

PD-ABF-641

Regional Inspector General for Audit
Nairobi, Kenya

FEB 28 1993

Audit of
The Kenya Association of Manufacturers (KAM)
Cooperative Agreement No. 615-0238-A-00-7023-00
Under USAID/Kenya Private Enterprise Development
Project No. 615-0238

Report No. 3-615-93-14-N
February 26, 1993



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



U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT



U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

February 26, 1993

Memorandum

*Regional
Inspector General
for Audit/Nairobi*

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

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

Joseph Fausella

SUBJECT: Audit of the Kenya Association of Manufacturers (KAM)
Cooperative Agreement No. 615-0238-A-00-7023-00, Under
USAID/Kenya Private Enterprise Development
Project No. 615-0238, Audit Report No. 3-615-93-14-N

Attached are five copies of an agency-contracted financial audit report of the Kenya Association of Manufacturers (KAM), Cooperative Agreement No. 615-0238-A-00-7023-00, under USAID/Kenya Private Enterprise Development Project No. 615-0238. The accounting firm of Price Waterhouse performed the audit.

On June 30, 1987, the United States Agency for International Development (USAID) signed Cooperative Agreement No. 615-0238-A-00-7023-00 with KAM. The goals of the Cooperative Agreement are to: (1) strengthen KAM's ability to analyze the impact of government policies affecting private industry, suggest additional changes and work out implementation plans, and (2) to increase the understanding among Kenyan manufacturers on topics that affect a range of industries. These goals were to be accomplished by funding a series of studies and seminars. Price Waterhouse audited \$533,010 of revenues and \$540,545 of expenditures for the period June 30, 1987 through June 30, 1992.

The objectives of the audit were to:

- audit the KAM Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of funds in accordance with the cooperative agreement;

W

- consider the KAM internal control structure in order to determine the auditing procedures for purposes of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses;
- test KAM's compliance with the terms of the cooperative agreement, as part of obtaining reasonable assurance as to whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.

The auditors expressed a qualified opinion on the Fund Accountability Statement due to questioned costs of \$10,359. The auditors questioned ineligible expenditures of \$2,151 and unsupported costs of \$8,208. The report on the internal control structure disclosed several reportable conditions which were not considered to be material. The report on compliance noted that with respect to the items tested, KAM complied, in all material aspects, with laws, regulations, and the cooperative agreement.

The draft audit report was submitted to KAM and USAID/Kenya for comment and their comments (Appendix I and Appendix II, respectively) were incorporated in the final report by Price Waterhouse. In summary, KAM and USAID/Kenya concurred in general with the auditor's report. This Office has no additional comments other than the recommendation shown below.

We are including the following recommendation 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, the following questioned costs from the Kenya Association of Manufacturers:

1.1 ineligible costs of \$2,151; and

1.2 unsupported costs of \$8,208.

b

We consider Recommendation No. 1 unresolved. Recommendation No. 1 may be resolved upon a final determination of the allowability of the indicated questioned costs. Recommendation No. 1 can be closed upon issuance of a bill of collection or other provision for recovery of any amounts determined to be unallowable. 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 Price Waterhouse and Regional Inspector General for Audit representatives during the audit.

Attachments: a/s

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C.

AUDIT OF
THE KENYA ASSOCIATION OF MANUFACTURERS (KAM)
COOPERATIVE AGREEMENT NO. 615-0238-A-00-7023-00
UNDER USAID/KENYA PRIVATE ENTERPRISE DEVELOPMENT PROJECT
PROJECT NO. 615-0238

ATTACHMENTS

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AGENCY CONTRACTED AUDIT OF UNITED STATES AGENCY
FOR INTERNATIONAL DEVELOPMENT - KENYA ASSOCIATION
OF MANUFACTURERS (KAM)

COOPERATIVE AGREEMENT NO. 615-0238-A-00-7023-00

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AGENCY CONTRACTED AUDIT OF KENYA ASSOCIATION OF MANUFACTURERS
(KAM)

FOR THE PERIOD 30 JUNE 1987 TO 30 JUNE 1992

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I EXECUTIVE SUMMARY

A Kenya Association of Manufacturers Background Information

The assistance given to the Kenya Association of Manufacturers (KAM) was part of the Private Enterprise Development Project. The purpose of the project was to strengthen institutions that can improve Kenya's business environment and to encourage growth of businesses directly through the financial and advisory assistance those institutions provide.

