Report of Audit

USAID/Kenya's Management of Funds Available for Operating Expenses

Report No. 4-615-97-002-P
November 25, 1996

OFFICE OF INSPECTOR GENERAL
U.S. AGENCY FOR INTERNATIONAL DEVELOPMENT

USAID

U.S. AGENCY FOR
INTERNATIONAL
DEVELOPMENT

Regional Inspector General for Audit/Nairobi

November 25, 1996

MEMORANDUM

TO: USAID/Kenya Director, George Jones

Jim M. Elkins for

FROM: RIG/Pretoria, Joseph Farinella

SUBJECT: Audit of USAID/Kenya's Management of Funds Available for Operating Expenses

Attached is our report on the subject audit, Report No. 4-615-97-002-P. We reviewed your comments on the draft report and have included them in their entirety as Appendix II.

The report contains three recommendations. Based on management actions already taken, we consider the three recommendations closed on issuance of this report.

I appreciate the cooperation extended to my staff during the audit.

P.O. BOX 30261, NAIROBI, KENYA. PHONE: (254)-2-211436, FAX: (254)-2-213551

Audit of
USAID/Kenya's Management of Funds Available
for Operating Expenses

Report No. 4-615-97-002-P
November 25, 1996

EXECUTIVE SUMMARY

Background

The United States Agency for International Development (USAID) receives a separate appropriation to cover its annual operating expenses (OE). Operating expenses include salaries, benefits, and support costs for U.S. and foreign national employees. Support costs include expenses such as travel and transportation, housing, and office expenses.

In addition to the annual appropriations from the U.S. Congress, USAID sometimes receives operating expense funding from other sources such as the revolving funds of the Housing Investment Guarantee, trust funds, and excess property activities.

Section 1311 of the Supplemental Appropriations Act of 1955 is of particular importance to the usage of operating expense funds. The 1311 review process is designed to identify valid and invalid unliquidated obligations.

In recent years, operating expenses have come under more scrutiny due to congressional and administration efforts to reduce federal costs. USAID estimates that its fiscal year (FY) 1996 OE appropriations will be about $495 million. As a result of lower funding levels, USAID has had to make many difficult decisions in order to continue to meet its priority program needs. Most notable has been the decision to close 23 overseas missions and offices by end of FY 1995 and to reduce overseas staff levels.

As part of its FY 1996 Audit Plan, the Office of the Inspector General (OIG) planned a worldwide review of USAID OE funds. The review's objective is to determine if USAID missions and offices are effectively reviewing obligations to ensure that funds available to them for operating expenses do not exceed required needs. This audit, at USAID/Kenya, is one of about 14 audits to be performed by the OIG in support of this objective.

For fiscal years 1991 through 1995, USAID/Kenya obligated $23 million in operating expense funds. At September 30, 1995, $4.0 million of this amount remained unliquidated and accordingly were recorded on the accounting records of USAID/Kenya as valid obligations. These unliquidated obligations and USAID/Kenya's procedures and practices related to them were the subject of our audit work (see pages 1 and 2).

Audit Objective

The audit was done to determine whether the mission maintains unnecessary or excessive levels of operating expense funds-- i.e. funds without valid purposes.

This audit was designed to answer the following question:

- Did USAID/Kenya Perform Unliquidated Obligation Reviews in accordance with USAID Policy and Procedures?

Appendix I contains a discussion of the scope and methodology for the audit.

Summary of Audit Findings

Although USAID/Kenya followed some of the procedures for reviewing the validity of dollar obligations for operating expenses (OE), the Mission did not perform these reviews as intended by USAID policy and procedures. The audit established that $529,925[1] of the $4.0 million in unliquidated obligations at the end of FY 1995 were no longer needed for the purposes for which the funds were originally obligated. In addition, the audit determined that the Mission needed to follow up on obligations totalling $285,946 to establish their validity (see pages 3 and 4).

For the period audited, USAID/Kenya did not: (a) perform year-end unliquidated obligation reviews to determine whether obligations certified as correct were valid and not excessive; (b) properly document the review process; (c) follow up on charges for items delivered such as freight and transportation accounts against purchase orders/contracts for offshore procurement; and (d) review transportation of household effects, unaccompanied baggage, personal vehicle, excess baggage, and consumables to establish whether the amounts set aside were valid and not in excess of required needs (see pages 5 to 8).

