this report the Fund Accountability Statement includes questioned costs of US\$160,410 and unsupported costs of US\$828,438. Due to the materiality of these costs in relation to total expenditures claimed by NCPD under the grant, we are unable to express an opinion on the Fund Accountability Statement for the period from September 23, 1985 to March 25, 1991.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the information of NCPD and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick
CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date: April 13, 1992



Member Firm of
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2.1. Fund Accountability Statement of NCPD under USAID/Kenya Grant No.615-0232 for the period from September 23, 1985 to March 25, 1991.

	<u>Notes</u>	<u>US\$</u>	<u>US\$</u>
<u>Revenues</u>	2		
Funds received from USAID/Kenya under the grant			3,223,928
<u>Expenditures</u>	3		
<u>Component 3: Community Based Services</u>			
CPK - Maseno West		193,687	
Kabiro - Kawangware Project		29,716	
CPK - Eldoret		<u>30,035</u>	
		<u>253,438</u>	
<u>Component 6: Administrative Strengthening</u>			
Salaries		206,042	
Benefits		7,641	
Allowances		64,028	
Travel and transport		28,259	
Expendable items		7,150	
Operational expenses		4,125	
Other costs		15,041	
Unidentified costs		<u>81,812</u>	
		<u>414,098</u>	
<u>Component 7: Policy, Planning and Evaluation</u>			
Kenya demographic and health survey		<u>172,686</u>	
<u>Component 8: Information and Communication</u>			
Protestant Church Medical Association/Christian Health Association of Kenya (PCMA/CHAK)		539,748	
Family Planning Association of Kenya (FPAK)		1,115,370	
Kenya Catholic Secretariat (KCS)		271,403	
Salvation Army (SA)		69,816	
Young Mens Christian Association (YMCA)		160,904	
Kenya Medical Association (KMA)		130,055	
NCPD		11,121	
Kenya National Union of Teachers (KNUT)		<u>85,289</u>	
		<u>2,383,706</u>	
Total expenditures claimed by NCPD under the grant			<u>3,223,928</u>
<u>Unexpended funds</u>	4	US\$	<u><u>-</u></u>

2.1.1. Notes to the Statement

1. Basis of Accounting

The Fund Accountability Statement is prepared on a cash reimbursement basis. Cash reimbursements have been extracted from USAID/Kenya commitment liquidation records (printout reference MACS P04, option 1, dated March 25, 1991). As noted in notes 2 and 3 below, revenues and expenditures are recorded when cash is physically received or expended. As the commitment liquidation records are maintained in US dollars the Fund Accountability Statement has been prepared in the same unit of currency.

2. Revenues

Revenues represent amounts reimbursed directly to NCPD under the grant from USAID/Kenya in the period from September 23, 1985 to March 25, 1991. They exclude grants from other donors, and other sources of income.

3. Expenditures

Expenditures represent amounts expended as follows:-

1. Components 3 and 8: amounts claimed from NCPD by various NGO's under Project Implementation Letters, funded by USAID/Kenya. NCPD expenditure returns are summarized by NCPD and submitted to USAID/Kenya. The claims are prepared in Kenya Shillings, and translated into US dollars by USAID/Kenya at the exchange rate prevailing at receipt of the reimbursement claim.
2. Components 6 and 7, represent secretariat and other costs incurred by NCPD in Kenya Shillings, translated by USAID/Kenya at the exchange rate prevailing at receipt of the reimbursement claim.

4. Unexpended Funds

As USAID/Kenya reimburses NCPD on a reimbursement claim basis, there are no unexpended funds.

2.2. Fund Accountability Statement of NCPD under USAID/Kenya Grant No.615-0232 for the period from September 23, 1985 to March 25, 1991 - Questioned and Unsupported Costs

	Total amount reimbursed	Cost recommended for Acceptance	Costs Questioned	Costs Unsupported	Reference
	US\$	US\$	US\$	US\$	
<u>Component 3:</u>					
CPK - Maseno West	193,687	86,983	41,669	65,035	2.3.1
Kabiro - Kawangware	29,716	16,175	-	13,541	2.3.2
CPK - Eldoret	30,035	28,369	724	942	2.3.3
	<u>253,438</u>	<u>131,527</u>	<u>42,393</u>	<u>79,518</u>	
<u>Component 6:</u>					
Salaries	206,042	195,004	-	11,038	2.4.1
Benefits	7,641	7,641	-	-	2.4.2
Allowances	64,028	64,028	-	-	2.4.2
Travel and transport	28,259	18,054	-	10,205	2.4.3
Expendable items	7,150	7,150	-	-	-
Operational expenses	4,125	4,050	-	75	2.4.4
Other costs	15,041	13,881	-	1,160	2.4.5
Unidentified costs	81,812	-	-	81,812	2.4.6
	<u>414,098</u>	<u>309,808</u>	<u>-</u>	<u>104,290</u>	
<u>Component 7:</u>					
Kenya demographic and health survey	<u>172,686</u>	<u>150,936</u>	<u>-</u>	<u>21,750</u>	2.5.1
<u>Component 8:</u>					
PCMA/CHAK	539,748	317,681	5,146	216,921	2.6.1
FPAK	1,115,370	997,174	4,959	113,237	2.6.2
KCS	271,403	208,035	3,338	60,030	2.6.3
SA	69,816	48,384	425	21,007	2.6.4
YMCA	160,904	14,191	38,520	108,193	2.6.5
KMA	130,055	55,557	475	74,023	2.6.6
NCPD	11,121	1,787	-	9,334	2.6.7
KNUT	85,289	-	65,154	20,135	2.6.8
	<u>2,383,706</u>	<u>1,642,809</u>	<u>118,017</u>	<u>622,880</u>	
Total	<u><u>3,223,928</u></u>	<u><u>2,235,080</u></u>	<u><u>160,410</u></u>	<u><u>828,438</u></u>	

2.3. Component 3: Community Based Services

2.3.1. Church of the Province of Kenya - Diocese of Maseno West (Saradidi)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya for support to Saradidi under Project Implementation Letters numbered 40 and 48.

Verification

1. We verified a sample of claims reimbursed by USAID/Kenya to NCPD, by agreeing claims back to expenditure returns submitted by Saradidi.
2. For a sample of expenditures reported on Saradidi expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents, ensuring expenditures are allowable, allocable and reasonable;
3. We ensured that NCPD reimbursed Saradidi for expenditure returns submitted by comparing payments to Saradidi to total value of claims submitted during the period.

Results

Our audit results for this component are as follows:-

1. Total unsupported expenditures amount to US\$65,035. An analysis of this figure is as follows:-

<u>Period of Claim</u>	<u>US\$</u>	<u>Note</u>
June 1988 - October 1988	336	I
November 1988 - June 1989	2,365	II
July 1989 - June 1990	<u>62,334</u>	III
	<u>65,035</u>	

Notes:

- I & II Various items on Saradidi expenditure returns unsupported by third party documentation.
- III The claim submitted to and paid by USAID/Kenya was for cumulative costs to date, rather than costs for the claim period. Total claimable costs for the period July 1989 to January 1990 amounted to KShs.713,399 (US\$31,112). However, NCPD claimed for KShs.2,142,719, which includes KShs.1,429,320 (US\$62,334) brought forward at June 1989, previously claimed. The full amount was reimbursed by USAID/Kenya. Therefore US\$62,334 is unsupported.

2. Total questioned cost amounts to US\$41,669 analyzed as follows:

	<u>US\$</u>	<u>Note</u>
Community health workers distribution allowances	41,404	I
Deemed 40% tax on petrol vouchers claimed	<u>265</u>	II
	<u>US\$ 41,669</u>	

Note:

- I. Each claim for distribution allowances is supported by a schedule of workers names, value of allowances, and signature for receipt of allowances. However, there are significant variances in the signatures used to sign for allowances on a monthly basis by a number of individual workers. Furthermore, during our visit to Saradidi, we were unable to physically verify any of a sample of identified workers. Thus we consider the entire claimed amount for distribution workers allowances of US\$41,404 to be questionable.