The general objective of the assistance to KAM was to support the policy development process by strengthening its ability to analyze the impact of government policies affecting private industry, to suggest additional changes and to work out implementation plans. A second objective was to increase the understanding among Kenyan manufacturers on topics that affect a range of industries. These goals were to be accomplished by funding a series of studies and seminars.

KAM is a membership organization of companies engaged in manufacturing, processing or other directly productive activities. Formed in 1959 its objectives are to:

- . represent to government the views of its membership on any matters concerning industry and its development
- . advise members on issues of mutual concern and to promote joint action where possible
- . serve members, potential industrialists and the public through provision of information.

B Accounting and Contract Monitoring Systems

The overall responsibility of accounting and financial monitoring of the Grant Agreement lies with KAM's management. KAM has appointed an Executive Officer to be in-charge of the USAID Grant.

Under the agreement KAM contracts for policy studies to be carried out by third parties and also arranges seminars. Policy study and seminar topics are approved in advance by USAID before KAM prepares budgets which also have to be approved in advance by USAID. At this point USAID commits the required funds.

KAM puts in claims for reimbursement from USAID for seminar expenses after the seminar's completion. For policy studies KAM approves invoices received from the organization doing the study and passes these on to USAID for direct payment to the supplier.

KAM was required to submit quarterly financial reports and six monthly technical reports to USAID.

C Audit Objective and Scope

Price Waterhouse has performed a financial and compliance audit for expenditures incurred under the Cooperative Agreement with KAM for the period June 30 1987 to June 30 1992.

The objectives of the audit were to:

- . audit the KAM Fund Accountability Statement and express an opinion as to whether the Fund Accountability Statement presents fairly, in all material respects and in conformity with the basis of accounting described in the report, the use of the funds in accordance with the Grant Agreement
- . consider KAM's internal control structure in order to determine the auditing procedures for the purpose of expressing an opinion on the Fund Accountability Statement and to report on significant internal control deficiencies and material weaknesses
- . test KAM's compliance with the terms of the Grant Agreement, as part of obtaining reasonable assurance about whether the Fund Accountability Statement is free of material misstatement, and report on any identified material instances of noncompliance.

Our examination was performed in accordance with generally accepted auditing standards and Government Auditing Standards issued by the United States Comptroller General and included such tests of the auditee's data and records and other auditing procedures as were considered necessary in the circumstances. The audit was performed under the supervision of the Regional Inspector General (RIG) based in Nairobi. Price Waterhouse also adhered to the guidelines contained in various chapters of the 'Guidelines for Financial and Compliance Audits of AID - Financed Agreements'.

As required by Government Auditing Standards, we were subject to an external quality control review in July 1992. This review was undertaken by a Price Waterhouse firm independent of our firm.

A preliminary survey was conducted to secure an understanding of the grant recipient's accounting system, assess the overall strength of the system of internal control, estimate the extent of compliance with the Grant provisions and procurement regulations and determine the degree to which supporting documentation would be available to the audit team. The survey provided the groundwork from which Price Waterhouse developed its detailed audit work plan.

The terms of the Grant Agreement and the cost principles contained in the applicable U.S Government regulations were used as criteria in the determination of unsupported or ineligible costs.

The detailed audit work consisted of the following:

- . examination and testing of supporting documentation for expenditures
- . a study and evaluation of internal accounting controls and accounting practices to the extent necessary to render an opinion on the Fund Accountability Statement
- . a review of the grant agreement, implementation letters, handbooks, relevant government regulations and other related documents.

D RESULTS OF THE AUDIT

1. Claims by Kenya Association of Manufacturers

We performed a financial and compliance audit of the Fund Accountability Statement of KAM relating to the Grant Agreement with USAID for the period June 30 1987 to June 30 1992.

We identified certain transactions described in Note 1 to the Fund Accountability Statement (Section II) that, in our opinion, are ineligible or unsupported. Ineligible costs amounted to US\$ 2,150.83 while unsupported costs amounted to US\$ 8,208.48. This is different from the \$10,065.38 reported in the draft report as the auditee was able to locate some of the missing documentation.

These ineligible and unsupported costs affected our opinion on the Fund Accountability Statement. The full text of our opinion is presented in Section II.

2 Internal Accounting Controls

We made a study and evaluation of the system of internal accounting controls to the extent we considered necessary and required by generally accepted government auditing standards.