Lack of thorough reviews was noted in offshore procurement, local procurement, and post transfers and allowances (see pages 6 and 7).

Summary of Recommendations

The report contains three recommendations. Recommendation No. 1 requires the Mission to deobligate $153,467. Recommendation No. 2 requires the Mission to follow-up on $285,946 for

[1] *This amount includes $376,457 deobligated by the Mission after the year end.*

possible deobligation. Recommendation No. 3 recommends that USAID/Kenya issue a Mission Order for ensuring compliance with the Section 1311 Appropriations Act on the review of unliquidated obligations by: (1) keeping detailed records of the 1311 review process including reasons for retaining the obligations certified as correctly held; (2) providing for substantive involvement by supervisors in the Section 1311 review process to ensure that analyses performed provide a reasonable basis for conclusions regarding the validity of unliquidated obligations; (3) ensuring coordination with other offices such as the General Services Office in conducting the Section 1311 review; and (4) maintaining a detailed control card for eligible employees post assignment, Home Leave, and freight transfer allowances (see page 4).

Management Comments and Our Evaluation

The Mission agreed with the findings and recommendations and took immediate action to address the audit recommendations. The Mission deobligated all the amounts identified for deobligation. In addition, the Mission reviewed the amounts recommended for follow up and deobligated all the funds which were determined to be invalidly obligated. Finally, the Mission issued a Mission Order which requires reviews of unliquidated obligations be performed in accordance with Section 1311 of the Supplemental Appropriations Act. Accordingly, all the audit recommendations included in the audit report are closed on issuance of this final report.

Office of the Inspector General

Office of the Inspector General
November 25, 1996

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INTRODUCTION

Background

The United States Agency for International Development (USAID) receives a separate appropriation to cover its annual operating expenses (OE). Operating expenses include salaries, benefits, and support costs for U.S. and foreign national employees. Support costs include expenses such as travel and transportation, housing, and office expenses.

In addition to the annual appropriations from the U.S. Congress, USAID sometimes receives operating expense funding from other sources such as the revolving funds of the Housing Investment Guarantee, trust funds, and excess property activities.

Section 1311 of the Supplemental Appropriations Act of 1955 is of particular importance to the usage of operating expense funds. The 1311 review process is designed to identify valid and invalid unliquidated obligations.

In recent years, operating expenses have come under more scrutiny due to congressional and administration efforts to reduce federal costs. USAID estimates that its fiscal year (FY) 1996 OE appropriations will be about $495 million. As a result of lower funding levels, USAID has had to make many difficult decisions in order to continue to meet its priority program needs. Most notable has been the decision to close 23 overseas missions and offices by end of FY 1995 and to reduce overseas staff levels.

As part of its FY 1996 Audit Plan, the Office of the Inspector General (OIG) planned a worldwide review of USAID OE funds. The review's objective is to determine if USAID missions and offices are effectively reviewing obligations to ensure that funds available to them for operating expenses do not exceed required needs. This audit, at USAID/Kenya, is one of about 14 audits to be performed by the OIG in support of this objective.

Over the past 5 years, USAID/Kenya received separate budget allowances to cover its operating expenses. The sources of operating expense funds at USAID/Kenya are:

- U.S. dollar funds provided by annual appropriations;
- local currency "trust funds" generated from USAID commodity import programs; and

- obligations from special purpose operating expense appropriations.

Annual dollar appropriations are Operating Expense (OE) funds provided by USAID/Washington based on requests by the Mission through the budgetary process. Operating expenses for USAID/Kenya have averaged $4.6 million per annum over the past five years.

The Mission has also used local currency trust funds to meet some operating expense requirements. For fiscal years 1991 to 1995, the Mission used Ksh.106.7 million (about $3.1 million) from the trust fund account to pay Foreign Service National salaries. The use of the trust funds is commendable as this has reduced Mission dollar requirements for operating expenses.