- II. Attachment E-1 to the Project Implementation Letters for this component states that "A.I.D. will reimburse NCPD for up to 60% of actual petrol associated with activities covered by this PIL. The full cost cannot be borne by A.I.D. because of the inclusion of duties and taxes in fuel costs which cannot be borne by A.I.D." The questioned cost of US\$265 relates to the 40% element, which has not been disallowed by NCPD in claiming for reimbursement.

Recommendation No.1

If NCPD is unable to substantiate unsupported costs of US\$65,035, these should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comments

NCPD management advise that they have located third party documents amounting to US\$2,701 out of total unsupported costs of US\$65,035.

Recommendation No.2

Before accepting the US\$41,404 relating to community health workers distribution allowances, USAID/Kenya should, for a sample of workers, prepare schedules of allowances received under the grant. A USAID/Kenya representative should then visit the project and request that the individuals sampled be required to sign a letter confirming receipt of allowances. The letter should then be countersigned by the USAID/Kenya representative after confirming the identity of the worker, by reviewing the individuals' Kenyan identity card.

If USAID/Kenya is unable to obtain these confirmations, then the relevant questioned cost should be recovered against the next reimbursement claim submitted by NCPD.

NCPD Management Comments

NCPD management advise that the USAID/NCPD Financial Analyst has now visited the Saradidi Project and obtained signatures from community health workers. The difference in signatures has apparently occurred due to distribution allowances being collected by proxy.

Recommendation No.3

Questioned costs of US\$265, representing deemed 40% tax on petrol vouchers claimed, should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comments

NCPD management accept this recommendation.

2.3.2. Kabiro - Kawangware Project (KK)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya, for support to the Kabiro-Kawangware Project under Project Implementation Letters numbered 61 and 66.

Verification

1. We verified a sample of claims reimbursed by USAID/Kenya to NCPD, by agreeing claims back to expenditure returns submitted by KK to NCPD.
2. For a sample of expenditures reported on KK expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents, ensuring expenditures are allowable, allocable and reasonable.
3. We ensured that NCPD reimbursed KK at least the amounts claimed by NCPD under USAID/Kenya grant.

Results

1. Total unsupported costs amounted to US\$13,541. This figure is analyzed as follows:-

	KShs.
Originating vouchers not located for the months of:	
March 1990	100,891
April 1990	86,426
May 1990	80,764
Various payment vouchers unsupported by originating third party documents	<u>106,472</u>
	<u>374,553</u>
At exchange rate US\$1: KShs.27.66,	US\$ <u>13,541</u>

Recommendation No.4

If NCPD is unable to provide the missing documentation noted above, USAID/Kenya should recover unsupported costs of US\$13,541 from the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that they have now located certified photocopies of missing documentation amounting to US\$9,692.

2.3.3. Church of the Province of Kenya - Diocese of Eldoret
(CPK-Eldoret)

Costs under this heading relate to expenses reimbursed by USAID/Kenya to NCPD for support to CPK-Eldoret under Project Implementation Letters numbered 36 and 41.

Verification

1. We verified a sample of claims reimbursed by USAID/Kenya to NCPD, by agreeing claims back to expenditure returns submitted by CPK - Eldoret to NCPD.
2. For a sample of expenditures reported on CPK - Eldoret expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents, ensuring expenditures are allowable, allocable and reasonable.
3. We ensured NCPD had reimbursed CPK-Eldoret at least the amounts claimed by NCPD under USAID/Kenya grant.

Results

1. Total unsupported costs amount to US\$942. These relate to items claimed on expenditure returns submitted by CPK - Eldoret unsupported by originating third party documents. An analysis of this figure is as follows:-

<u>Claim period</u>	<u>US\$</u>
April 1988 - March 1989	466
April 1989 - June 1989	476
	US\$ 942
	==

2. Total questioned costs amount to US\$724. An analysis of this figure is as follows:-

	<u>US\$</u>
Deemed 40% tax on petrol claims	21
Rent of KShs.15,000 charged to project without evidence of basis of calculation	703
	US\$ 724
	==

Recommendation No.5

If NCPD is unable to provide the missing documentation noted above, USAID/Kenya should recover unsupported costs of US\$942 from the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

Recommendation No.6

Questioned costs of US\$21, representing deemed 40% tax on petrol claims, should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

Recommendation No.7

Before accepting the US\$703 relating to rent, the basis of calculation with supporting documentary evidence should be obtained. If these questioned costs cannot be supported they should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that they have received a letter from CPK-Eldoret explaining the basis of the rent calculation.

2.4. Component 6: Administrative Strengthening

2.4.1 Salaries

This consists of salaries paid to identified NCPD employees under this component.

Verification

1. We agreed salary claims to NCPD payroll records.
2. For a sample of employees, we agreed gross salary claimed to contracts of employment, and subsequent amendments.
3. For a sample of employees, we physically verified their existence and role within NCPD.

Results

1. Total unsupported costs amount to US\$11,038. For a number of selected employees, it was not possible to agree salary to personal records, or to physically verify existence, as the particular employees tested have subsequently left NCPD, moving within the civil service. We were informed that when an employee moves, his or her personal records move accordingly, and as a result we were unable to verify the existence of the employees and whether they were correctly charged to the grant. The relevant employees noted were as follows: G.W. Mbui, J. Ng'eno, K. Gekonde, P. Ondieki, J. Hungu, M. Thiong'o, M. Kagiri and W. Obungu. The unsupported amount of US\$11,038 relates to gross salaries claimed throughout the grant period on behalf of these individuals.
2. All other employees' salaries were verified by reference to payroll and personal files.

Recommendation No.8

USAID/Kenya should request that NCPD locate the personal files of the above mentioned persons and substantiate the claims made in respect of them otherwise unsupported salaries costs of US\$11,038 should be recovered from the next NCPD reimbursement claim.

NCPD Management Comment

NCPD management advise that the personal files of individuals who are now in other government departments can be made available.

2.4.2. Benefits and Allowances

This consists of benefits, and allowances paid to identified NCPD employees under this component.

Verification

1. We agreed a sample of payments of benefits, and allowances to payroll records.
2. Employee verification work was done in section 2.4.1.

Results

1. As in section 2.4.1., on salaries, a number of employees were not verified by testing their physical existence or review of their personal records. However, we anticipate that the related questioned cost in benefits and allowances paid to these individuals would be insignificant and hence have not quantified them.

2.4.3. Travel and Transport

This consists of claims for travel and transport expenditures reimbursed under this component.

Verification

For a selection of travel and transport claims, we agreed the claim to supporting, originating third party documentation, ensuring expenditure is allowable, allocable and reasonable.

Results

1. Total unsupported costs, where we were provided with no third party supporting documents, amounted to US\$10,205. An analysis of this figure is as follows:-

<u>Claim period/vouchers</u>	<u>KShs.</u>	<u>US\$</u>
<u>April 1988 - June 1988</u>		
PV 1462	980	
PV 1467	2,800	
PV 1582	1,748	
PV 1570 overstated by	10,000	
PV 1440	<u>1,917</u>	
	<u>17,445</u>	
At ER KShs.18.4 = US\$1		948
<u>January 1987 - June 1987</u>		
Petrol and vehicle maintenance vouchers not located	<u>147,870</u>	
At ER KShs.16.7 = US\$1		8,855

	<u>KShs.</u>	<u>US\$</u>
<u>January 1987 - June 1987</u>		
<u>Travel for staff training and seminars</u>		
Vouchers not located		
PV 1295	150	
PV 1326	927	
PV 1336	200	
PV 1378	600	
PV 1403	30	
PV 1517	1,008	
PV 1519	130	
PV 1522	2,504	
PV 1523	477	
PV 1530	200	
PV 1534	464	
PV 1426	<u>25</u>	
	<u>6,715</u>	
At ER KShs.16.7 = US\$1,		<u>402</u>
	US\$	<u><u>10,205</u></u>

2. All other expenditures were fully verified and were allowable, allocable and reasonable.

Recommendation No.9

Unless the above vouchers can be produced and fully support the claim, unsupported costs of US\$10,205 should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that they have located documents supporting US\$9,662 out of the total unsupported costs of US\$10,205.

2.4.4. Operational Expenses

Operational expenses consist of costs incurred in maintenance of office equipment.

Verification

For a sample of operational expenditures claimed by NCPD, we agreed back to supporting originating third party documentation, ensuring expenditures were allowable, allocable and reasonable.