Our study and evaluation was designed to determine the nature, timing and extent of auditing procedures necessary to express an opinion on the Fund Accountability Statement. We do not, however, express an opinion on the system of accounting controls of KAM or any of its individual categories. The full extent of our opinion is presented in section III.

During the course of our audit the following internal control weaknesses were noted:

- i) Pre-numbered payment vouchers are not used. For better control purposes the payment vouchers should be pre-numbered and all numbers accounted for. If any vouchers are cancelled, the void voucher should be kept in the book.
- ii) There is not adequate segregation of duties. The reason given for this is the small number of staff. However the two staff in the accounts department do not divide duties between themselves adequately.
- iii) Paid vouchers are not stamped 'paid' to ensure that they are not paid twice.

- iv) Cash payments to suppliers are not signed for to acknowledge receipt.
- v) Filing and retrieval of documents was not satisfactory.
- vi) There are no job descriptions for the financial and management personnel who manage and account for USAID funds. This may present a problem of matching personnel qualifications to responsibilities.

3 Compliance With Cooperative Agreement Terms

Except as noted below, KAM complied with those provisions of the Agreement, Laws and Regulations which non-compliance with could have a material effect on the Fund Accountability Statement. However, we noted certain minor issues that we believe warrant mentioning.

These issues are:

- . the Grant Agreement required two to three studies be undertaken in each year of the agreement, making a total of ten to fifteen for the five years. KAM has only organized eight studies to date
- . the Grant Agreement required that KAM organize two seminars in each year of the agreement, making a total of ten seminars. To date only nine were held
- . under the Grant Agreement all costs were subject to the Standard Provision No. 1 entitled 'Allowable Costs' and No. 4 entitled 'Revision of Grant Budget'. In our detailed audit work we found several expenditures totaling US\$ 2,150.83 that were unallowable under these provisions.

4 Summary of Management Comments

The management of KAM agreed with the findings of the audit and indicated so in their comments on the draft report. The full text of their comments can be found in Appendix I.



In our opinion, except for the amounts described in Notes 1 and 2, the Fund Accountability Statement examined by us presents fairly the expenditures claimed by KAM in relation to the Grant Agreement and applicable laws and regulations with the United States Agency for International Development for the period June 30 1987 to June 30 1992.

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

October 23 1992

Russel W. ...

**FUND ACCOUNTABILITY STATEMENT
KENYA ASSOCIATION OF MANUFACTURERS
COOPERATIVE AGREEMENT NO. 615-0238-A-00-7023-00
FOR THE PERIOD JUNE 30, 1987 THROUGH JUNE 30, 1992**

	KShs	US\$
Total Revenue	12,068,762.00	533,010.36
Expenditure:		
Policy Studies	11,386,323.00	492,558.41
Seminars	408,544.00	18,186.32
Other:		
Advertising	30,544.00	1,620.77
Reprinting reports	418,408.00	15,415.10
Library development	69,693.00	3,994.85
Computer	251,500.00	8,769.18
Total Expenditures	12,565,012.00	540,544.63
Balance (Due to KAM)	(496,250.00)	(15,152.67) *
Exchange difference	-	22,686.94
Balance	(496,250.00)	(7,534.27)

* The US Dollar amount is not the difference between the revenue and expenditure. As the balance due to KAM is payable in Kenya shillings we have converted the shilling balance at the exchange rate at 30 June 1992. This rate was KShs 32.75 per US Dollar.

Note 1

Ineligible Costs

All the ineligible costs were found under the 'Seminar' line item. The total US dollar value of the ineligible costs was \$2,150.83.

These costs relate to claims that were for items that are unallowable under the terms of the Grant Agreement. See Appendix III and IV.

Recommendation

The Agency should consider seeking reimbursement for these ineligible expenditures.

Note 2

Unsupported Costs

Unsupported costs were found in the 'Seminar' and 'Other' line items.

Line Item	\$ Value
Seminars	5,856.70
Library Development	2,351.78
	<hr/>
Total	8,208.48
	<hr/>

These amounts relate to claims where KAM was not able to produce appropriate documentation. See Appendix IV and V.

Recommendation

We recommend that KAM try and locate these documents. If the appropriate documentation is not available then the Agency should consider whether the money is repayable.

Price Waterhouse



KENYA ASSOCIATION OF MANUFACTURERS (KAM)

INDEPENDENT AUDITOR'S REPORT ON INTERNAL ACCOUNTING CONTROLS

We have performed a financial audit of Kenya Association of Manufacturers Grant Agreement No. 615-0238-A-00-7023-00 for the period June 30 1987 to June 30 1992 and have issued our opinion thereon dated October 23 1992.