Obligations for special purpose operating expense appropriations relate to funds provided to USAID/Kenya for a Technical Advisor in AIDS and Child Survival (TAACS) in the Health and Population Section of USAID/Kenya. The funds for TAACS were provided in FY 1991 and are used for meeting the salaries, allowances and other requirements of the Technical Advisor.

For fiscal years 1991 through 1995, USAID/Kenya obligated $23 million in operating expense funds. At September 30, 1995, $4.0 million of this amount remained unliquidated and accordingly were recorded on the accounting records of USAID/Kenya as valid obligations. These unliquidated obligations and USAID/Kenya's procedures and practices related to them were the subject of our audit work.

Audit Objective

The audit was done to determine whether the Mission maintains unnecessary or excess levels of operating expenses funds-- i.e. funds without valid purposes.

This audit was designed to answer the following question:

- Did USAID/Kenya Perform Unliquidated Obligation Reviews in accordance with USAID Policy and Procedures?

Appendix I contains a discussion of the scope and methodology for the audit.

REPORT OF AUDIT FINDINGS

Did USAID/Kenya Perform Unliquidated Obligation Reviews In Accordance With USAID Policy and Procedures?

Although USAID/Kenya followed some of the procedures for reviewing the validity of dollar obligations for operating expenses (OE), the Mission did not perform these reviews as intended by USAID policy and procedures. The audit established that $529,925[2] of the $4.0 million in unliquidated obligations at the end of fiscal year (FY) 1995 were no longer needed for the purposes for which the funds were originally obligated. In addition, the audit determined that the Mission needed to follow up on obligations totalling $285,946 to establish their validity.

USAID/Kenya followed some of the required procedures for the review of operating expense unliquidated obligations for U.S. dollar funds for fiscal year 1995. Specifically, USAID/Kenya:

- carried out continuous reviews of operating expense obligations throughout the year;
- certified, as required, that year-end obligations were valid; and
- as the result of its reviews throughout the year, deobligated funds when it found they were no longer necessary.

Nevertheless, substantial amounts certified at year end as being valid were no longer needed for the purposes for which they were originally obligated and should have been deobligated earlier.

USAID/Kenya Needs to Improve Its Reviews of Unliquidated Obligations

Federal law and USAID procedures require that unliquidated obligations be reviewed periodically to identify funds which need to be deobligated. Review of these funds includes a special year-end certification that all unliquidated obligations are valid. At September 30, 1995, USAID/Kenya certified as valid about $4 million in operating expenses as validly obligated. However, $529,925

[2] *This amount includes $376,457 deobligated by the Mission after the year end.*

of these obligations were later determined to be in excess of needs (the Mission deobligated $376,457 of this amount after the year end). In addition, based on available documents, the audit could not determine whether another $285,946 was validly obligated as of September 30, 1995. The unneeded funds were not identified earlier because the required reviews were not performed in a thorough manner and because there was insufficient information on amounts charged on some of the obligations. Therefore, funds which should have been deobligated were retained in USAID/Kenya records as valid obligations.

Recommendation No. 1: We recommend that USAID/Kenya deobligate $153,467 in operating expense obligations which our audit found to be no longer needed.

Recommendation No. 2: We recommend that USAID/Kenya follow-up on the continued need for operating expenses obligations amounting to $285,946 and deobligate unnecessary funds.

Recommendation No. 3: We recommend that USAID/Kenya issue a Mission Order for ensuring compliance with Section 1311 Appropriations Act on the review of unliquidated obligations by:

3.1 keeping detailed records of the 1311 review process including reasons for retaining the obligations certified as correctly held;

3.2 providing for substantive involvement by supervisors in Section 1311 review process to ensure that analyses performed provide a reasonable basis for conclusions regarding the validity of unliquidated obligations;

3.3 ensuring coordination with other offices such as the General Services Office in conducting the Section 1311 review; and

3.4 maintaining a detailed control card for eligible employees post assignment, Home Leave, and freight transfer allowances.