Results

1. For the claim period January 1987 to June 1987, payment voucher No.1528 for KShs.1,262 (US\$75) was not located. US\$75 is thus unsupported.
2. All other expenditures were fully supported and were allowable, allocable and reasonable.

Recommendation No.10

Unless the above payment voucher can be produced and it fully supports the claim, the unsupported cost of US\$75 should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comments

NCPD management accept this recommendation.

2.4.5. Other Costs

Other costs consist of attendance allowances for board meetings, committees, conferences and seminars payable to NCPD staff.

Verification

For a sample of attendance claims, we agreed claims back to supporting documentation, ensuring each claim was authorized and expenditure was allowable, allocable and reasonable.

Results

1. Unsupported expenditure amounted to US\$1,160. This figure is analyzed as follows:-

<u>Claim period</u>	<u>KShs.</u>	<u>US\$</u>
<u>January - June 1987</u>		
Claims sighted	62,852	
Claims submitted	<u>68,852</u>	
Difference	<u>6,000</u>	
At ER KShs. 16.7 = US\$1		359
<u>July - November 1989</u>		
Claims sighted	47,691	
Claims submitted	<u>48,091</u>	
Difference	<u>400</u>	
At ER KShs.16.95 = US\$1,		23
<u>December 1987 - March 1988</u>		
Claims sighted	49,290	
Claims submitted	<u>53,290</u>	
Difference	<u>4,000</u>	
At ER KShs.17.02 = US\$1,		235
<u>April 1988 - June 1988</u>		
Claims sighted	81,074	
Claims submitted	<u>91,074</u>	
Difference	<u>10,000</u>	
At ER KShs.18.40 = US\$1,		543
		<u>US\$ 1,160</u>

2. All other expenditure claims were fully supported and were allowable, allocable and reasonable.

Recommendation No.11

If NCPD is unable to provide the missing documentation noted above, unsupported expenditures of US\$1,160 should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

2.4.6. Unidentified Costs

"Unidentified costs" represents voucher number 615872884 submitted to USAID/Kenya apparently for NCPD secretariat costs. This voucher has not been located at USAID/Kenya offices and NCPD have been unable to provide either an explanation or supporting documentation as to the reimbursement claim.

Recommendation No.12

If NCPD is unable to support voucher number 615872884, then USAID/Kenya should recover unsupported costs of US\$81,812 against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that the voucher has now been located, together with supporting documents.

2.5. Component 7: Policy Planning and Evaluation

2.5.1. Kenya Demographic and Health Survey

Expenditures under this heading consist of costs reimbursed to NCPD by USAID/Kenya, for conducting the above named survey under Project Implementation Letters numbered 46 and 65.

Verification

1. For a sample of items claimed by NCPD, were vouched back to originating third party documentation ensuring expenditures are allowable, allocable and reasonable.

Results

1. Total unsupported costs amounted to US\$21,750. An analysis of this figure is as follows:-

	US\$
Difference between amounts claimed from USAID/Kenya by NCPD, and aggregate value of payment vouchers located	21,122
Payment vouchers located not supported by third party documentation	<u>628</u>
	<u>US\$ 21,750</u>

Recommendation No.13

If NCPD is unable to substantiate unsupported claims of US\$21,750, these costs should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that they have located documents amounting to US\$17,464 out of total unsupported claims of US\$21,750.

2.6. Component 8: Information and Communication

2.6.1. Christian Health Association of Kenya/Protestant Medical Association of Kenya (CHAK/PCMA)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya for support to CHAK/PCMA under Project Implementation Letters numbered 11, 29, 38, 60 and 69.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD we agreed claims back to expenditure returns submitted by CHAK/PCMA to NCPD.
2. For a sample of expenditures reported on CHAK/PCMA expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents, ensuring expenditures are allowable, allocable and reasonable.
3. We ensured NCPD has reimbursed CHAK/PCMA for expenditure returns submitted by comparing payments to CHAK/PCMA to total values of claims submitted.

Results

1. Total unsupported costs amounted to US\$216,921. An analysis of this figure is as follows:-

<u>Period of Claim</u>	<u>US\$</u>	<u>Note</u>
January 1986 - June 1986	13,282	I
August 1986 - February 1987	83,850	II
March 1987 - June 1987	55,101	III
July 1987 - September 1987	1,550	IV
October 1987 - December 1987	7,268	V
January 1988 - June 1988	13,579	VI
January 1989 - March 1989	493	VII
April 1989 - June 1989	<u>41,798</u>	VIII
	US\$ <u>216,921</u>	

These unsupported costs can be summarized as follows:-

	US\$
. Amounts claimed by NCPD and paid by USAID/Kenya in excess of CHAK/PCMA expenditure records	25,859
. Items on CHAK/PCMA expenditure returns not supported by third party documentation	150,706
. Excess reimbursement by USAID/Kenya	<u>40,356</u>
	US\$ <u><u>216,921</u></u>

Notes

	US\$
I Difference between amounts claimed from USAID/Kenya by NCPD and expenditure records submitted by CHAK/PCMA	11,182
Amounts claimed on CHAK/PCMA expenditure returns not supported by third party documentation	<u>2,100</u>
	<u><u>13,282</u></u>

II & III

Expenditure files for the periods August 1986 to February 1987, and March 1987 to June 1987, have not been located at NCPD. Therefore expenditure claims for these periods are entirely unsupported.

	US\$
IV Difference between amounts claimed from USAID/Kenya by NCPD and expenditure records submitted by CHAK/PCMA	866
Items claimed on CHAK/PCMA expenditure returns not supported by third party documentation	<u>684</u>
	<u><u>1,550</u></u>

	<u>US\$</u>	
V	Difference between amounts claimed from USAID/Kenya by NCPD and expenditure records submitted by CHAK/PCMA	6,928
	Items claimed on CHAK/PCMA expenditure returns not supported by third party documentation	<u>340</u> <u>7,268</u> <u>=====</u>
VI	Difference between amounts claimed from USAID/Kenya by NCPD and expenditure returns submitted by CHAK/PCMA	6,883
	Items claimed on CHAK/PCMA expenditure returns not supported by third party documentation	<u>6,696</u> US\$ <u>13,579</u> <u>=====</u>
VII	Items claimed on CHAK/PCMA expenditure returns not supported by third party documentation	493 <u>=====</u>
VIII	Total value of claims for the period January 1989 to June 1989 was KShs. 2,128,872. USAID/Kenya has reimbursed KShs.3,051,021 to NCPD (KShs.924,421 and KShs.2,126,600 on vouchers numbered 61500427 and 61501517). The excess of reimbursements over claims amounts to KShs.922,149 (US\$40,356)	40,356
	Items claimed on CHAK/PCMA expenditure returns unsupported by third party documentation	<u>1,442</u> US\$ <u>41,798</u> <u>=====</u>
2.	Expenditures of US\$5,146 are questioned as they relate to reimbursement for petrol vouchers of which \$5,146 represents deemed 40% government tax.	

Recommendation No.14

If NCPD is unable to provide the missing documentation noted above, unsupported costs of US\$216,921 should be recovered against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD advise that the Government of Kenya Auditor-General has issued a certificate relating to US\$150,706 out of unsupported costs of US\$216,921.

Recommendation No.15

Questioned costs of US\$5,146, representing deemed 40% tax on petrol claims, should be recovered against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

2.6.2. Family Planning Association of Kenya (FPAK)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya for support to the FPAK project under Project Implementation Letters numbered 11, 29, 38, 58 and 75.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD we agreed claims back to expenditure returns submitted by FPAK to NCPD.
2. For a sample example of expenditures reported on FPAK expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents, ensuring expenditures are allowable, allocable and reasonable.
3. Ensure NCPD has reimbursed the FPAK at least the amounts claimed by NCPD and reimbursed by USAID/Kenya to NCPD in respect of FPAK.

