

KENYA MEDICAL SUPPLY AGENCY (KEMSA)

PROCUREMENT REVIEW

REVIEW PERIOD: 1 JANUARY- 31 DECEMBER 2007

FINAL REPORT

August 26, 2008



TABLE OF CONTENTS

1	INTRODUCTION	11
1.1	Mandate of PPOA.....	11
1.2	Specific Review Objectives.....	11
1.3	Scope of the Review.....	12
1.4	Review Methodology	13
1.5	Limitation of scope.....	16
2	ORGANIZATION OF KENYA MEDICAL SUPPLIES AGENCY	17
2.1	KEMSA Vision	17
2.2	KEMSA mission.....	17
2.3	Roles of KEMSA	17
2.4	Management Structure of KEMSA.....	18
3	KEY PROCUREMENT DATA ANALYSIS	20
3.1	Procurement Funding Grants.....	20
3.2	Procurement Volume.....	20
3.3	Contracts awarded under direct procurement method	22
3.4	Evaluation period over 30 days.....	24
3.5	Average period taken in various stages of the procurement process	24
3.6	Inventory and Expired Drugs.....	24
3.7	Budget and Payments of Suppliers	26
4	GENERAL FINDINGS	27
4.1	Scope of Application of the Act and Regulations.....	27
4.2	Establishment of the Procurement Unit	27
4.3	Standard procurement committees	27
4.4	Procurement Plan	27
4.5	Use of Framework contracts.....	28
4.6	Push vs. Pull System	28
4.7	Huge stocks in warehouses.....	28
4.8	Tender Opening Committee	28
4.9	Approvals by Tender Committee	28
4.10	Use of Procurement Methods	29
4.11	Poor Record keeping.....	29
4.12	Procurement Oversight Committee.....	29
4.13	Lack of effective post award contract management	29
4.14	Advertisement of Bids.....	29
4.15	Internal Audit	29
4.16	Complaints	30
5	DETAILED FINDINGS AND RECOMMENDATIONS	31
5.1	Institutional Framework and Structures	31
5.2	Scope of Application of the Act and Regulations.....	32
5.3	Scope of Application of the Act and regulations	33
5.4	Procurement Department.....	34

5.5	Procurement planning	37
5.6	Procurement requisitions and authorization.....	38
5.7	Solicitation of Bids.....	38
5.8	Tender Opening Committees.....	39
5.9	Evaluation of bids.....	39
5.10	Integrity of Evaluation Committees	40
5.11	Tender Committee	40
5.12	Procurement Oversight Committee.....	41
5.13	Procurement Committee	41
5.14	Draft and Signing of Contract.....	41
5.15	Contract management	41
5.16	Timing and tracking.....	42
5.17	Warehouse Department	43
5.18	Inspection and Acceptance Committee	44
5.19	Disposal of Plan	44
5.20	Supply chain management support departments	44
5.21	Separation of Powers.....	46
5.22	Provision of insurance cover for warehouses.....	46
5.23	Reports submitted to PPOA.	46
5.24	Poor Recordkeeping Data and Documentation	47
5.25	Termination of the procurement proceedings	47
5.26	Handling of complaints	47
5.27	Benefits of Implementing Recommendations	47
6	IMPROVEMENTS & IMPLEMENTATION PLAN	49
7	CONCLUSION	53
8	ANNEXES.....	55
8.1	Entry meeting.....	55
8.2	Persons met during the review.....	56
8.3	Organization Structure of KEMSA	57
8.4	Organization structure of Procurement Unit.....	57
8.5	Procurement Staff.....	58
8.6	Standing and Specific Committees.....	58
8.7	Tender Committee members.....	58
8.8	Procurement Oversight Committee.....	58
8.9	Procurement Committee Members.....	58
8.10	Disposal Committee members.....	59
8.11	Distribution of the procurement methods in the sample	59
8.12	Terminated Procurement Proceedings.....	59
8.13	Top ten Suppliers during the YR 2007.....	60
8.14	Profile of Procurements for 2007	60
8.15	Open International Tender (OIT/ICB).....	60
8.16	Open National Tenders (ONT/NCB)	61
8.17	Restricted Tenders	62
8.18	RFQ.....	62
8.19	Direct Procurement.....	66

8.20	Low value procurements	66
8.21	Suppliers for Pharmaceuticals	68
8.22	Inventory of Total Value over Ksh50million.....	70
8.23	Summary of general rating in KEMSA.....	70
8.24	Consolidated annual procurement plan	73
8.25	Summary of deviations in the sampled procurements.....	74

ACRONYMS

AIE	Authority to Incur Expenditure
AO	Accounting Officer
CPAR	Country Procurement Assessment Review
I&AC	Inspection and Acceptance Committee
CEO	Chief Executive Officer
FY	Financial Year
GOK	Government of Kenya
IA	Internal Auditor
ICB	International Competitive Bidding
OIT	Open International Tender
SPP	Specially Permitted Procurement
LVP	Low value Procurement
ONT	Open National Tender
RT	Restricted Tender
IFMIS	Integrated Financial Management Information Systems
IPR	Independent Procurement Review
JDM	Joint Design Mission
KACC	Kenya Anti Corruption Commission
KEMSA	Kenya Medical Supplies Agency
KEPI	Kenya Expanded Program of Immunization
LPO	Local Purchase Order
LSO	Local Service Order
MCA	Millennium Challenge Accountant
MD	Minor Deviations
MDD	Moderate Deviations
MDDD	Major Deviations
MOH	Ministry of Health
MSH	Management Sciences For Health
TC	Tender Committee
NASCOP	National Aids/Sexually Transmitted Diseases Control Program
NCB	National Competitive Bidding
NI	Not Investigated
NPHL	National Public Health Laboratory Services
PC	Procurement Committee
DP	Direct Procurement
PE	Procuring Entity
PIN	Personal Identification Number
PO	Procurement Officer
PPDA	Public Procurement and Disposal Act
PPDR	Public Procurement and Disposal Regulations
PPOA	Public Procurement Oversight Authority
PR	Procurement Review
PS	Permanent Secretary
PU	Procurement Unit
RFP	Request for Proposal
RRI	Rapid Results Initiative

SP	Satisfactory Performance
RFQ	Request for Quotations
TP	Threshold Program
USAID	United States Agency for International Development
VAT	Value Added Tax

EXECUTIVE SUMMARY

This report is the final output of the procurement review of the Kenya Medical Supplies Agency (KEMSA) undertaken jointly by the ARD/PPOA team under the MCA-Threshold Program. The objective of the exercise was to review the status of KEMSA's procurement contracting, and implementation processes and systems, in order to determine the level of compliance with the new procurement law, regulations, circulars, and directives issued by the Public Procurement Oversight Authority and generally accepted principles of good practice.

The report was discussed in draft with the senior management of KEMSA at an exit meeting and subsequently findings and remarks were amended accordingly. On some points where differences remain, the response of KEMSA has been reported. The action plan has been prepared jointly.