Section 1311 of the Supplemental Appropriations Act of 1955[3], as amended, requires a periodic review of unliquidated obligations to determine whether the obligation is valid. If not, the funds should be deobligated in a timely manner. USAID has established policy regarding Section 1311 reviews which requires that: (1) a continuous review of unliquidated obligations for both current and prior years should occur throughout the year; (2) a year-end review of the system should occur; (3) the obligation and liquidation records should be examined by USAID financial staff in

[3] Review requirements are discussed in Section 1311 of the Supplemental Appropriations Act of 1955 (title 31 U.S. Code Sections 1108, 1501 and 1502) and in USAID Financial Management Bulletin, Part II, No. 14A.

coordination with the officer responsible for budgeting and using the fund; and (4) a set of work papers be maintained to document the reviews.

Financial Management Bulletin-Part II-No 14A (Bulletin) requires an intensive review of all (100 percent) recorded current year unliquidated OE obligations be completed early in the fourth quarter of the fiscal year. The Bulletin states that the review for all prior year needs should be completed by September 30. This would allow for identification of invalid and excessive funds that can be deobligated and reprogrammed/re-obligated for other uses.

The Bulletin further requires that annual Section 1311 reviews must be thoroughly documented with complete workpapers for each individual obligation. The workpapers are to be maintained as an "audit trail". These workpapers should provide support that a thorough review of each unliquidated obligation was conducted.

The Bulletin requires that the Mission staff be alert to invalid obligation amounts for recurring obligations such as payrolls, residential and office utilities, and petty cash procurement where the obligating document is a journal voucher based on estimated requirements for a particular period. Another area for emphasis per the Bulletin is freight/transportation accounts against purchase orders/contracts for offshore procurement of equipment and supplies, and for transportation of employees' effects--House Hold Effects (HHE), Unaccompanied Baggage (UAB), Consumables, Excess Baggage and Personal Vehicle (POV). In many instances, some or part of these shipping allowances are not used and freight charges on offshore procurement is overestimated.

The Section 1311 review includes a special year-end certification that all obligations are valid.

Though the Mission carried out "continuous reviews" of the unliquidated obligations, these reviews were not thorough. There was no evidence that a detailed review of unliquidated balances was done at the end of the year. Our audit established that some obligations were supported by documents which were canceled which would have been pulled if all active obligations were reviewed when performing Section 1311 reviews. For the period audited USAID/Kenya did not:

- perform year-end unliquidated obligation reviews to determine whether obligations certified as correct were valid and not excessive;
- properly document the review process;
- follow-up on charges for items delivered, freight and transportation accounts against purchase orders/contracts for offshore procurement; and
- review transportation of HHE, UAB, POV, excess baggage, and consumables to establish whether the amounts set aside were valid and not in excess of required needs.

Lack of thorough reviews was noted in offshore procurement, local procurement, and post transfers and allowances.

Offshore Procurement

USAID/Kenya uses Regional Procurement Offices such as Bonn, in Germany, and Tokyo, in Japan, to make purchases for household items, furniture and vehicles. Obligations made for such purchases are not reviewed when 1311 reviews are done by the Mission. Instead, the obligations are left open until an advice of charge is received from the procurement office or until after five years when the funds are automatically lost.

Obligations for offshore procurement are based on estimates for the cost, freight charges and transportation costs. Because it is unlikely that actual cost and related charges would be equal to the amounts obligated, reviews of open obligations in this area should be carefully done to establish their validity.

Local Procurement

USAID/Kenya also makes local procurement of commodities and services. Obligations of funds for such commodities and services was supported mainly by purchase orders and miscellaneous obligating documents through journal vouchers. Our audit established that in performing Section 1311 reviews there was no coordination with the General Services Office (GSO) to determine whether procured commodities and services were received. Due to this lack of coordination, we found some obligations supported by purchase orders that were canceled. Again a thorough review would have established that such obligations were no longer necessary.

Post Transfers and Allowances

The 1311 review currently done by the Mission excludes obligations for household effects (HHE), unaccompanied baggage (UAB), personal vehicle (POV), and transfer allowances.

The related obligations are maintained in the records for five years when the Mission losses the funds or until charges are received to fully expend the funds obligated. There is no record kept to show the weight shipped when individuals transfer post. In addition, personnel files do not indicate whether the individuals concerned shipped in/out personal vehicles. Therefore, it is difficult to determine whether obligations for HHE/UAB/POV are valid, whether individuals shipped weight in excess of the allowed weight, and whether additional charges are expected under the specific obligations. Also, there is no follow up with individual employees to establish whether obligations for transfer allowances and consumables are valid.