Results

1. Total unsupported costs amount to US\$113,237. This figure is analyzed as follows:-

<u>Claim Period</u>	<u>US\$</u>	<u>Note</u>
October 1985 - September 1986	64,009	I
October 1986 - December 1986	4,650	II
January 1987 - December 1987	4,112	III
July 1987 - September 1987	862	IV
October 1987 - December 1987	1,962	IV
January 1988 - June 1988	3,311	IV
July 1988 - March 1989	32,760	IV
April 1989 - May 1989	<u>1,571</u>	IV
	US\$ 113,237	

These unsupported costs can be summarized as follows:-

	<u>US\$</u>
. Amounts claimed by NCPD and paid by USAID/Kenya in excess of FPAK expenditure records	30,605
. Items on FPAK expenditure returns for which there is no supporting third party documentation	<u>82,632</u>
	<u>113,237</u>
	<u>=====</u>

Notes

I The unsupported cost of US\$64,009 for the period October 1985 to September 1986 is analyzed as follows:-

	<u>US\$</u>
Difference between amounts claimed from USAID/Kenya by NCPD and expenditure returns submitted by FPAK	30,605
October 1985 voucher file not located	12,261
Items claimed on FPAK expenditure returns not supported by third party documentation	<u>21,143</u>
	<u>64,009</u>
	<u>=====</u>

II The unsupported cost of US\$4,650 relates to items claimed on FPAK expenditure returns not supported by third party documentation.

III The unsupported cost of US\$4,112 is analyzed as follows:-

	<u>US\$</u>
April 1987 and May 1987 files not located	4,088
Items claimed on FPAK expenditure returns not supported by third party documentation	<u>24</u>
	<u>4,112</u>
	<u>=====</u>

IV The unsupported costs for these periods relate to items on FPAK expenditure returns not supported by third party documents.

2. Total questioned costs amount to US\$4,959. This relates to 40% deemed tax on petrol vouchers claimed.

Recommendation No.16

If NCPD is unable to locate supporting documents for the items noted, total unsupported cost of US\$113,237 should be recovered by USAID/Kenya against the next reimbursement claim by NCPD.

NCPD Management Comment

NCPD management advise that the files for October 1985, April 1987, and May 1987 have now been located, together with supporting documents. Total costs claimed for these periods amount to US\$16,349. In addition, the Government of Kenya Auditor-General has issued an audit certificate concerning expenditures reimbursed to FPAK during the project period.

Recommendation No.17

Questioned costs of US\$4,959 should be recovered against the next reimbursement claim made by NCPD.

NCPD Management Comment

NCPD management have not addressed this recommendation.

2.6.3. Kenya Catholic Secretariat (KCS)

This category consists of expenses reimbursed to NCPD by USAID/Kenya for support to the Kenya Catholic Secretariat (KCS) under Project Implementation Letters numbered 30 and 51.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD, we agreed claims back to expenditure returns submitted by KCS to NCPD, as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents ensuring expenditures are allowable, allocable and reasonable;
2. We ensured NCPD has reimbursed the KCS at least the amounts claimed by NCPD and reimbursed by USAID/Kenya to NCPD in respect of KCS.

Results

1. Total unsupported costs amount to US\$60,030. An analysis of this figure is as follows:-

<u>Claim period</u>	<u>US\$</u>	<u>Note</u>
January 1986 - August 1986	7,950	I
September 1986 - January 1987	38,278	II
February 1987 - June 1987	<u>13,802</u>	III
	<u>60,030</u>	

Notes

I. Items on KCS expenditure returns unsupported by originating third party documentation	<u>7,950</u>
------------------------------------------------------------------------------------------	--------------

II.	Difference between amounts claimed by NCPD from USAID/Kenya and expenditure returns submitted by KCS to NCPD	25,895
	December 1986 voucher file not located	9,104
	Items on KCS expenditure returns unsupported by originating third party documentation	<u>3,279</u>
		<u><u>38,278</u></u>
III.	Difference between amounts claimed by NCPD from USAID/Kenya and expenditure returns submitted by KCS to NCPD	3,127
	Items on KCS expenditure returns unsupported by originating third party documentation	<u>10,675</u>
		<u><u>13,802</u></u>
2.	Total questioned costs amount to US\$3,338. Questioned costs relate to the deemed tax element (40%) of identified fuel bills claimed under the various claims.	

Recommendation No.18

If NCPD is unable to substantiate the items noted above, unsupported costs of US\$60,030 relating to KCS should be recovered by USAID/Kenya against the next reimbursement claim made by NCPD.

NCPD Management Comment

NCPD management have not addressed this recommendation.

Recommendation No.19

Questioned costs of US\$3,338 should be recovered against the next reimbursement claim made by NCPD.

NCPD Management Comment

NCPD management have not addressed this recommendation.

2.6.4. Salvation Army (SA)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya for support to the Salvation Army project under Project Implementation Letters numbered 11, 29, 38 and 56.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD we agreed claims back to expenditure returns submitted by SA to NCPD.
2. For a sample of expenditures reported on SA expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents ensuring expenditures are allowable, allocable and reasonable.
3. We ensured NCPD has reimbursed the SA at least the amounts reimbursed by USAID/Kenya to NCPD in respect of SA.

Results

1. Total unsupported costs amount to US\$21,007. An analysis of this figure is as follows:-

<u>Claim Period</u>	<u>US\$</u>	<u>Note</u>
October 1985 - September 1986	3,091	I
October 1987 - February 1988	7,160	II
March 1988 - June 1988	260	III
July 1989 - May 1990	<u>10,496</u>	IV
	<u>21,007</u>	

Notes

- I Relates to amounts claimed by NCPD in excess of the value of expenditure returns submitted by SA.
- II The voucher files for the period October 1987 to February 1988 were not located.

III This relates to items on SA expenditure returns not supported by third party documents.

IV An analysis of this figure is as follows:-

	<u>US\$</u>
Amounts claimed by NCPD in excess of SA expenditure returns	2,343
Items on SA expenditure returns supported only by photocopies	<u>8,153</u>
	US\$ <u>10,496</u>
	=====

2. Total questioned costs amount to US\$425. This relates to the deemed 40% tax on petrol claims.

Recommendation No.20

If NCPD is unable to substantiate unsupported costs of US\$21,007, these should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that documents amounting to US\$10,251, out of total unsupported costs of US\$21,007, have now been located.

Recommendation No.21

Questioned costs of US\$425 should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

2.6.5. Young Mens Christian Association (YMCA)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya for support to the YMCA Project under Project Implementation Letters numbered 11, 29, 38, 56 and 70.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD we agreed claims back to expenditure returns submitted by YMCA to NCPD.
2. For a sample of expenditures reported on YMCA expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents ensuring expenditures are allowable, allocable and reasonable.
3. We ensured NCPD has reimbursed the YMCA at least the amounts reimbursed by USAID/Kenya to NCPD in respect of YMCA.

Results

1. Total unsupported costs amount to US\$108,193. This figure is analyzed as follows:-

<u>Claim Period</u>	<u>US\$</u>	<u>Note</u>
July 1987 - June 1988	65,561	I
July 1988 - December 1988	26,595	II
January 1989 - June 1989	<u>16,037</u>	III
	<u>108,193</u>	

Notes

- I and II Files of vouchers for these periods were not located at either NCPD or YMCA.
- III An expenditure summary was located for this period, together with a file of vouchers. The total claim was for KShs.690,754, whilst supporting vouchers were sighted for KShs.324,303. The difference, KShs.366,451 (US\$16,037) is unsupported.

2. Total questioned costs amount to US\$ 38,520. This relates to expenditure for March 1987 - June 1987. No expenditure summaries were located for this period, although a file of vouchers was found covering the same period. Whilst there appears to be sufficient expenditure to cover the value of the claim, the total value of the claim is questioned on the grounds that there is no audit trail between the claim and the vouchers, and thus the vouchers located may relate to a funding source other than USAID/Kenya.

Recommendation No.22

If NCPD is unable to substantiate unsupported costs of US\$108,193, these should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that files for the period August 1987 to March 1988 have now been located to support costs of US\$35,000 out of total unsupported costs of US\$108,193.

Recommendation No.23

If NCPD are unable to provide an audit trail between claim and vouchers, then questioned costs of US\$38,520 should be recovered against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management advise that they have received a certificate from the YMCA confirming that questioned costs of US\$38,520 relate to the USAID/Kenya grant.