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

In planning and performing our audit of the financial statement of KAM for the period June 30 1987 to June 30 1992, we considered its 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 KAM 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 a reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of 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 condition or that the effectiveness of the design and operations of policies and procedures may deteriorate.

The auditee's internal control structure mainly consists of approvals and recording of transactions. All payments have to be approved by the Chief Executive, cheques require two signatures and the Kalamazoo system general ledger is posted to quarterly from the subsidiary ledgers. Quarterly trial balances are extracted for management reporting.



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

We noted certain matters involving the internal control structure and its 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 for the internal control structure that, in our judgement, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with the assertions of management in the Fund Accountability Statement.

The following reportable conditions were noted:

- . direct payments by USAID to KAM's suppliers were not recorded in KAM's books of accounts
- . there was no evidence of detailed review of claims prepared by the Accounts Department before authorization by the Chief Executive
- . there is little or no segregation of duties within the organization
- . paid vouchers are not stamped 'paid' to ensure that they are not paid twice
- . cash payments to suppliers are not signed for to acknowledge receipt
- . filing and retrieval of documents was not satisfactory
- . there are no job descriptions for the financial and management personnel who manage and or account for USAID funds. This may present a problem of matching personnel qualifications to responsibilities.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants.



A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the 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.

We did not find any matters involving the internal control structure and its operation that we consider to be material weaknesses, as defined above.

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

October 23 1992

Richard A. ...

KENYA ASSOCIATION OF MANUFACTURERS (KAM)

REPORT ON INTERNAL CONTROLS

1 Direct Payments to Suppliers

Finding

We found that payments made by USAID directly to KAM's suppliers were not recorded in KAM's books of accounts. KAM's books do not therefore state accurately its financial performance for each year.

Recommendation

We recommend that in the future KAM record all financial transactions in its books of accounts.

2 Review of Claims

Finding

Claims for reimbursement from USAID are prepared by the Accounts Clerk who is in-charge of the Accounts Department. These should then be reviewed in detail by the Executive Officer responsible for the USAID Grant before authorization by the Chief Executive. We did not find any evidence of this detailed review and actually found a reimbursement that had been claimed twice. This was a hotel bill for KShs 20,322.35 from Panafric for the Product Development seminar held in October 1988.

Recommendation

We recommend that in future the person responsible for grants should review in detail all claims for accuracy and allowability before they are forwarded to the Chief Executive for authorization.

3 Segregation of Duties

Finding

Due to the small size of the organization, KAM has only two staff in its Accounts Department. Usually one staff member follows through one transaction from beginning to end.

Recommendation

We recommend that the two staff in the Accounts Department apportion the various steps a transaction goes through between themselves so that neither is responsible for the whole process. Other staff in the organization can also be used for non-technical procedures such as banking or despatching of payments.

4 Cancellation of Paid Vouchers

Finding

Paid vouchers are not stamped 'paid' so as to cancel them and thus avoid double payment. We found one voucher that was paid twice.

Recommendation

All vouchers should be stamped 'paid' after payment to avoid them being paid twice.

5 Cash Payments

Finding

At times suppliers, especially seminar lecturers, are paid in cash. However the recipient of the cash does not sign for it as evidence of this receipt.

Recommendation

Cash payments should be avoided as much as possible. Payment by cheque provides more control. However if cash payments have to be made then the recipient should sign for the cash.

6 Record Keeping

Finding

Filing and retrieval of documents was not satisfactory.

Recommendation

Management should ensure that all files are complete. All documents related to USAID should be kept in a unique file and in a systematic manner.

7 Job Descriptions

Finding

There are no job descriptions at KAM for personnel managing and/or accounting for USAID grants. This may present a problem of matching personnel qualifications to responsibilities.

Recommendation

KAM management should prepare job descriptions for all staff. Once this is done implementation should be carried out as soon as possible.

Price Waterhouse



KENYA ASSOCIATION OF MANUFACTURERS (KAM)

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH GRANT AGREEMENT
TERMS AND APPLICABLE LAWS AND REGULATIONS**

We have performed a financial audit of the Kenya Association of Manufacturers Grant Agreement No. 615-0238-A-00-7023-00 for the period June 30 1987 to June 30 1992 and have issued our opinion thereon dated October 23 1992.