The amounts obligated for these activities are estimates which are based on the weight that each employee and dependents are entitled to when they transfer posts. This is an area that the Mission should give a lot of emphasis to when performing Section 1311 reviews, because employees would not ship the same weight they are entitled to, and in some cases employees may sell their vehicles at post thereby making obligations for shipment of POV unnecessary. Detailed and updated records should be kept for employees when they transfer from one post to the other.

1311 Review Documents

A set of workpapers that would serve as an audit trail is not maintained when performing the Section 1311 reviews. The 1311 review workpapers maintained only reflect the amounts to be deobligated. These amounts are supported by a MACS A03 report. This MACS report is the only record kept as evidence of review of unliquidated balances. The Mission does not document why unliquidated obligation amounts left in the books are considered valid and not excessive. Balances retained as open obligations are based on the personal experience of the accountant performing the 1311 review. The reasons for holding some as open obligations while others are deobligated are not documented.

To meet the requirements of USAID policy, the Mission should come up with a system for ensuring complete review and documentation of the 1311 review process.

We believe that Section 1311 reviews could have been done in a more careful analytical fashion--with a view to getting unneeded obligations off the books. A number of the deobligations which we have proposed were made simply as the result of our own careful review of what expenses had been made and had not been made under a given obligation. For example, obligations associated with employee transfers and assignments to post were left open for several years because Mission personnel were uncertain whether any additional charges would be received. By reviewing the expenses paid from these obligations, it is possible to determine whether all major expenses (air freight, household effects, automobile shipment, etc.) had in fact been paid.

Such detailed analyses could be done during the "continuous review" phase, in order to avoid the time pressures imposed by year-end reviews. If such an analysis shows that an element in a predicted cost stream is missing (for example, the airline ticket for Home Leave was paid, but not the associated per diem) the Mission could attempt to follow-up (either with the employee, the vendor, or with Washington, as the case may be) so that the item might be deobligated earlier.

Unneeded funds were not identified for various reasons.

- The operating expenses accountant responsible for performing Section 1311 reviews is not very familiar with the USAID policy and procedures for conducting the review. The personnel responsible for performing the reviews did not examine invoices and other supporting documents in the payment files to determine the nature of charges already received and paid. Frequently there was not enough information to determine whether additional charges were outstanding. In addition, the accountant in charge of the reviews is also responsible for: (a) funding obligating documents (including costing and obligations), (b) the payroll, and (c) assisting the budget analyst. Therefore, there is no proper focus on the Section 1311 review process.

- USAID/Kenya does not have a written policy or guidelines for Section 1311 reviews. Our audit established that USAID/Kenya issued a policy guideline dated July 13, 1989. However, the policy guideline is no longer being followed. The operating expenses accountant is not even familiar with its requirements. Whereas Agency policies and procedures may be adequate, the Mission should issue some guidelines to ensure agency policies and procedures are followed in conducting Section 1311 reviews.

- The supervisory reviews on the Section 1311 reviews is limited to amounts identified for deobligation by the operating expenses accountant. Supervisory review is not extended to amounts left as open obligations. Therefore, if the OE accountant does not recommend a specific obligation for deobligation, invalid obligations may remain in the books for long periods of time. Supervisory reviews over open obligations would ensure that only valid obligations are left open at the end of the financial year.

- In performing the 1311 reviews, there is little coordination between the accounting section, payments section, and the General Services Office (GSO). While GSO records may indicate that obligation documents were canceled and/or that ordered items were received and paid for, the accounting section does not have this information. The GSO has, in some cases, closed and retired documents for obligations still being retained in the accounting records as valid.