The review focused on compliance with the law, regulations, internal controls, generally accepted principles, and institutional framework as they relate to procurement functions for the period 1 January to 31 December 2007. As during this period KEMSA was accountable to the Ministry of Health (MOH), references to the Ministry are to the MOH. In May 2008 the responsibilities of MOH were divided between two new Ministries, the Ministry of Medical Services and the Ministry of Public Health and Sanitation. Under this reorganization, ministerial responsibility for KEMSA was transferred to the Ministry of Medical Services. However, this reorganization has not substantially altered the relationship between central Government and KEMSA.

In the period under review, KEMSA spent approximately Ksh 3.8billion for procurement of goods, works, and services. The procurement methods used were mainly international open tender (OIT/ICB) Ksh 3.2billion (86%), national open tender (ONT/NCB) Ksh 79 million 2%, restricted tender (RT) Ksh 416 million (11%), request for quotations (RFQ) Ksh 21 million, direct procurement Ksh 54 million and low value procurement(LVP) Ksh 1.5 million. The level of effort (81%) is concentrated on the request for quotations and low value procurement methods whose combined values represents less than 0.6% of the total procurement value. The Act provides the opportunity for framework contracts and long-term arrangements that, if implemented in KEMSA, could offer the flexibility to match more closely the needs with the resources available and enhance value for money.

Although KEMSA has Ksh 38 million worth of expired drugs on hand, there was no disposal undertaken during the year under review nor was there any disposal plan as stipulated in the Act.

The agency receives requests for procurement from the Ministry to commence procurement procedures without budget framework, procurement plan or approved budget contrary to the provisions of the Act. The medical commodities supply chain planning process, which is the responsibility of the MOH personnel in consultation with the KEMSA senior management, and the procurement process are fragmented. KEMSA is not involved in the planning process hence has no control over the timeframe and budgets concerned. It is observed that the procurement of drugs is not based primarily on the demand, as the Ministry simply pushes drugs and supplies to the health institutions based on previous year estimates with minor adjustments. The push system for drugs and medical supplies has led to overstocking, obsolescence, and expiry of drugs in various warehouses. The public facilities, which are the users of the drugs and equipment, are not involved in the planning of their requirements as an

integral part of the drugs and medical supplies procurement system. It is noted that KEMSA is now trying out the pull system in six districts.

To be effective, KEMSA must be provided with the appropriate information to control the process of procurement, warehousing, and distribution of medical supplies as provided in its mandate.

Lack of planning coupled with non-strategic procurement processes have resulted into huge stocks that have overwhelmed their warehousing management in four major areas namely space management, internal product management, inbound delivery management, and outbound shipment management. Currently the warehousing challenges in the two warehouses visited include:

- a) Reduced inventory accuracy;
- b) Poorly utilized warehouse space;
- c) Decreased employee productivity;
- d) Inability to provide accurate and timely shipment information;
- e) Poor stacking at Embakasi;
- f) Poor stock rotation; and
- g) Increased overhead expenses.

The inventory in KEMSA warehouses as at 31 December 2007 amounted to Ksh 9.1 billion. This inventory comprises the Ministry's supplies and other supplies owned by the donors providing parallel health projects. Moreover, there is no evidence that the stocks were insured against theft and fire.

These warehousing problems have been compounded by the failure of the Ministry and the donors to provide KEMSA with distribution funding at the time of initiating procurement or making the deliveries of commodities procured by them directly.

The Ministry procures medical equipment, supplies, and non-pharmaceuticals directly and uses KEMSA warehouses for storage and distribution channels for the deliveries to health facilities. These procurements from the Ministry are not incorporated in KEMSA's work plan and therefore KEMSA does not control volume and delivery schedules.. Previous reviews recognized these problems in KEMSA in the reports including the JDM 2004, Independent Procurement Review 2005 (IPR), PPOA Rapid Results Initiative (RRI) assessment exercise carried out in 2007, KACC Examination 2006, and the Joint Design Mission 2007(JDM). The review evaluated the implementation of some of the findings and recommendations of these reports. It was observed that the agency is slow in implementing the recommendations and findings of prior reviews, studies, and assessments. To address this, the report has included an implementation plan for the recommendations and a follow-up review during which the team will work with KEMSA to ensure that the recommendations are implemented.

Many times these earlier reports have highlighted the indistinct role of KEMSA in the Ministry's supply chain management. The relationship is unclear and confusing. There is need to specify the roles and responsibilities of the two entities in the supply chain processes, particularly budgeting processes and delivery controls. KEMSA ought to consider itself as an

independent partner and a major player in the health sector. In this respect, KEMSA should work with government institutions and other health sector partners to help them in their own efforts to procure supplies and related services for health facilities, enabling them to benefit from KEMSA's considerable experience in procurement and distribution.

KEMSA's central objective of procurement and warehousing services is to assist partners in the procurement of quality, good value supplies for health facilities, from reliable manufacturers. Furthermore, as a major buyer of medical commodities, KEMSA can strengthen national capacities in service provision for the health sector.

MOH capacity for oversight over KEMSA is weak in the areas of supply chain planning and funding creating an enormous gap in the coordination of KEMSA's supply chain management.

Budgeting is an important aspect of procurement management and the way the agency's budgetary processes are designed and implemented has a major impact on the efficiency and effectiveness of the procurement functions. Procurement planning must be made part of the budgeting process as well as the procurement cycle to provide a basis for direct linkage between budget execution and expenditure control. Development of an integrated financial management system is necessary to help improve financial management through improved data accuracy, timeliness, and access to financial information. Currently KEMSA's procurement processes are being initiated by the Ministry without a specifically approved budget resulting into KEMSA's inability to pay its suppliers. KEMSA has accumulated and carried forward a debt of Ksh 1,954,688,105.00 from the previous financial year.

Procurement record keeping is weak and this impedes the work of procurement reviews and audits. Currently, procurement documents for a single activity are scattered in different sections of KEMSA. The procurement files are incomplete and there is need to cross-refer all documents involved in the various stages of the procurement process, including receipt of goods, warehousing and payments. There is need to maintain a comprehensive file on each procurement activity. Similarly, contract management functions are fragmented with various components being handled by different units. Contract management needs to be strengthened, as poorly supervised contracts could lead to financial losses.

The review team reckons that the procurement unit has ceded some of its fundamental duties to other departments and they are not in control of the whole process from initiation to conclusion, e.g. preparation of contracts, delivery documentation, record keeping and payment.