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

Compliance with laws, regulations, contracts and grants applicable to KAM is the responsibility of KAM's management. As part of obtaining reasonable assurance about whether the statement is free of material misstatement, we performed tests of KAM's 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. Accordingly, we do not express such an opinion.

Results of our tests indicate that, with respect to the items tested, KAM complied, in all material respects, with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that KAM 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 the United States Embassy, Kenya and the Agency for International Development but is not intended to limit the distribution of the report, if a matter of public record.

October 23 1992

KENYA ASSOCIATION OF MANUFACTURERS (KAM)

REPORT ON COMPLIANCE WITH GRANT AGREEMENT TERMS AND APPLICABLE LAWS AND REGULATIONS

1 Policy Studies

Finding

The Grant Agreement required two to three studies be undertaken in each year of the agreement, making a total of ten to fifteen for the five years. KAM has only organized eight studies to date.

Recommendation

We recommend that the Agency decide whether to extend the Grant Agreement in order for the additional studies to be carried out. The total Grant budget has not been exhausted.

2 Seminars

Finding

The Grant Agreement required that KAM organize two seminars in each year of the agreement, making a total of ten seminars. To date only nine have been held.

Recommendation

We recommend that the Agency decide whether to extend the Grant Agreement in order for the additional seminar to be carried out. The total Grant budget has not been exhausted.

3 Allowable Costs

Finding

Under the Grant Agreement all costs were subject to the Standard Provision No. 1 entitled 'Allowable Costs' and No. 4 entitled 'Revision of Grant Budget'. In our detailed audit work we found several expenditures totaling US\$ 2,150.83 that were unallowable under these provisions. See Section I.

Recommendation

The Agency should determine whether the auditee should reimburse these amounts.

APPENDICES



THE KENYA ASSOCIATION OF MANUFACTURERS

(A company limited by Guarantee)

Chairman
L. RITHO NDUNGI
 Chief Executive
J.W. KURIA B.A. M.A.

P.O. Box 30225
 NAIROBI
 TELEPHONE 221602/221452/
 221448/221470
 Grams: FEDAG
 Telex: 25715 KAM KE

November 23, 1992

Price Waterhouse,
 P.O. Box 41500,
 NAIROBI.

For the attention of Mr. Andrew Hollas

Dear Sir,

COMMENTS ON KAM AUDIT ON
 GRANT AGREEMENT BETWEEN USAID AND KAM

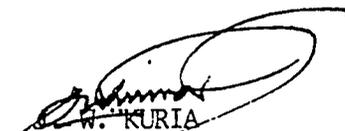
I have gone through the draft report of the audit carried out by your officers at KAM on the financial support given to KAM by USAID since 1987 when the project was started. On the whole, the report has come out with a fair assessment of the situation regarding the maintenance of the accounts on this project. I was unhappy with inclusion of other costs together with the costs incurred on the USAID project. This amounts to laxity and carelessness on the part of the Accounts Clerk. I can assure you this will not happen again. The recommendations you have given in the report will be followed strictly in future should the USAID decide to support continuation of this very important project.

The other problem I see is that the project was handled by many different people who later on left KAM and it has been difficult to get some documents, but I would like to assure you that this will not happen again. If anybody handling the project left, there will be proper handing over of all the materials and documents.

I would like to say that, although we do not record payments made directly by USAID to KAM suppliers, e.g. consultants, the figures involved are known and are recorded in the quarterly financial reports made to USAID where copies of such reports are available both at USAID offices and KAM offices.

I hope with these few comments the report can now be finalised.

Yours faithfully,


J.W. KURIA
CHIEF EXECUTIVE

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



UNITED STATES POSTAL ADDRESS
US AID MISSION TO KENYA
UNIT 64102
APO AE 09831 - 4102

INTERNATIONAL POSTAL ADDRESS
POST OFFICE BOX 30261
NAIROBI, KENYA

December 17, 1992

Mr. David Muchane
Price Waterhouse
P.O. Box 41500
Nairobi

Dear Mr. Muchane,

As a follow up to our telephone conversation, USAID/Kenya has the following comments on the draft KAM audit report, contract number 623-0000-I-00-2003-00, carried out by Price Waterhouse.

We would like to have the unsupported claims figure revised downward in the final audit if KAM has found any additional documentation subsequent to the submission of the draft report.

Include a funds accountability statement.

Identify the item that was claimed twice.