- Another reason for obligations remaining unliquidated is tardy freight charges. For example, Mission officials told us that it takes from two to three years for all freight charges to come in for a given employee's move. Similarly, our own review indicated that the main reason for obligations remaining open is that not all freight bills for a given obligation had been received. Nevertheless, we believe a careful analysis of summary printouts and disbursement files, coupled with Mission follow-up on tardy charges, could help get some of these obligations off the books in less than the two to three years. In regard to small miscellaneous charges that may not be pulled as a result of a detailed review, we recommend timely deobligation rather than leaving an obligation open for a long period of time on the off-chance that charges may come in. If such charges are received later, the Mission can request upward adjustment.

Conclusion

A careful review of unliquidated obligations strengthens financial internal controls by removing from the accounting system obligations that are no longer required for future payments. Removal of such amounts from the accounting system would preclude fraudulent disbursements against open, but dormant and invalid obligation accounts.

We believe that Section 1311 reviews could have been done in a more careful analytical manner--with a view to getting unneeded obligations off the books. A number of the deobligations which we have proposed were made simply as the result of our own careful review of what expenses had been made and had not been made under a given obligation. For example, obligations associated with employee transfers and assignments to post were left open for several years because Mission personnel were uncertain whether any additional charges would be received. By reviewing the expenses paid from these obligations, it is possible to determine whether all major expenses (air freight, household effects, automobile shipment, etc.) had in fact been paid.

The reviews should include obligations for Household (HHE) effects, Unaccompanied Baggage (UAB), and shipment of Personal Vehicle (POV) when employees transfer post. The amounts obligated for these activities are estimates which are based on the weight that each employee and dependents are entitled to when they transfer posts. This is an area that the Mission should give a lot of emphasis to when performing Section 1311 reviews, because employees often do not ship the same weight they are entitled to and in some cases employees may sell their vehicles at post thereby making obligations for shipment of POV unnecessary. Detailed and updated records should be kept for employees when they transfer from one post to the other.

The Mission has already taken action to improve the Section 1311 review process. For example, the Controller's office has started to keep a detailed record of freight allowances and charges when employees transfer post. In addition, the Mission has issued a procedural guidance memorandum for reviewing unliquidated amounts. Finally, the Mission has done a detailed review of outstanding obligations and has deobligated the funds identified by this audit.

MANAGEMENT COMMENTS AND OUR EVALUATION

Responding to the draft report, USAID/Kenya agreed with the findings and recommendations and took immediate action to address the audit recommendations. The Mission deobligated all the amounts identified for deobligation. In addition, the Mission reviewed the amounts recommended for follow up and deobligated all the funds which were determined to be invalidly obligated. Finally, the Mission issued a Mission Order which requires reviews of unliquidated obligations be performed in accordance with Section 1311 of the Supplemental Appropriations Act. Accordingly, all the audit recommendations included in the audit report are closed on issuance of this final report.

SCOPE AND METHODOLOGY

Scope

The Office of the Regional Inspector General for Audit, Nairobi audited USAID/Kenya's Management of Funds Available for Operating Expenses in accordance with generally accepted government auditing standards. The audit was conducted from January 12, 1996 to October 23, 1996. The audit reviewed 333 open unliquidated obligations from a universe of 1,136 items which were on the accounting records of USAID/Kenya as of September 30, 1995. The sample totalled $1.4 million (about 66 percent) of the $4.0 million total universe of unliquidated obligations. The Mission liquidated some of the open obligations. For those obligations which were open as September 30, 1996, and were later liquidated by the Mission, we limited our testing to determining whether the obligation was valid as of September 30, 1995. If any of the obligations were questionable or invalid, we evaluated the cause and made appropriate recommendations. We did not identify any prior audits of USAID/Kenya unliquidated obligations which would be relevant to this audit.

In answering the audit objective, we obtained documentary and testimonial evidence from USAID/Kenya; assessed internal controls; tested the reliability of computer-generated data and compliance with laws and regulations applicable to the objective; and verified evidence through examination of supporting documentation. We also received an acceptable representation letter from USAID/Kenya management confirming information essential to fully answer the audit objective and for assessing internal controls and compliance.