2.6.6. Kenya Medical Association (KMA)

Costs under this heading consist of costs reimbursed to NCPD by USAID/Kenya, for support to the KMA Project under Project Implementation Letters numbered 11, 29, 38, 58 and 67.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD we agreed claims back to expenditure returns submitted by KNUT to NCPD.
2. For a sample of the expenditures reported on KMA expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents ensuring expenditures are allowable, allocable and reasonable.
3. Ensure NCPD has reimbursed the KMA at least the amounts claimed by NCPD and reimbursed by USAID/Kenya in respect of KMA

Results

1. Total unsupported cost amount to US\$74,023. An analysis of this figure is as follows:-

<u>Claim Period</u>	<u>US\$</u>	<u>Note</u>
August 1986 - June 1987	21,102	I
July 1988 - June 1989	13,002	II
July 1989 - November 1989	29,504	III
December 1989 - April 1990	<u>10,415</u>	IV
	<u>74,023</u>	

Notes

I An analysis of unsupported costs of US\$21,102 is as follows:-

	<u>US\$</u>
Items on KMA expenditure returns unsupported by third party documents	16,324
Items on KMA expenditure returns supported only by photocopies	<u>4,778</u>
	US\$ 21,102
	=====

II, III, IV

Expenditure summaries available, but voucher files not located at either KMA or NCPD offices.

2. Total questioned costs amount to US\$475. This related to deemed 40% government tax on petrol vouchers claimed.

Recommendation No.24

If NCPD is unable to substantiate unsupported costs of US\$74,023, these should be recovered by USAID/Kenya against the next expenditure reimbursement claim from NCPD.

NCPD Management Comment

NCPD management advise that files for the period July 1989 to April 1990 have now been located to support costs of US\$39,919 out of total unsupported costs of US\$74,023.

Recommendation No.25

Questioned fuel costs of US\$475 should be recovered by USAID/Kenya against the next expenditure reimbursement claim from NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

2.6.7. National Council for Population and Development (NCPD)

Costs under this heading consist of costs reimbursed to NCPD for advertising expenditure incurred by NCPD under Project Implementation No.38.

Verification

1. For a sample of items claimed under this heading, we agreed items claimed back to originating third party documentation.

Results

1. Total unsupported costs amount to US\$9,334. NCPD was only able to provide vouchers supporting expenditure of US\$1,787.

Recommendation No.26

If NCPD is unable to substantiate unsupported costs of US\$9,334, these should be recovered by USAID/Kenya against the next reimbursement claim submitted by NCPD.

NCPD Management Comment

NCPD management accept this recommendation.

2.6.8. Kenya National Union of Teachers (KNUT)

Costs under this heading consist of expenses reimbursed to NCPD by USAID/Kenya for support to the KNUT under Project Implementation Letters numbered 11, 19, 29 and 38.

Verification

1. For a sample of claims reimbursed by USAID/Kenya to NCPD we agreed claims back to expenditure returns submitted by KNUT to NCPD.
2. For a sample of expenditures reported on KNUT expenditure returns, we agreed expenditures to originating third party documentation as follows:
 - agreed personal emoluments to payroll records;
 - agreed other expenditures to originating third party documents ensuring expenditures are allowable, allocable and reasonable.
3. Ensure NCPD has funded KNUT to a minimum of amounts reimbursed by USAID/Kenya to NCPD in respect of KNUT.

Results

KNUT has made two claims over the period under question, as follows:-

	<u>US\$</u>	<u>Note</u>
June 1986 - June 1987	65,154	I
July 1987- June 1988	<u>20,135</u>	II
	<u>85,289</u>	

Notes:

- I. The only records to support this claim is a box of receipt books submitted by KNUT including original documents. From an add list prepared by NCPD, total vouchers covering the period in question amount to KShs.1,614,142 (US\$93,900). From a review of the individual vouchers, approximately KShs.493,003 (US\$28,679) are unsupported by third party documents, leaving a supportable balance of KShs.1,121,139 (US\$65,221) compared to the actual claim of US\$65,154. However, as there is no effective audit trail to ensure that these vouchers relate to the USAID/Kenya grant, the whole claim is treated as questioned.
2. The claim for KShs.377,340 (US\$20,135) is supported only by photocopies of payment vouchers. KNUT are unable to provide us with original documents. Therefore the whole of this claim is treated as unsupported.

Recommendation No.27

If NCPD is unable to provide evidence to ensure that the vouchers totalling KShs.1,121,139 relate purely to the USAID/Kenya grant, USAID/Kenya should recover the questioned costs of US\$65,154 against the next NCPD reimbursement claim.

NCPD Management Comment

NCPD management advise that KNUT has issued a certificate confirming that the questioned costs relate to the USAID/Kenya grant.

Recommendation No.28

If NCPD is unable to provide original documentation, USAID/Kenya should recover unsupported costs of US\$20,135 against the next NCPD reimbursement claim.

NCPD Management Comment

NCPD management accept this recommendation.

KPMG Peat Marwick

Certified Public Accountants

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3.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL STRUCTURE OF NCPD UNDER THE USAID/KENYA
PROJECT NO.615-0232
(THE FINANCIAL STATEMENT)

We have audited the Fund Accountability Statement of NCPD for the period from September 23, 1985 to March 25, 1991 and have issued a report thereon dated April 13, 1992.

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

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

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

- Preparation of the Fund Accountability Statement
- Grant claim preparation.
- File and document maintenance.



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

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

A description of reportable conditions is set out on pages 50 to 52 immediately following this report. In view of the significance of weaknesses identified, we consider that the system of internal accounting control of NCPD was inadequate for the purpose of properly identifying and accounting for expenditures to USAID/Kenya.

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

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In our opinion, the reportable conditions set out on pages 50 to 52 are all material weaknesses.

Financial information contained in this report may be privileged. The restrictions of 18 USC 1905 should be considered before any information is released to the public. This report is intended solely for the information of NCPD and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick
CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date: April 13, 1992

3.1. INTRODUCTION

3.1.1. Definition

American Institute of Certified Public Accountants (AICPA) Codification of Auditing Standards, section 319, defines an organization'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 is composed of three elements:

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

The control environment reflects the overall attitude, awareness and actions of management. The accounting system consists of 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.

However, NCPD does not operate an accounting system which is autonomous to that of its parent organization, the Ministry of Home Affairs and National Heritage (MOHANH). Thus we have codified the internal control structure of NCPD on a functional basis relating to the administration of the grant as follows:-

- . Preparation of the Fund-Accountability Statement.
- . Grant claim preparation.
- . File and document maintenance.

We feel that our findings will be best understood within this framework.

3.2. Findings

3.2.1. Preparation of the Fund Accountability Statement

1. NCPD does not maintain independent accounting records sufficient to be able to prepare a Fund Accountability Statement to show the receipt and use of funds received from USAID/Kenya. This is due to the fact that NCPD is purely a component part of the Ministry of Home Affairs, and expenditures incurred both for secretariat and payments to NGO's are recorded through the Ministry's own accounting system. As NCPD is an inherent part of the Ministry, we do not recommend that NCPD adopts its own accounting system. We feel our recommendations numbered 28 to 30, if adopted, would be sufficient, in conjunction with USAID/Kenya liquidation records, to prepare periodic Fund Accountability Statements.

3.2.2. Grant claim preparation

Observation

1. The quality of the records maintained at NCPD's accounts department was inadequate for the preparation of grant claims. In particular:
 - there was no audit trail between expenditure returns submitted by NGO's, and claims submitted to USAID/Kenya by NCPD;
 - documents were inadequately filed, and files were often missing;
2. Expenditure returns submitted by NGO's appear not to have been checked by NCPD prior to submission of reimbursement claims to USAID/Kenya.

The checking of expenditure returns would have revealed at an early stage items unsupported by third party documents, or unacceptable claims such as non-allowable expenditures

3. Expense vouchers submitted by NGO's were not cancelled, and marked "USAID funded" prior to preparation of reimbursement claims.

4. Reimbursement claims do not appear to be compared adequately with budgets as set out in Project Implementation Letters, as numerous claims submitted by NCPD to USAID/Kenya have been scaled down by USAID/Kenya as being in excess of budget.