State how the US dollar equivalents were calculated.

Page 4, No. 3 paragraph 3. The word seminar should be changed to studies.

We look forward to the receipt of the final audit.

Sincerely,

Alfreda Brewer
Deputy Chief
Private Enterprise Office

KENYA ASSOCIATION OF MANUFACTURERS
 COOPERATIVE AGREEMENT NO. 615-0238-A-00-7023-00
 EXPENDITURES FOR THE PERIOD JUNE 30, 1987 THROUGH JUNE 30, 1992

	Claimed		Amount Recommended To Be		
			Accepted	Ineligible	Unsupported
	KShs	US\$	US\$	US\$	US\$
Policy Studies	11,386,323	492,558.41	492,558.41		
Seminars	408,544	18,186.32	10,178.79	2,150.83	5,856.70
Other:					
Advertising	30,544	1,620.77	1,620.77		
Reprinting reports	418,408	15,415.10	15,415.10		
Library development	69,693	3,994.85	1,643.07		2,351.78
Computer	251,500	8,769.18	8,769.18		
Totals	12,565,012	540,544.63	530,185.32	2,150.83	8,208.48

KENYA ASSOCIATION OF MANUFACTURERS (KAM) SCHEDULE OF INELIGIBLE COSTS			
Date	Seminar	Amount KShs	Reason
Oct 1987	Quality Control	2,600	Car hire for trip to coast while seminar was in Nairobi
Aug 1991	Quality Control	3,209	Month's salary to R. Mugishu for working on seminar
May 1991	Industrial Maint.	10,662	Month's salary to S. Ngugi & R. Karogeh for work on seminar
Nov 1990	Export Mktg	2,665	Printing business cards for KAM staff
		9,050	KAM staff lunch at Serena Hotel Nov 15 1990
		11,286	KAM staff party at Serena Hotel Dec 27 1990
Oct 1989	Sanitation & Waste	650	Visiting cards for J Kuria
		650	Visiting cards for M Muturi
		1,050	Miscellaneous KAM vouchers unrelated to Grant
		787	Bar expenses for alcoholic drinks
		4,319	Month's salary to E. Kariuki for working on seminar
Oct 1988	Product Development	637	Bar expenses for alcoholic drinks
Oct 1988	Industrial Maint	1,439	Bar expenses for alcoholic drinks
		20,323	Amount claimed twice
Sub-total		69,327	
Portion to USAID		34,664	
Oct 1988	Product Development	14,782	Claimed Shs 35,000 while difference between total expenses and revenue was Shs 20,218. 100% ineligible.
Total attributable to USAID		49,446	

Only 50 percent of the sub-total is attributable to USAID as USAID funded approximately 50 percent of the cost of the seminars.

The US Dollar equivalent of the KShs is \$2,150.83. This is calculated as a proportion of the total dollar equivalent of the total shilling cost of the seminars.

KENYA ASSOCIATION OF MANUFACTURERS (KAM) SCHEDULE OF UNSUPPORTED COSTS			
Date	Seminar	Amount KShs	Description
Aug 1991	Quality Control	65,476	Instaprint Ltd
		27,500	Lecturers
May 1991	Industrial Maint	46,195	Instaprint Ltd
Nov 1990	Export Mktg	7,217	Secretarial services
Oct 1989	Sanitation and Waste	10,000	Panafric Hotel
Oct 1988	Production Development	4,000	Transportation
		2,037	Miscellaneous
Oct 1988	Industrial Maint	26,210	Accommodation and meals
		160	Stationery and supplies
		3,000	Faculty members
Jun 1989	Jua Kali	21,627	Accommodation
		10,000	Stationery
		6,000	Transport
		12,000	Faculty members
		4,500	Secretarial services
Oct 1987	Quality Control	8,000	Faculty members
May 1988	Jua Kali	15,590	Accommodation and meals
		2,638	Stationery and supplies
		2,500	Transport
		4,000	Faculty members
		<u>1,200</u>	Miscellaneous
	Sub-total	<u>279,850</u>	50 percent to USAID
	Portion to USAID	139,925	
	Library development	41,133	100 percent to USAID
Total to USAID		181,058	

USAID funded approximately 50 percent of the seminar costs and 100 percent of the library development.

The US Dollar equivalent of the KShs is \$8,208.48. This is calculated as a proportion of the total dollar equivalent of the total shilling cost of the seminars.

ATTACHMENT II

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