Methodology

The IG/A/Headquarters Liaison and Coordination Division consulted with USAID Financial Management officials in Washington, D.C. and identified $174.8 million in operating expense funds which had not been liquidated and prepared a breakdown of these funds by headquarters and overseas missions. This information was obtained to assist various RIG offices in determining whether Section 1311 reviews were performed according to Federal laws and regulations, and USAID policies and procedures. We interviewed USAID/Kenya officials and reviewed MACS reports and the latest internal control assessments. We obtained a basic understanding of the mission's budget execution system for OE, including reporting and monitoring responsibilities, identified allocations of appropriated funds available for Mission use, evaluated the Section 1311 review process conducted on operating expense funds during FY 1995, determined the criteria and extent of use of the local currency funds, determined the amounts deobligated by the Mission during FY 1995, and identified the amount of unliquidated obligations remaining at the end of the fiscal year. After completing these audit steps, we determined the effectiveness of the Mission's Section 1311 review process as it related to their operating expenses funds.

We audited unliquidated operating expense obligations from fiscal years 1991 through 1995 that were present on the accounting records of USAID/Kenya as of September 30, 1995 as follows:

Fiscal year	No. of Obligations	$ Amount
1991	45	214,162
1992	113	378,258
1993	88	351,807
1994	153	382,265
1995	737	2,644,944
Total	1,136	$ 3,971,436

The audit tests covered 333 obligations with an unliquidated balance of about $1.4 million as follows:

Fiscal year	Obligations Tested	$ Amount
1991	45	214,162
1992	98	284,055
1993	67	260,455
1994	71	244,829
1995	52	400,280
Total	333	$ 1,403,781

We analyzed USAID/Kenya operating expense obligations for the period October 1, 1990 through September 30, 1995 that were unliquidated as of September 30, 1995. The audit included an analysis of the Section 1311 review sheets as well as obligating documents, earmark or commitment documents, contracts, purchase orders, and invoices to determine whether unliquidated balances were valid, funds could be deobligated or decommitted, and if data in the MACS reports were accurate and updated.

MEMORANDUM

DATE: October 25, 1996

TO: Acting/RIG/A/N, Tim Elkins

From: Acting Director, Lee Ann Ross LAR
SAK

SUBJECT: Draft Audit Report of USAID/Kenya's Management of Operating Expenses

REFERENCE: Your memo dated October 3, 1996

The Mission concurs with the three recommendations and the findings in the Draft Audit Report. The recommendations are considered closed based on the following actions taken by the Mission:

Recommendation No. 1: The Mission has deobligated $153,468 in operating expense obligations which the audit found to be no longer needed.

Recommendation No. 2: The Mission has followed-up on the continued need for operating expense obligations amounting to $285,946 and deobligated unnecessary funds.

Recommendation No. 3: The Mission has ready for issuance a Mission Order for ensuring compliance with Section 1311 Appropriations Act on the review of unliquidated obligations by:

3.1 keeping detailed records of the 1311 review process including reasons for retaining the obligations certified as correctly held. The Section 1311 reviews will be thoroughly documented with complete workpapers for each individual obligation or commitment account.

3.2 providing for substantive involvement by supervisors in the Section 1311 review process to ensure that analyses performed provide a reasonable basis for conclusions regarding the validity of unliquidated obligations. A written certification will be required, which is to be signed by the Chief Accountant and the Controller, or their designees, and which references the date and total amount of the unliquidated amounts, and states that, similar to the 1311 review certification, each unliquidated amount in the total is a valid obligation.

3.3 ensuring coordination with offices such as the General Services Office in conducting the Section 1311 review. A written certification by the General Services Officer (GSO), or Procurement Officer, or their designees, that each unliquidated amount stemming from a GSO procurement (e.g. Purchase Order or Contract, etc.), is a valid obligation from an active document, will be required.

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3.4. maintaining a detailed control card for eligible employees Post Assignment, Home Leave, and other transfer freight allowances. The Mission is keeping a detailed record of freight allowances and charges when employees transfer to post.