KEMSA's non-compliance cases in procurement procedures are not limited or controlled, especially when restraint or control is required. The staff involved in the procurement functions should exercise due professional care and seek PPOA's advice when faced with challenging situations. The review recommends that KEMSA develop and implement:

- a) Procedures to ensure that all parties involved in the procurement process respect and comply with the provisions of the law and regulations;
- b) Comprehensive record keeping and documentation systems for the procurement processes;

- c) A plan to expand the budgetary framework to ensure it can capture and distribute updated information on all the procurement components;
- d) A strong compliance program that will enhance conformity with the legislation, educate the employees in the right actions to take and build effective data systems for use in private-sector marketing;
- e) A system to ensure that KEMSA files all the designated reports with PPOA as provided for in the Act and Regulations;
- f) A program to strengthen the internal audit unit staff capacity to ensure effective checks on compliance of the procurement transactions;
- g) An updated consolidated procurement plan; and
- h) An effective inspection and acceptance system that meets the requirements of the Act.

1 INTRODUCTION

The Government of Kenya (GOK) and USAID/Kenya signed the Kenya Millennium Challenge Account Threshold Program (MCA-TP) agreement on March 23, 2007. The \$12.7 million Program addresses public procurement reform, with a particular emphasis on the healthcare sector. The Program consists of three components:

Component 1: Reforming the Public Procurement System;

Component 2: Improving Healthcare Procurement and Delivery;

Component 3: Civil Society Monitoring of Procurement Reform and Healthcare Procurement and Delivery.

For Component 1 of the MCA-TP, ARD, Inc. was selected to provide technical assistance and training to support the Public Procurement Oversight Authority (PPOA) to reform the public procurement process in Kenya. One of the tasks of the project is to assist PPOA to carry out comprehensive procurement reviews (audits) to determine the level of compliance with the laws in six high spending procuring entities, beginning with MOH and KEMSA, which for the purposes of this project will be considered as separate procuring entities. Other entities designated for review include the Ministry of Energy, Office of the President and the former Ministries of Education, Roads and Public Works. The program will be adjusted to take account of the reorganization affecting these Ministries. In assessing compliance, “procurement reviews” have been used in place of “audits,” to distinguish these activities from those of the Kenya National Audit Office.

1.1 Mandate of PPOA

Section 49.1(a) of the Act provides for the PPOA’s procurement review function, which states that the Director-General or anyone authorized by him may inspect at any reasonable time the records and accounts of a procuring entity and the procuring entity and contractor shall co-operate and assist whoever does such an inspection.

1.2 Specific Review Objectives

The main purpose is review the status of KEMSA’s procurement, contracting and implementation processes and systems, in order to establish the state of compliance with the procurement law, regulations, circulars, and directives issued by the Authority.

The specific objectives of this procurement review are:

- a) To verify the procurement and contracting procedures, processes and documentation followed by KEMSA, in order to determine whether they were carried out in accordance with Public Procurement Act and the associated Regulations;
- b) To establish KEMSA's adherence to the general principles of economy and efficiency, equal opportunities, transparency, integrity, fairness and value for money;
- c) To determine compliance, physical completion and price competitiveness of each contract in the selected representative sample;
- d) To review the capacity of KEMSA to handle procurement efficiently, comment on the quality of procurement and contracting and identify reasons for delays, if any;

- e) To establish whether adequate systems are in place for procurement planning, implementation and monitoring and whether reliable documentation is maintained as required by the regulations;
- f) To establish whether remedial actions made in the previous reviews have been carried out successfully;
- g) To make recommendations for improvement in an action plan which will be followed up within 3 months to establish whether these improvements have been implemented;
- h) To assist in clarification of areas where KEMSA may have misunderstood the requirements of the legislation;
- i) To determine challenges faced by the KEMSA in the implementation of the Act.

1.3 Scope of the Review

The procurement review covered all procurement activities carried out by the KEMSA under the Public Procurement and Disposal Act 2005 and the associated regulations during the 1 January to 31 December 2007 period. The review team also visited the KEMSA warehouses at Embakasi, and Mombasa Road to verify level of deliveries and warehousing management and to comment accordingly.

Main Procurement areas covered:

- a) Institutional procurement structures and capacity
 - i. Scope of application
 - ii. Procurement Unit
 - iii. Standard and standard committees
 - iv. Meetings of the standard and specific committees
- b) Procurement regulations
 - i. Budgetary framework
 - ii. Procurement Plan
 - iii. Qualification of suppliers
 - iv. Prequalification proceedings
 - v. Participation by suppliers
 - vi. Documentary evidence in the procurement proceedings
 - vii. Record of procurement proceedings
 - viii. Rejection of tenders
- c) Methods of procurement
 - i. Open tenders
 - ii. Restricted tenders
 - iii. Request for quotations

- iv. Direct procurement
 - v. Specially permitted procurement
 - vi. Small value procurements.
- d) Institutional challenges.

1.4 Review Methodology

1.4.1 Key documents

The team reviewed key documents related to the terms of reference to provide an overall picture of the level of compliance in the various stages of the procurement process. The overall deviations for the procurements handled by KEMSA over the review period were assessed using the criteria outlined below. Other background documents that were reviewed included but were not limited to the following: PPDA 2005, PPDR 2006, Interim Procurement Review Manual, Independent Procurement Review Report (IPR) 2005, KACC Examination report 2005, KACC Implementation Report 2006, Rapid Results Initiative (RRI) 2007 report, Manual of Procurement Policies and Procedures(KEMSA); Joint Design Mission to the Health Sector Report (JDM) 2007, KEMSA Business Plan 2007 – 2010, Report on Records Management in KEMSA, among others.

1.4.2 Interviews and Discussions

The team held discussions/interviews with relevant staff/officials of KEMSA directly involved in the procurement process. Through these interviews and discussions with officials, general and specific information about the procurement/disposal process, procedures, and existing capacity at KEMSA was obtained.

1.4.3 Sampling

Some 102 samples of procurement transactions were selected in accordance with the procedures outlined in the Interim Procurement Review Manual. The samples were then tracked through all major stages of procurement processes from initiation to completion. The sampling size took into account significant areas of deviations, opens tendering, restricted tendering, request for quotations and low value procurements.

Distribution of the procurement methods in the samples reviewed

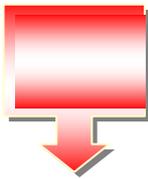
Type of procurement method	Selected sample	Out of total	Value sampled	Out of Value (Ksh)
Open International Tenders(OIT)	7	17	2,279,055,384.00	3,238,731,454.00
Open National Tender(ONT)	7	11	18552329.00	78,968,348.00
Restricted Tender (RT)	7	7		416,114,438.00
Request For Proposal(RFP)	n/a	n/a	n/a	n/a
Request For Quotations(RFQ)	37	61	14,630,854.00	20,931,409.00
Direct Procurement(DP)	5	6		53,984,863.33
Low Value Procurement(LVP)	39	94	562,300.00	1,481,256.00
TOTAL	102	196	2,312,801,433.00	3,777,504,762.00

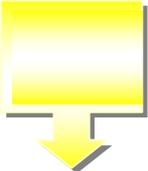
The review team selected an estimated compliance level of 80% and the probability of finding non-conformity to be 83%. The high level of estimated compliance and performance levels were based on the assumption that the procuring entity had undergone sensitization training last year by PPOA and this year organized under MCA-TP. In addition, other studies and reviews including IPR 2005, JDM 2004, KACC Examination 2005, KACC Examinations 2006, JDM 2007, MCA-TP Records management baseline studies 2008, and KEMSA assessment study 2008 had been previously undertaken