Recommendation No.29

All expenditure returns from NGO's should be referenced through to supporting originating third party documentation at the time of receipt. Expenditure returns should be made of all items claimed which are unsupported, and these items should be deducted on a line item basis from the expenditure return summary. Where a reimbursement claim is submitted for a number of months' expenditures, a copy of the reimbursement claim should be filed in a separate file with copies of the supporting expenditure summaries.

NCPD Management Comment

NCPD management accept, and will implement, this recommendation.

3.2.3. File and Document Maintenance

Observation

1. As noted in Note 3.2.2. above, third party documentation such as NGO expenditure returns, and invoice files are poorly maintained. A number of files were not located, and the files available were in poor condition, with invoices and summary expenditure returns often missing. In a number of cases, it was not possible to establish an audit trail between claims to USAID/Kenya and expenditure data submitted by NGO's either by going back to the NGO and attempting to obtain information, or by attempting to construct an audit trail from NGO records.
2. There appears to be no security over access to expenditure records, or any system of recording the location of files.

Recommendation No.30

All claims to USAID/Kenya should be filed in sequential order, supported by expenditure returns from each NGO, together with supporting third party documentation.

NCPD Management Comment

NCPD management accept this recommendation.

Recommendation No.31

All expenditure documentation relating to the grant should be maintained in a single location, which is capable of being securely locked. Keys for the location should be kept by the NCPD accountant, and a copy kept by the deputy director's office. NCPD accounts department should maintain a register of numbered expenditure files. The location of files removed from the central location should be recorded in the register, together with the name and position of the individual removing the file.

NCPD Management Comment

NCPD management advise that due to inadequate space, it has not been possible to set aside a single location for all records. This problem will be addressed when NCPD moves to larger accommodation.

KPMG Peat Marwick

Certified Public Accountants

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

We have audited the Fund Accountability Statement of NCPD under USAID/Kenya Project No.615-0232 for the period from September 23, 1985 to March 25, 1991 and have issued our report thereon dated April 13, 1992.

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

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

The results of our tests indicate that, with respect to the items tested, which are identified in part 4.1. of this report, NCPD complied, in all material respects, with the provisions referred to in the preceding paragraphs. Part 4.2. identifies a case of non-compliance with the grant conditions. This case of non-compliance relates to the maintenance of adequate books and records. This item is considered to be a material non-compliance with standard provisions of the Grant. 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 information of NCPD and The Agency for International Development but this is not intended to limit the distribution of the report, if a matter of public record.

Peat Marwick

CERTIFIED PUBLIC ACCOUNTANTS

NAIROBI

Date

April 13, 1992



Member Firm of
Klynfield Peat Marwick Goerdeler

54

R.D. Cahill
R.L.E. Carr
A.M. Robinson

W.N. Murray
A.D. Gregory
A.W. Pringle

P.J. Byrne
J.B. Burns
R.V.J. O'Connell

(BSP/1)

4.1. Independent Auditors report on Compliance with laws, regulations and the Grant Agreements

Items of compliance

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

4.2. Independent Auditors report on Compliance with laws, regulations and the Grant Agreements

Items of non-compliance

1. Project grant standard provisions
Section B.5 : Reports, records, inspections, audit

Section B.5(b) requires that "NCPD maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the project and to this agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the grant". As noted in Section 3, we are of the opinion that adequate books and records have not been maintained.

NCPD 'S RESPONSE TO THE DRAFT REPORT OF THE MISSION CONTRACTED AUDIT OF NCPD

General Statement

This audit report is objective and quite thorough and the auditors are to be complimented for their efforts. Nevertheless, we have a few observations to make.

The audit covers the period September, 1985 to March 1991, a period of six years. Unfortunately, availability of complete records going back that many years has been a problem. This is the case at NCPD as well as with the NGOs. At NCPD our accounts unit has had to move office, and documents, a number of times. There has also been movement of documents during the various GOK and donor audits. On their part, NGOs undertake independent audits and often have to fall back on records already submitted to NCPD. All these events certainly do not assure intact files at NCPD nor a clear audit trail. We thus end up with large "questioned" and "unsupported" costs which may be taken, erroneously, to reflect some irregularity.

So while the challenge is on NCPD to further strengthen its financial control as well as its record-keeping, we urge USAID to consider yearly audits. These will be more meaningful if the intention is to ensure proper spending and accountability. Otherwise, there is a real danger that an important exercise like this may be reduced to a mere act of fulfilling USAID's set conditions.

A substantial amount of the questioned costs relate to deemed tax on petrol. While we are aware that US regulations do not allow charging petrol tax to the grant, it has proven administratively difficult to pass on the charge to the NGOs and we appeal to USAID to consider accommodating these costs in some way.

The USAID/KENYA Grant No. 615-0232 has been the cornerstone of Kenya's population programme and it is hoped that USAID will continue this support into the next century.

Point-by-point Response

2.3 Component 3: Community Based Services

2.3.1 Church of the Province of Kenya - Diocese of Maseno West(Saradidi)

Costs Questioned: The US\$41404 payment for allowances has been verified as valid. The reported variance of signatures is due to the CHW's sending their colleagues or relatives to collect

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51

allowances on their behalf. This amount should therefore be allowed and the issue resolved. A report on visit to Saradidi and sample signatures collected during the visit are forwarded for reference and record.(see attachment 1)

The deemed 40% tax on petrol may be deducted from the next reimbursement.

Costs unsupported: Third party documents amounting to US\$2701 are now available and should be allowed. The balance of US\$62334 represents an inadvertent double claim.

Recommendation No.1: Third party documents amounting to US\$ 2701 are now available, and should be allowed. NCPD is still to verify the double claim.

Recommendation No.2: The USAID/NCPD financial analyst has visited and obtained sample signatures from CHWs. She was able to determine that variances in signatures are largely due to collection of allowances by proxy. This recommendation should therefore be treated as resolved.

Recommendation No. 3: We do not contest this recommendation.

2.3.2 Kabiro Kawangware Project(KK)

Out of the US\$13541 unsupported costs, certified photocopies for US\$ 9692 are now available at NCPD. Documents for the balance are still being sought.

Recommendation No. 4: This amount of US\$13541 should be accepted as supported (or supportable) and the recommendation treated as resolved.

2.3.3 Church of the Province of Kenya-Diocese of Eldoret(CPK Eldoret). Of the questioned costs of US\$724, US\$703 should be allowed as the letter explaining rent calculation has been received from CPK-Eldoret.

The deemed 40% tax of US\$21 on fuel may be deducted from the next reimbursement claim.

Recommendation No.5: This amount may be deducted from the next reimbursement.

Recommendation No.6: NCPD is not contesting this recommendation.

Recommendation No. 7: The basis for calculating rent has been given by CPK-Eldoret. This amount should therefore be accepted and the recommendation treated as resolved.

Component 6: Administrative Strengthening

2.4.1 Salaries

All the questioned persons were at one time or another staff of NCPD and include former Director, Mr. Hungu and a former Acting Director, Mr. Ondieki. Personal files of these persons who are now in other government departments can be made available.

Recommendation No. 8: The questioned costs of US\$11,038 are legitimate salaries for individuals who were then in NCPD. These questioned persons include a former Director and a former Acting Director of NCPD. These costs should therefore be allowed and this recommendation treated as resolved.

2.4.3 Travel and Transport

Of the US\$10,205 unsupported costs US\$9662 can now be supported and documents are available at NCPD for audit.

Recommendation No. 9:

Since most of the US\$10,205 has been supported the recommendation should be treated as resolved.

2.4.4. Recommendation No. 10: This recommendation is not contested.

2.4.5. Recommendation No. 11: As these documents are so far not located we are not contesting this recommendation.

2.4.6. Unidentified costs

This voucher has been located and copy submitted to Mr Simon Woods of Peat Marwick. The documents are available at NCPD.

Recommendation No. 12: This recommendation is resolved.

2.5 Component 7: Policy Planning and Evaluation

2.5.1 Kenya Demographic and Health Survey

Of the unsupported costs amounting to US\$21,750 files have been located to account for US\$17,464. Search is still on for files to account for the rest.

Recommendation No. 13: Since NCPD has found files to account for US\$ 17,464, this amount should be allowed. The remainder is still being sought.