Appendix III

USAID/KENYA OPERATING EXPENSES AMOUNTS RECOMMENDED FOR DEOBLIGATION AND FOLLOW UP

OBLIGATION DOCUMENT	RECOMMENDED FOR DEOBLIGATION	RECOMMENDED FOR FOLLOW UP	REMARKS
FY 1991			
MC-615-10002		28,500.00	$4,130.16 WAS DEOBLIGATED IN MARCH 1996. THE BALANCE OF $24,369.84 CLEARED RECONCILING ITEMS.
TOTAL FY 1991		**28,500.00**	
FY 1992			
TA-388-20093	13,716.79	-	DEOBLIGATED
MC-615-20001	-	16,603.32	AMOUNT USED TO CLEAR RECONCILING ITEMS. ALL FUNDS HAVE BEEN DISBURSED.
PO-BON-21395	-	7,408.76	PAYMENT MADE TO VENDOR.
"		1,914.44	DEOBLIGATED
GR-615-20027	700.00	-	DEOBLIGATED
PO-615-20255	270.00	-	DEOBLIGATED
PO-615-20270	-	4,232.00	DEOBLIGATED
PO-615-000021230	-	1,680.00	$ 823.32 WAS DEOBLIGATED. BALANCE OF $856.68 WAS DISBURSED TO VENDOR
PO-615-20272	-	13,296.00	AMOUNT DISBURSED TO VENDOR

Appendix III

USAID/KENYA OPERATING EXPENSES AMOUNTS RECOMMENDED FOR DEOBLIGATION AND FOLLOW UP

"	-	1,249.67	DEOBLIGATED
PO-615-20367	1,030.00		DEOBLIGATED
PO-615-20370		20,843.30	DEOBLIGATED
"		5,135.49	DEOBLIGATED
PO-615-20383		13,615.00	DEOBLIGATED
TA-2449069	12,445.69		DEOBLIGATED
TA-2449096	16,286.59		DEOBLIGATED
TA-2449096/A	4,000.00		DEOBLIGATED
PO-615-20212		7,385.00	DEOBLIGATED
TOTAL FY 92	**48,449.07**	**93,362.98**	
FY 1993			
PO-615-30046	1,353.15	-	DEOBLIGATED
"	270.65	-	DEOBLIGATED
PO-615-30162		15,320.00	DEOBLIGATED
PO-615-30248		1,176.83	DEOBLIGATED
PO-615-30225	3,156.00	-	DEOBLIGATED
PO-615-30114	9,520.00	-	DEOBLIGATED
PO-615-30370	1,137.60	-	DEOBLIGATED
PO-615-30696	744.32	-	DEOBLIGATED
TA-615-30226	16,012.94	-	DEOBLIGATED
PO-615-30569	5,480.00	-	DEOBLIGATED
"	2,192.00	-	DEOBLIGATED
PO-615-30568	20,258.10	-	DEOBLIGATED
"	4,017.61	-	DEOBLIGATED
PO-615-30652	5,998.00	-	DEOBLIGATED

Appendix III

USAID/KENYA OPERATING EXPENSES AMOUNTS RECOMMENDED FOR DEOBLIGATION AND FOLLOW UP

"	599.80		DEOBLIGATED
PO-615-30664	1,017.00		DEOBLIGATED
MC-615-3001	-	56,546.65	THE MISSION DEOBLIGATED $23,356.98. THE BALANCE OF $33,,189.67 WILL BE USED TO CLEAR RECONCILING ITEMS.
TOTAL FY 1993	**71,757.17**	**73,043.48**	
FY 1994			
PO-615-40081	135.00		DEOBLIGATED
PO-615-40080	120.00		DEOBLIGATED
TA-615-40301	11,202.07		DEOBLIGATED
TA-615-40263		4,000.00	DEOBLIGATED
PO-615-40275	236.11		DEOBLIGATED
PO-615-400268	100.00		DEOBLIGATED
PO-615-40307	1,018.00		DEOBLIGATED
TA-615-40230		12,345.94	DEOBLIGATED
MC-615-40098	2,635.04		DEOBLIGATED
MC-615-40097		74,693.69	AMOUNT DISBURSED TO CONTRACTOR IN MAY.
PO-615-40350	741.00		DEOBLIGATED
PO-615-40270	3,626.43		DEOBLIGATED
"	3,732.72		DEOBLIGATED
TA-PAK-94122	9,714.64		DEOBLIGATED

TOTAL FY 94	**33,261.01**	**91,039.63**	
FY 1995	-	-	
GRAND TOTALS	**153,467.25**	**285,946.09**	