KEMSA RESPONSE: Sensitization training carried out in January 2008 a year after the law had taken effect. Review under RRI done in 2006 under the old law)

1.4.4 Rating Criteria

The reviewed procurements were categorized according to the procurement/disposal deviation rating criteria outlined in the interim procurement manual and TOR. The method was discussed with the Head of Procurement Unit and consisted of four categories namely:

<p>Major deviation (DDD)</p> 	<p>Cases of procurements where fundamental requirements of the PP&D Act and Regulations were not followed. Such procurements are considered to have major deviation, which could cause material financial loss, flaws in the law and/or regulation or the entity's reputation.</p> <ul style="list-style-type: none"> ➤ Poor and incomprehensive record keeping; ➤ Ensuring that recommendations in the reviews, studies, assessments and examination reports are implemented; ➤ Commencing procurement procedure without approved budget; ➤ Lack of annual consolidated procurement plans; ➤ Lack of internal procedure manual; ➤ Tender Committee adjudicating cases which do not conform with the provisions of the law and regulations e.g.no approved budgets; ➤ Weak internal auditing systems; ➤ Lack of training policy in areas relating to Public Procurement Act; ➤ Lack of disposal plan for obsolete equipment and supplies; ➤ Weak contract management and internal control systems;
--	--

	<ul style="list-style-type: none"> ➤ Ensuring reports are submitted to PPOA as required by the law; and ➤ Selection of procurement method without proper justification due care and/or consideration. <p>Such cases warrant immediate intervention by the Chief Executive Officer.</p>
<p>Moderate Deviation (DD)</p> 	<p>Procurements that were considered to have weaknesses which, although less likely to lead to material financial loss or to risk damaging the regulatory system or the entity’s reputation, warrant timely management action using the existing management framework to ensure a formal and effective system of management controls is put in place. Where procurement procedures were considered to have significant omissions or deviations, including:</p> <ul style="list-style-type: none"> ➤ Adjudication of cases without procurement plans, procurement requisition and prior approvals of procurement methods; ➤ Receiving the quarterly reports of the Procurement Committee; ➤ Selection of procurement method without proper justification and not considering alternative methods; and ➤ Deciding on cases where evaluation period exceeds the stipulated period. <p>These weaknesses warrant immediate attention of the senior management e.g. heads of user departments, administration, and chairperson of TC.</p>
<p>Minor deviation (D)</p> 	<p>Procurements with weaknesses where resolution within the normal management framework is considered desirable to improve efficiency or to ensure that the business matches current best practice. Deviations from laid down procedures would normally be graded “low” if there was sufficient evidence of management action to put in place and monitor compliance with detailed procedures. These weaknesses warrant immediate attention of the procurement unit or user department:</p> <ul style="list-style-type: none"> ➤ No appointment letters for the members of the standard committees; ➤ Poor record keeping in PU; ➤ Developing a procurement manual that links with the procurement law and regulations; ➤ Developing annual and framework contracts for commonly used items e.g. printing services, office supplies and stationery; ➤ Surpassing maximum threshold for request for quotations method; ➤ Summary of overdue accounts for procurements; and ➤ Developing training schedule for the PU personnel

<p>Satisfactory Reviews (SF)</p> 	<p>Where procurement practices and procedures met the requirements of the law and regulations and were considered to meet standards of good practice.</p>
--	---

1.5 Limitation of scope

Our scope was limited by the following:

- a) Inadequate work station accommodation for the review team;
- b) Lack or incompleteness of records, data and documentation relating to the procurement processes selected;
- c) Because of the weak record keeping, document location and retrieval in the PU was difficult;
- d) Inability to verify the authenticity of some of the documents sampled; and
- e) Lack of documented organizational internal control manuals relating to initiation, certification, and approvals at various levels.

2 ORGANIZATION OF KENYA MEDICAL SUPPLIES AGENCY

2.1 KEMSA Vision

“To be a world class supplier of integrated, quality, affordable, essential medical commodities to health facilities.”

2.2 KEMSA mission

“To improve the healthcare of Kenyans through efficient procurement and reliable distribution of quality medical commodities and promotion of rational drug use and practices”

2.3 Roles of KEMSA

The Kenya Medical Supplies Agency (KEMSA) is a State Corporation established (under Cap 446 of the Laws of Kenya through Legal Notice No. 17 of 11th February 2000) with the mandate to procure, warehouse and distribute medical commodities to all public health facilities in Kenya.

The broad objects of KEMSA as stipulated in the Legal Notice are:

- a) To develop and operate a viable commercial service for the procurement and sale of drugs and other medical supplies to public health institutions;
- b) To provide a secure source of drugs and medical supplies ; and
- c) To advise the Health Management Boards and the public on matters related to the procurement, cost effectiveness and rational use of drugs and other medical supplies.

The functions of KEMSA are:

- a) To procure drugs and medical supplies, offer for sale and supply the same to public health institutions on such terms as the Board may from time to time prescribe;
- b) To establish warehouse facilities in Nairobi or any other towns of Kenya for the purposes of storage, packaging or sale of drugs and medical supplies to health institutions;
- c) To carry out or cause to be carried out technical and or laboratory analysis of drugs and medical supplies to determine their suitability for procurement, sale, use, storage or disposal;
- d) To advise the consumers and health providers on the rational and cost effective use of drugs and medical supplies in consultation with other agencies.
- e) To use guidelines on the procurement, storage, use and disposal of pharmaceutical products within public health institutions in consultation with other agencies; and
- f) To sub-contract any of the above functions to competent agents or institutions as may be determined by the Board, without prejudice to the objects for which the Agency is established.

However, KEMSA has not yet assumed its full mandate due to various limiting factors, key among them being the lack of funds required for operations, maintenance and capital development and lack of a policy and goodwill framework from MOH for operationalizing the procurement function at KEMSA.

The Decentralization Implementation Support Review mission was held in March 2003, with various stakeholders which included all the development partners, including USAID, Ministry of Health managers both at the headquarters and the provinces, the private sector representatives and various Government Ministries. The mission noted with concern the stalled progress in operationalizing KEMSA. The mission agreed that a Memorandum of Understanding (MOU) would be signed between the Ministry of Health, KEMSA Board of Directors, and the development partners. Under the Memorandum of Understanding the Ministry of Health, KEMSA Board of Directors, and the development partners would commit themselves to address various issues including the introduction of a management consultancy (MC) to assist the process of operationalising KEMSA. This led to the mobilization of management consultants to review and advise the management on the following:

- a) Commencement of commercial activities;
- b) Staff rationalization of KEMSA;
- c) Capacity building of the organization;
- d) Systems development;
- e) Rehabilitation of KEMSA's infrastructure to acceptable standards;
- f) Integration of parallel supply systems;
- g) Mobilization of funds for development and operational needs; and
- h) Advise the KEMSA Board on key decisions including strategic direction.