2.6 Component 8: Information and Communication

2.6.1 Christian Health Association of Kenya(CHAK)

We believe that the funds whose third party documents has not been located was used properly. Copies of the Auditor Generals' Certificates covering the period in question are forwarded herewith for reference (see attachment 2)

Recommendation No. 14: Of the US\$ 216,921 unsupported costs, US\$ 150,706 should be allowed and the difference may be recovered from the next reimbursement claim.

Recommendation No. 15: This recommendation is not being contested.

2.6.2 Family Planning Association of Kenya(FPAK)

Of the unsupported costs of US\$113,237, the files for October 1985, April 1987 and May 1987 amounting to US\$16,349 have been located and are available at NCPD. The Auditor General's certificates for FPAK's expenditures during this period have been forwarded for reference(See attachment 2).

Recommendation No. 16: US\$ 4088 should be allowed. The Auditor General's certificates should be used as evidence that the rest of the costs were properly incurred.

2.6.4 Salvation Army (SA)

Files have now been located for periods October 1985 - September 1986(US\$3091) and October 1987 - February 1988(US\$ 7,160). Documents are thus available to account for US\$ 10,251 and this amount should be allowed as supported.

Recommendation No. 20: Documents to support expenditures of US\$ 10,251 are now available and this amount should be allowed.

Recommendation No. 21: NCPD is not contesting this recommendation.

2.6.5 Young Men's Christian association(YMCA)

1. Of the unsupported costs of US\$ 108,193, files for the period August 1987 to March 1988 have been located and are available at NCPD. These will support expenditure of US\$ 35,000 and US\$ 35,000 should therefore be allowed as supported.
2. YMCA have given certificate confirming that the questioned US\$38,520 relate to the USAID grant.(see attachment 3)
The US\$ 38,520 should therefore be allowed.

Recommendation No. 22: Since documents to account for US\$ 35,000 are now available at NCPD, this amount should be allowed and the difference of US\$ 73,193 recovered from the next reimbursement claim.

Recommendation No. 23: As we now have certificate from YMCA confirming that the US\$ 38,520 relate to the USAID grant, this expenditure should be allowed and the recommendation treated

as resolved.

2.6.6 Kenya Medical Association(KMA)

Out of the questioned costs of US\$ 74,023, files have been located for the following periods;

July 89 - November 1989 -	29,504
December 89 - April 1990 -	<u>10,415</u>
Total US\$	<u>39,919</u>

These files are now available at NCPD and the US\$ 39,919 should be allowed.

Recommendation No. 24: Documents to account for US\$ 39,919 have been located and this amount should be allowed.

Recommendation No. 25: NCPD is not contesting this recommendation.

2.6.7 Recommendation No.26 Since NCPD has not been able to locate the vouchers, the US\$9334 may be recovered from the next reimbursement claim.

2.6.8 Kenya National Union of Teachers(KNUT)

We have obtained KNUT's certificate confirming that the US\$ 93,900 for which vouchers were examined relate to the USAID/Kenya grant. In view of this, the supported amount of US\$65,154 should be allowed.

KNUT's letter is attached herewith(see attachment 4).

Recommendation No. 27: Since KNUT have given certificate to confirm that the US\$65,154 relate to the USAID grant, this amount should be allowed and recommendation 27 treated as resolved.

Recommendation No. 28: As we are yet to locate the original documents, we are not contesting this recommendation.

3.2.2 Grant Claim Preparation

Observation

1. This observation is not totally accurate. Some of the reasons to explain this observation have been cited elsewhere in our response.
2. NCPD has been examining NGO expenditure returns before submitting reimbursement claims to USAID since the beginning of this year.
- 3 & 4. We are to look into these procedures.

Recommendation No 29: This is a good recommendation which we adopt.

3.2.3 Observation

1 & 2: Reasons for this state of affairs have been stated elsewhere in our response.

Recommendation No. 30: NCPD is not contesting this recommendation.

Recommendation No. 31: Due to inadequate space, it has not been possible to set aside one single location for all our records. This will however be our priority when NCPD moves to a roomier accommodation.

6

.62



UNITED STATES OF AMERICA
 AGENCY FOR INTERNATIONAL DEVELOPMENT
 U.S.A.I.D. MISSION TO KENYA

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Peat Marwick
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**Subject: Mission Contracted Non-Federal Audit (NFA) for the
 National Council for Population and Development (NCPD)**

Dear Sir:

USAID/Kenya provides the following comments on the subject audit as requested in letter Ref No. U/12/01 dated April 15, 1992. For more detailed clarification, these comments should be read in conjunction with NCPD's comments which were forwarded to you in our letter dated June 17, 1992.

1. **Recommendation No. 1** requests the Mission to resolve the unsupported cost of U.S. \$65,035 which are some of the costs reimbursed to the Government of Kenya (GOK) for support to the Church Province of Kenya (CPK) Maseno West (Saradidi) Community Based Distribution (CBD) of contraceptives Project.

Response: NCPD has located third party documentation amounting to U.S. \$2,701, which should be allowed. The balance of U.S. \$62,334 which relates to excess reimbursement by USAID will be recovered by the Mission from the next GOK reimbursement request. This action resolves Recommendation No.1.

2. **Recommendation No. 2** requests the Mission to resolve the questioned costs of U.S. \$41,404 relating to distribution allowances for Community Health Workers (CHWs) at Saradidi.

Response: The USAID financial analyst attached to NCPD visited Saradidi in early May 1992 and obtained sample signatures of the CHWs (See Attachment 1 to NCPD's comments). These sample signatures match the ones reflected in Saradidi vouchers sent to NCPD for reimbursement. The questioned costs of U.S. \$41,404 should therefore be accepted as costs relating to CHWs distribution allowances. This action resolves and closes Recommendation No. 2.

- 2 -

3. Recommendation No. 3 requests the Mission to recover the questioned costs amounting to U.S. \$265.

Response: Since the questioned costs represent 40% deemed tax on gasoline, the Mission will recover U.S. \$265 from the next GOK voucher. This action resolves Recommendation No. 3.

4. Recommendation No. 4 requests the Mission to resolve the unsupported costs of U.S. \$13,541 which are some of the costs reimbursed to the GOK by USAID for support to the Kabiro Kawangware CBD Project.

Response: NCPD has now located vouchers for Kabiro Kawangware for the period March 1990 through May 1990 amounting to U.S. \$9,692. The photocopies supporting documentation has also been certified by Kabiro Kawangware. We request that these certified photocopies be accepted as supporting documentation and that the amount (\$9,692) be allowed. The supporting documentation for the balance of \$3,849 is still being sought by NCPD.

5. Recommendation No. 5 requests the Mission to resolve the unsupported costs of U.S. \$942 being some of the costs reimbursed to the GOK for support to CPK Eldoret CBD Project.

Response: The Mission will recover U.S. \$942 from the next GOK invoice. This action resolves Recommendation No. 5.

6. Recommendation No. 6 requests the Mission to recover the questioned costs of U.S. \$21.

Response: Since these costs relate to the 40% deemed tax on gasoline, the Mission will recover U.S. \$21 from the next GOK voucher. This action resolves Recommendation No. 6.

7. Recommendation No. 7 requests the Mission to resolve the questioned costs of U.S. \$703 relating to rent charged to the CPK Eldoret CBD Project by the Diocese.

Response: NCPD has now obtained a letter from CPK Eldoret showing the basis of the rent calculation charged to the Project by the Diocese. This evidence should resolve and close Recommendation No.7.

8. Recommendation No. 8 requests the Mission to resolve the questioned costs of U.S. \$11,308 relating to salaries paid to former NCPD staff who have since left the department.

-64

Response: The questioned costs of U.S. \$11,308 are actual and legitimate salaries paid to former NCPD staff during the period of their employment with NCPD who have since left the department. Some of these employees like J. Hungu and P. Ondieki were Director and Acting Director of NCPD respectively. These costs should therefore be allowed and this Recommendation treated as resolved and closed.

9. **Recommendation No. 9** requests the Mission to resolve the unsupported costs of U.S. \$10,205 for NCPD Secretariat expenditures where there were no third party supporting documentation.

Response: NCPD has now located supporting documentation for NCPD Secretariat expenditures amounting to U.S. \$9,662. The supporting documentation for the balance of U.S. \$543 is still being sought.