The management consultant has since left and KEMSA now has a fully-fledged management system in place.

2.4 Management Structure of KEMSA

KEMSA has not yet been set up as an independent institution hence some of the procurement of medical equipment and supplies are still undertaken by MOH.

The bulk of the procurements undertaken by KEMSA are paid for by MOH. This brings several uncertainties and misunderstanding of the roles and responsibilities of each of the entities in the procurement process and indeed the implementation of the Act in any single procurement process. There are efforts being undertaken by the Ministry of Health to prepare KEMSA for the eventual transition to full autonomy.

The Chief Executive Officer is responsible for ensuring that KEMSA adheres to the Public Procurement Act and Regulations. In this respect, his duties include (PPDA Section.27):

- a) Establishing all standing committees as stipulated in the Act including Tender Committee, Procurement Committee, Disposal Committee and Inspection and Acceptance Committee;
- b) Establishing a Procurement Unit staffed with an appropriate procurement professionals;

- c) Signing contracts for procurement activities on behalf of the procuring entity for contracts entered into in accordance with the terms and conditions of the award;
- d) Ensuring annual procurement plans are prepared; and
- e) Ensuring that the procuring entity properly documents procurement proceedings and manages records in accordance with the regulations.

3 KEY PROCUREMENT DATA ANALYSIS

3.1 Procurement Funding Grants

A reasonable mix of Government and donor resources have been used to support the growth in the KEMSA procurement and supply chain activities during the period under review.

The review identified a number of areas in the procurement process that are not under KEMSA or the procurement unit's control. Securing funding of KEMSA's activities through the mechanism of grants often results in service and delivery delays. These delays have a particularly notable impact on the procurement unit, since confirmation of funding often governs when procurement may be initiated, and the timing of such confirmation is generally unpredictable. KEMSA resources have not always been adequate to meet procurement requirements on a timely basis. Little improvements have been made in this area and it remains a major challenge.

Sources of Funding Grants by Start dates

Grant	2006-2007	2007-2008	YR TO DATE
ADB		277,099,191.00	
USAID		3,607,600.00	
MOH	774,000,000.00		
DANIDA	234,000,000.00		
MOH	150,000,000.00		
MOH	805,268,461.00		
MOH		3,150,449,338.00	
MOH		120,000,000.00	
MOH			1,346,467,650.00
TOTAL	1,963,268,461.00	3,551,156,129.00	1,346,467,650.00

Source – KEMSA Internal Documentation

Notes: ADB/DANIDA Grants were made through MOH.

The USAID grant for audit consultancy was paid directly by the donor.

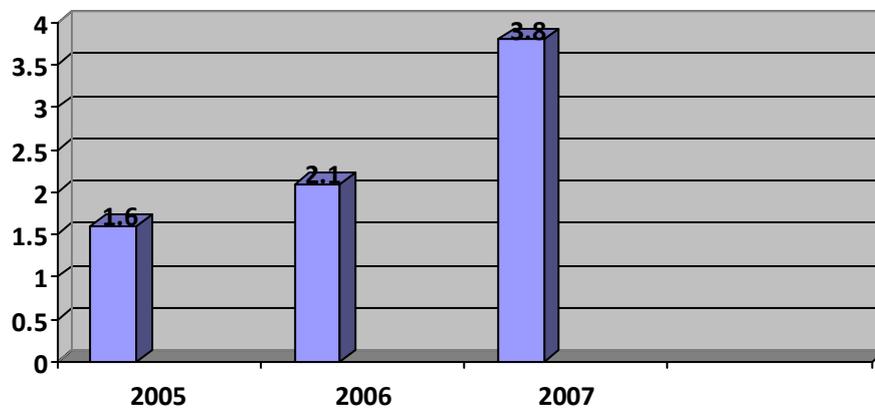
These grants excluded the KEMSA operations and maintenance funding.

3.2 Procurement Volume

The procurement department should have the resources available to serve and deliver the mandates set forth by KEMSA. However, the procurement unit is having trouble in managing the timing and volume of the agency's procurement demands.

In the period from January 1 to December 31 2007, KEMSA carried out approximately 196 procurements of total value Ksh 3.8 billion. During this time, the procurement unit had seven employees. It is noted that all tenders are issued at once in the months of May-June period and deliveries take place at once in the last month before the end of the financial year. This pattern of procurement exerts pressure on the procurement staff as well as the warehousing facilities. Based on the current staffing levels of the procurement unit, it would be difficult to complete the process timings as stipulated in the Act.

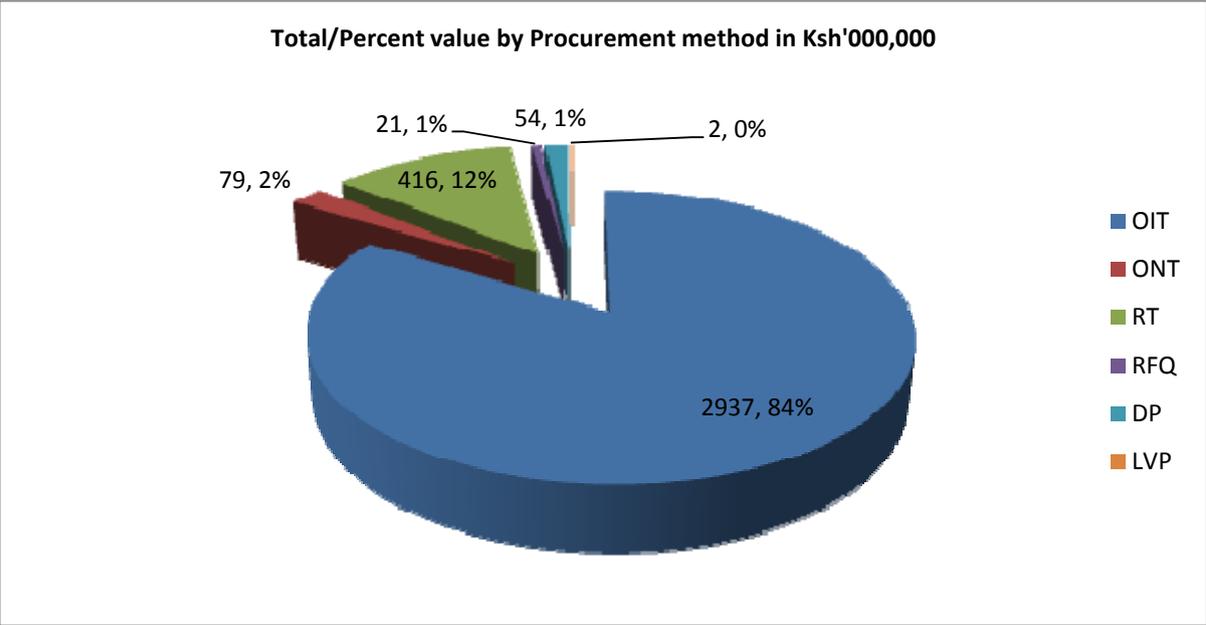
3.2.1 Total value of procurements by start date



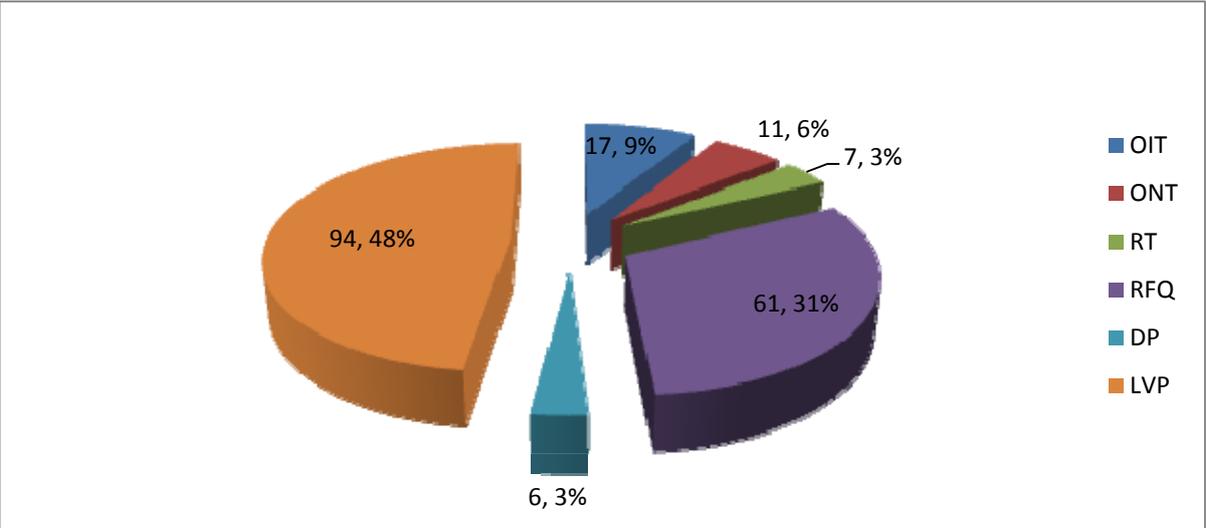
3.2.2 Total number and value of transactions by method of procurement

Type of procurement method	Number	Value(Ksh)
Open International Tenders(OIT)	17	3,238,731,454.00
Open National Tender(ONT)	11	78,968,348.00
Restricted Tender (RT)	7	416,114,438.00
Request For Quotations(RFQ)	61	20,931,409.00
Direct Procurement(DP)	6	53,984,863.00
Low Value Procurement(LVP)	94	1,481,256.00
TOTAL	196	3,777,504,762.00

*Notes: These procurements includes those transactions arising from the YR 2007-2008 grant.
They also include the operation and maintenance procurement funded by the administration budget*



No/Percentage of Transactions



3.3 Contracts awarded under direct procurement method

Description	Awards
Supply of Anti TB Drugs	4,644,778.53
Supply of Syringes	6,943,696.20
Magnesium Sulphate Inj 50%, 2m	2,917,224.00
Atropine Sulphate 1% Eye Drops, 5ml	1,246,020.00
Beclomethasone Inhaler 0.1mg/ Dose, 200 Doses	2,720,000.00
Embakasi hire of warehouse (Rent for one year)	33,673,668.00

Description	Awards
Stationeries	58,464.00
Stationeries	145,835.20
Stationeries	33,593.60
Stationeries	93,217.60
Binding of colour printing & photocopying materials	93,217.60
Navision session Licenses Return and Bom	730,601.50
Supply, Replacement of parts and service for forklift	358,985.20
ICT Congress Seminar	78,300.00
Stationeries	65,252.30
Colour printing, photocopying and binding	147,760.80
Stationeries	19,348.80
Stationeries	14,900.00
TOTAL	53,984,863.33

In addition to the above, there were several requests for quotation and low value procurements awarded through single sourcing for maintenance of vehicles.

KEMSA entered into at least one contract during 2007 that could have been competitively procured, as there were potential alternative vendors available to provide the services required. The agency contracted with a property agent, for a value of Ksh 2,806,139.00 per month for three years. We have been advised by KEMSA that this service was sole-sourced because the results of a competitive tender were unsatisfactory. Moreover, it is difficult to understand why KEMSA found it prudent to negotiate and sign a contract with an agent when contract could have been made directly with the principal. Based on the Act and Regulations, this contract should have been competitively procured. KEMSA has yet to build a strong business case on why they proceeded to obtain this service based on specific circumstances.

While strong efforts have been made to eliminate sole sourcing, there are circumstances where it has continued, particularly in situations where there was no alternative vendor. KEMSA has worked hard to reduce the level of sole-sourced contracts awarded for goods and services where alternative vendors exist. Open tenders account for 87% of the total procurement value undertaken during the period under review, which is commendable. The Act and regulations address alternative procurement methods by providing for limited exemptions to competitively procuring goods and services. In all cases reviewed, there was no adequate justification in the choice of this direct procurement method. The main reason given for the choice of method was that there was no alternative available.

KEMSA RESPONSE; Price survey undertaken in FY 2005/2006. Procurement is mainly by open tender. Tender prices checked against previous prices. The 2005/2006 survey together with a recent one establishes that the Agency has obtained the best prices in the region and internationally.

Lack of an alternative is adequate justification (Section 74 (2) (a) (b) of the act.). Direct procurement used following non-responsiveness of open tenders.

Most vehicles are serviced by the dealers.

KEMSA advertised for rental of a warehouse and results were bad. The warehouse in Embakasi was identified following an urgent need for one as notice had been granted to vacate the warehouse we occupied at the time. The warehouse may not be perfect but out of the warehouses viewed at the time of the search, it met our requirements more than any other. The Agency is also happy with the rental charges that stand at Ksh 16 per sq ft. It is indeed near impossible to get a lower rate than this.

3.4 Evaluation period over 30 days

The submissions that meet the completeness check are forwarded to the evaluation team to be scored. This includes both technical and financial scoring, where applicable, and may include an interview component. The estimated time for this activity is between 16 to 114 days for the samples reviewed, depending upon the complexity of the assignment, the composition of the evaluation team, and the number of proponents to be reviewed. The law allows a maximum of 30 days. We found some evaluation results not signed and therefore their authenticity cannot be verified.

KEMSA RESPONSE: Reports partly signed. One or two members not having signed.