10. **Recommendation No. 10** requests the Mission to resolve the unsupported costs of U.S. \$75 relating to Voucher No. 1528 for January 1987 to June 1987 which was not located.

Response: The Mission will recover U.S. \$75 from the next GOK reimbursement request. This action should resolve Recommendation No. 10.

11. **Recommendation No. 11** requests the Mission to resolve the unsupported cost of U.S. \$1,160 relating to expenditures incurred by NCPD for its committee and board meeting allowances.

Response: The Mission will recover U.S. \$1,160 from the next GOK voucher, and this action should resolve Recommendation No. 11.

12. **Recommendation No. 12** requests the Mission to resolve the unsupported costs of U.S. \$81,812 which relate to Voucher No. 615 872 884 which is being regarded as "Unidentified Costs".

Response: The subject voucher was submitted to Mr. Simon Woods of Peat Marwick by NCPD for audit in early April 1992. The supporting documentation for this voucher is available for audit at NCPD. This action should resolve this recommendation.

13. **Recommendation No. 13** requests the Mission to resolve the unsupported cost of U.S. \$21,750 relating to costs incurred by NCPD during the Kenya Demographic and Health Survey (KDHS).

65

Response: NCPD has located files for KDHS expenditures amounting to \$17,464. The search of the balance of the files is still continuing.

14. **Recommendation No. 14** requests the Mission to resolve the unsupported cost of U.S. \$216,921 for support to the Protestant Churches Medical Association/Christian Health Association of Kenya (PCMA/CHAK) Information, Education and Communication (IEC) Project.

Response: Out of the total unsupported costs of U.S. \$216,921, U.S. \$66,215 (\$25,859 plus \$40,356) are excess reimbursements by USAID in previous years. These costs (\$66,215) will be recovered from the next GOK voucher. However, the balance of U.S. \$150,706 relate to items on PCMA/CHAK returns which were not supported by third party documentation for GOK FY 1985/86 and 1986/87. We believe that these funds were utilized in accordance with the Project Agreement. This can be confirmed by audited accounts for these years from the GOK's Auditor and Controller General (See Attachment 2 to the NCPD's comments). This action resolves Recommendation No. 14.

15. **Recommendation No. 15** requests the Mission to recover questioned cost of U.S. \$5,146 relating to 40% deemed tax on gasoline for the vouchers examined.

Response: Since these costs relate to tax on gasoline, the Mission will recover U.S. \$5,146 from the next GOK voucher. This action resolves Recommendation No. 15.

16. **Recommendation No. 16** requests the Mission to recover the questioned costs of U.S. \$113,237 for some of the costs related to NCPD support to Family Planning Association of Kenya (FPAK) IEC Project.

Response: Out of total unsupported costs of U.S. \$113,237, NCPD has located files for October 1985 and April and May 1987 amounting to U.S. \$16,349. The search for the other files is still going on. In addition, NCPD is still continuing with the search for the balance of third party supporting documentation. However, we request that these total costs be allowed since we believe that project funds were utilized in accordance with the Project Agreement as per the Auditor and Controller reports for GOK Fiscal Years 1985/86 to 1988/89 (Attachment 2 to NCPD Comments).

17. **Recommendation No. 17** requests the Mission to recover the questioned cost of U.S. 4,959 relating to 40% deemed tax on gasoline.

- 5 -

Response: To resolve this Recommendation, the Mission will recover U.S. \$4,959 from the next GOK voucher since these are costs related to host country taxes.

18. **Recommendation No. 18** requests the Mission to resolve the unsupported costs of U.S. \$60,030 for unsupported expenditures of the Kenya Catholic Secretariat (KCS).

Response: Out of the total unsupported costs of U.S. \$60,030, U.S. \$29,022 (\$25,895 plus \$3,127) represent excess reimbursements by USAID in previous years. These costs (\$29,022) will be recovered from the next GOK voucher. NCPD is still searching for supporting documentation for the balance of U.S. \$31,008.

19. **Recommendation No. 19** requests the Mission to recover the questioned cost of U.S. \$3,338 relating to 40% deemed tax on gasoline.

Response: The Mission will recover U.S. \$3,338 from the next GOK voucher to resolve this Recommendation.

20. **Recommendation No. 20** requests the Mission to resolve the unsupported costs of U.S. \$21,007 for unsupported costs for expenditures incurred by Salvation Army IEC Project.

Response: NCPD has located files for October 1985 - September 1986 (\$3,091) and October 1987 - February 1988 (\$7,160). The total of U.S. \$10,251 should therefore be allowed after the audit. The balance of U.S. \$10,756 is still being sought.

21. **Recommendation No. 21** requests the Mission to resolve the questioned cost of U.S. \$425 relating to 40% deemed tax on gasoline.

Response: The Mission will recover U.S. \$425 from the next GOK voucher to resolve this Recommendation.

22. **Recommendation No. 22** requests the Mission to resolve the unsupported cost of U.S. \$108,193 for expenditures incurred by the Young Men's Christian Association (YMCA).

Response: NCPD has now located supporting documents amounting to U.S. \$35,000; which should be allowed. The balance of US. \$73,193 will be recovered from the next GOK invoice. This resolves Recommendation No. 22.

23. **Recommendation No. 23** requests the Mission to resolve the questioned costs of U.S. \$38,520 related to YMCA.

67

Response: NCPD has now a certificate from YMCA confirming that the U.S. \$38,520 relate to USAID grant only (See Attachment 3 to NCPD comments). We therefore request that this amount be allowed and the Recommendation resolved and closed.

24. **Recommendation No. 24** requests the Mission to resolve the unsupported costs of U.S. \$74,023 incurred by Kenya Medical Association (KMA).

Response: Out of the questioned costs of U.S. \$74,023, NCPD has located files amounting to U.S. \$39,919. This amount should be allowed after the audit. The balance of \$34,104 will be recovered from the next GOK voucher. These actions should resolve Recommendation No. 24.

25. **Recommendation No. 25** requests the Mission to recover the questioned costs of U.S. \$475 for costs related to 40% deemed tax on gasoline.

Response: The Mission will recover U.S. \$475 from the next GOK voucher to close this Recommendation.

26. **Recommendation No. 26** requests the Mission to resolve the unsupported costs of U.S. \$9,334 for advertising expenditure incurred by NCPD.

Response: Since NCPD has been unable to locate the vouchers, U.S. \$9,334 will be received from the next GOK invoice. This action resolves Recommendation No. 26.

27. **Recommendation No. 27** requests the Mission to resolve the questioned cost of U.S. \$65,154 for expenditures incurred by Kenya Union of Teachers (KNUT).

Response: NCPD has obtained a certificate from KNUT indicating that the vouchers which were examined relate only to USAID/Kenya grant. The amount of \$65,154 should therefore be allowed and the Recommendation treated as resolved and closed.

28. **Recommendation No. 28** requests the Mission to resolve the unsupported costs of U.S. \$20,135 for KNUT expenditures.

Response: The Mission will recover U.S. \$20,135 from the next GOK voucher. Hence this Recommendation should be treated as resolved.

68

29. Recommendation No. 29 requests NCPD to reference expenditure returns to third party documentation at time of receipt. In addition, an audit trail should be provided to show how reimbursement claim to the Mission is constructed.

Response: The Mission agrees entirely with this Recommendation and has asked NCPD to implement the Recommendation starting with the next reimbursement claim.

30. Recommendation No. 30 requests all reimbursement claims to the Mission be filed sequentially, together with supporting documentation.

Response: The Mission agrees with this Recommendation and will request NCPD to immediately adopt it.

31. Recommendation No. 31 requests that all grant documentation be maintained in a secure central location. A register should be maintained to safeguard location of files.

Response: The Mission agrees with this Recommendation and has requested NCPD to immediately adopt it.

In sum, out of the unsupported costs of U.S. \$817,400, U.S. \$438,710 can now be supported. In addition, out of questioned costs of U.S. \$171,448, U.S. \$91,935 can now be allowed. If you have any questions regarding the above comments please contact Gitonga Kathurima of our Population and Health Office.

Sincerely,



Roger J. Simmons
Acting Director

cc: Mr. J.K. Gichangi
Director, NCPD

Mr. J. Burns
Assistant Inspector
USAID, RIG/A/N

ATTACHMENT II

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