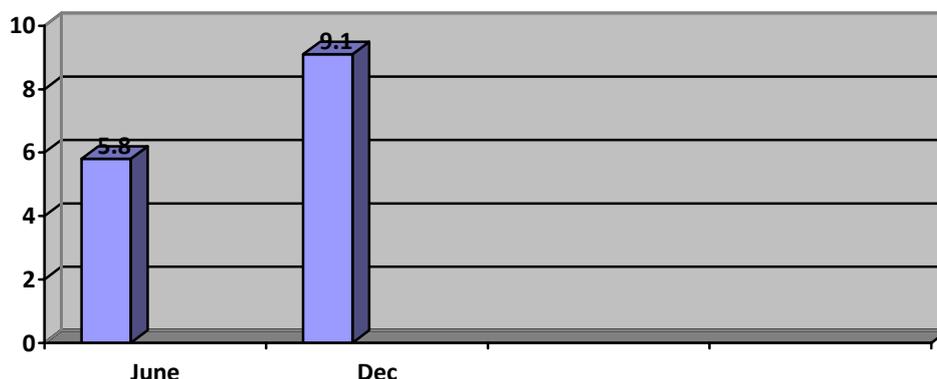
3.5 Average period taken in various stages of the procurement process

Tender No.	No. of days from BID to LPO	Days from BID opening to evaluation completion Maximum 30days by law	No. of Days from LPO +O D/N
KEMSA/RT 001/2006-2007	43	16	61-90
KEMSA/RT 002/2006-2007	DEFERRED	114	DEFERRED
KEMSA/RT 001/2007-2008	LPO pending	No date for Evaluation	LPO pending
KEMSA/RT 002/2007-2008	82	37	105-134
KEMSA/RT 003/2007-2008	116	86	68
KEMSA/RT 003/2007-2008	116	86	N/A
KEMSA/RT 003/2007-2008		86	N/A
KEMSA/RT 004/2007-2008	108	82	30-35
KEMSA/RT 005/2007-2008	108	79	N/A

3.6 Inventory and Expired Drugs

Inventory management is yet another challenging area for KEMSA. All procurements and/or warehousing functions are carried out on behalf of MOH and/or donors. KEMSA does not know the annual quantities or when they will be procured and therefore cannot plan effectively for the inventory movement, the related inventory carrying costs. e.g. storage costs, insurance, obsolescence, expired drugs, damage, and theft

Inventory value balances in (Ksh billion) in 2007



Recently, KEMSA has been compelled to acquire additional warehouses at Embakasi just for overflow inventory. KEMSA has eleven warehouses/depots countrywide. These warehouses attract rental charges in addition to freight and labour costs associated with moving the material between the warehouses and depots. The review noted that there is no monitoring of all the inventory costs except for the cost of goods. At the end of June, the value of medical commodities in all the eleven warehouses was Ksh5, 794,094,407.00 and by end of Dec 2007, it had gone up to Ksh 9,199,716,599.00 the expired drugs identified for the period is worth Ksh 38,000,000.00.

Inventory by line items of Total Value over Ksh50million

No	Description	UM	Qty	UP	Value
DEN0028	Dental Needles	Ea	84976	668.00	65763968.00
ENH0006	Delatmethrin tabs	Ea	1492221	624.00	931145904.00
ENH0063	Tents	EA	4	17000000.00	68000000.00
EQP0124	Elbow crutches	Ea	1120	380,800.00	426496000.00
EQP0181	Laryngoscope	Ea	3061	20328.00	62224008.00
EQP0387	Autoclave	Ea	22	3781281.04	83188182.88
LAB0003	Hepatitis Kit	Piece	2100	30606.34	64273324.50
NPH0012	Gauze swap	Ea	105568	584.67	61722442.56
NPH0022	Female Condoms	Ea	39287796	2.00	78575592.00
NPH0233	Syringes	Ea	318416	425.50	135486008.00
PHA0009	Amoxicillin caps	Pkt	228094	775.00	176772850.00
PHA0018	BCG Vaccine	Pkt	825850	153.90	127098315.00
PHA0052	Dextrose	Ea	2224189	34	75622426.00
PHA0125	Hydrocortisone	Ea	329109	370.00	121770330.00
PHA0195	RHZ	EA	59734	1812.77	108284003.00
PHA0197	Rifamp	Ea	327833	692.83	227132537.00
Pha0268	TB Patient Cat	Ea	87256	1038.75	90637170.00
PHA0297	Efavirenz	Ea	123435	2632.50	324942637.50
PHA0341	Fluconazole tabs	EA	24133	16805.30	405562304.90
PHA0342	STAVUDINE	EA	91274	853.00	77856722.00
PHA0381	LAMIVUDINE	EA	168889	969.82	163791929.00
PHA0402	Stavudine30	Ea	174582	900.00	157123800.00
PHA0462	Proguanil	Ea	56242	952.25	53556444.50
PHA0503	Azythrom tabs	Ea	64633	3654.00	236168982.00

PHA0565	FDC Zidol	Ea	76781	861	66108441.00
XRY0005	Protective Apron	Ea	53500	15790.47	844790145.00
	Total amount of inventory lines of value over Ksh50 million				5,234,094,466.84

3.7 Budget and Payments of Suppliers

KEMSA relies on the grants from the MOH and other partners. Currently, the KEMSA budget is unpredictable in respect both of the amount and timeframe. There is great concern that unless changes are implemented, KEMSA will not be able to deliver fully on its mandate.

KEMSA should work closely with the government to conduct a detailed review of each of the above critical areas, currently hampering the adequate funding. Presently KEMSA is not able to pay the suppliers for most procurement contracts amounting to Ksh 1.8 billion.

Summary of procurement grant/payment status for FYR 2007-2008

Description	2007-2008 Budget	Total Awards	Payment to date	Letters of Credit	Out Standing Payments C/F
Hospital Supplies	1,323,566,210	1,601,222,171	672,493,653	-	928,728,517
Kits	799,647,101	455,691,548	170,553,273	54,323,244	230,815,031
Loose Non Pharms	84,236,027	46,344,965	7,157,227	24,636,286	14551452
Total	2,207,449,338	2,103,258,685	850,204,153	78,959,530	1,175,095,001
Contraceptives	468,000,000	467,101,724	6,390,000	368,619,073	92,092,650
Anti TB	120,000,000	120,842,097	4,644,778	6,943,696	109,253,623
ARV s	475,000,000	390,931,502	-	-	390,931,502
Grand Total	3,270,449,338	3,082,134,011	861,238,932	454,522,300	1,766,372,778

1. Out of the Ksh. 2,382,805,293.45 already delivered and therefore due for payment, KEMSA has only received Ksh. 861, 238,932.40.
2. Drug Vouchers at the Ministry amounting to Ksh 473,848,469, out of which Vouchers valued at Ksh 448,393,469.00 are in cash office and Ksh 25, 455, 000, 00 are in the Ministry accounts department for processing.
3. ARV awards of Ksh 68 Million not included in the summary since orders are yet to be released as the award was done recently.

4 GENERAL FINDINGS

In reviewing the level of compliance of procurement proceedings in KEMSA, the review finds that the procurement function over the last three years has become a financially high profile and high-risk function. As evidence, the volume of procurement in the year under review was Ksh 3.7 billion, comprising the KEMSA operations, MOH, and other parallel donors' requests. KEMSA has not put in place a compliance program to ensure that all processes of procurement and supply chain management procedures are conforming to the provisions Act and the associated regulations consequently; the level of compliance with the Public Procurement Act and Regulations is low and needs to be addressed by senior management.

4.1 Scope of Application of the Act and Regulations

KEMSA has not completely adopted the PPDA 2005 and PPDR 2006 in their procurement functions and procedures. The management believes that comprehensive adoption will lead to delays in their procurement processes, which will have far-reaching consequences in the health service delivery. Incidentally, KEMSA has not approached PPOA to discuss these assumed challenges and the best way forward.

KEMSA RESPONSE: KEMSA is not fully compliant with the Act and the Regulations. However not for the reason given.

All the standing committees except for the Inspection and Acceptance Committee are operational. The Board created an extra procurement oversight committee (POC) which operates as an extra check in the internal control. This committee has been found to overturn some of the awards made by the tender committee. As the law does not provide for such a committee, it is inappropriate for it to overrule the tender committee.

4.2 Establishment of the Procurement Unit

The Procurement Unit has been established and staffed with qualified personnel. The Purchasing Manager and all Procurement Unit staff and senior managers have undergone sensitization training under MCA-TP. The Purchasing Manager has already established a procurement manual and standard operational procedure to guide the agency in this area. Order-tracking schedules and Procurement Checklists to confirm the proper completion of all aspects of the procurement process have not been put in place.

4.3 Standard procurement committees

All committees required by the Act with exception of the Inspections and Acceptance Committee are in place. However, there is an assessed need to provide further training on the provisions of the Public Procurement Act and its Regulations.

4.4 Procurement Plan

During the year under review, the procurement plan was prepared but not directly linked to any budgetary framework or based on any approved budget. The plan was incomplete and did not cover all the procurements during the period. Subsequently, KEMSA has not been able to pay most suppliers for the goods and services procured during the year.

KEMSA RESPONSE: Correct observation. Lack of budget has hampered preparation of consolidated procurement plan

4.5 Use of Framework contracts

The Act provides the opportunity for framework contracts and long-term arrangements which, if implemented in KEMSA, could offer the flexibility to match more closely the needs with the resources available and enhance value for money.

KEMSA RESPONSE: KEMSA has no budget. We are therefore unable to enter into long term contracts.

4.6 Push vs. Pull System

It is observed that the procurement of drugs is not based on the demand driven system as the Ministry simply pushes drugs and supplies to the health institutions based on previous year estimates with minor adjustments. The push systems of the drugs and medical supplies have led to overstocking, obsolescence, and expiry of drugs in various warehouses. The public facilities, who are the users of the drugs and equipment, are not involved in the planning of their requirements as an integral part of the drugs and medical supplies procurement system.

KEMSA RESPONE: The system is a mixture of both demand driven and push. Both systems have pros and cons. The expiry of drugs has drastically reduced since KEMSA started procuring. Indeed, there has been no overstocking of essential drugs and there are always insufficient drugs at any given time. Massive inventory in our warehouses comprises stocks from third parties.

4.7 Huge stocks in warehouses

Lack of planning coupled with non-strategic procurement processes has resulted into huge stocks that have overwhelmed the warehousing capacity.

KEMSA RESPONSE: The huge stocks arise from third party procurement.

4.8 Tender Opening Committee

The members do not sign some of the tender opening committee minutes so there is no way of proving their validity.

KEMSA RESPONSE: Some members did not sign tender opening committee minutes. Minutes now fully signed.

4.9 Approvals by Tender Committee

All the procurements reviewed were approved by the Tender Committee, although fundamental provisions of the Act and regulations were not followed e.g. commencing procurement procedures without approved budgets.

4.10 Use of Procurement Methods

It was observed that there was misuse of the quotations and direct procurement methods. The choice of direct procurement method for the hire of Embakasi Warehouse from single source was not adequately justified. Furthermore, a number of small quotations could have been combined for competitive tendering. Repetitive requests should have been placed on framework contracts.

KEMSA RESPONSE: Framework contracting hampered by lack of budget leading to adhoc procurement at times.

4.11 Poor Record keeping

The system of filing and record keeping is fragmented and scattered amongst various departments. This hampers document location, retrieval, and traceability. None of the reviewed tender files for the year had comprehensive information pertinent to the tender in question. A lot of data and information needed for verification purposes could not be assessed.

KEMSA RESPONSE: Documents relating to delivery and payment should be kept by warehouse and Finance respectively. Contract management should be jointly handled by Legal Services and Procurement as opposed to stating that contract management functions are fragmented with various components being handled by different units.

4.12 Procurement Oversight Committee

As an extra internal control, the committee of the Board must adjudicate upon all awards made by the tender committee before informing the winning bidders. This committee acts in contravention of the Act and compromises the work of the tender committee.

4.13 Lack of effective post award contract management

An inspection and acceptance committee as required by the regulations had not been appointed for receipt of goods; furthermore, no inspection reports have been prepared.

4.14 Advertisement of Bids

The advertisements of the bids are not put on the notice boards of the entity. The international bids are not placed in a newspaper circulating outside the country. The advertisement for open tenders was done in the local newspapers but not in the entity's website or in the premises as provided for in the law. The international tenders were not placed in any newspapers with circulation outside the country.

KEMSA RESPONSE: The Agency's website has not been operational.

4.15 Internal Audit

There is an internal audit with only one staff member. The manager though already sensitized on the Act, requires more training to comprehend the law more adequately.

4.16 Complaints

There were no records on how the entity handles complaints and disputes.

5 DETAILED FINDINGS AND RECOMMENDATIONS

Below are the general findings of the review including observed areas of non-compliance and the risk levels apportioned to each item.

5.1 Institutional Framework and Structures

KEMSA was created by Legal Notice No 17 of 11 February 2000, to take over the functions of the defunct Medical Supplies Coordinating Unit, a department of Ministry of Health. Parliament has never incorporated the institution and such it is limited in law, capacity, and funding to the terms of the legal notice a mandate of developing and operating a viable commercial service for the procurement and sale of drugs and other medical supplies to public health institutions.

KEMSA has never assumed its mandate completely and continues to function more or less as a department of Ministry of Health. This makes it very difficult to plan for its own budgetary framework as it relies on the grants from MOH

The function of ensuring that the drugs and medical supplies are available throughout the country still rests with the Ministry. This makes the Ministry fully responsible for the planning, acquisition and distribution of the drugs and medical supplies to its end users. The present institutional arrangements with MOH have generated problems that have a direct impact on KEMSA's ability to implement some provisions of the Act and the Regulations. The review considered several challenges affecting KEMSA that have emerged from previous reviews and studies namely:

- a) Ambiguity in the role and responsibility of KEMSA in providing procurement and supply chain management of medical commodities to the health facilities countrywide;
- b) The poor coordination between MOH and KEMSA to translate procurement plans into planning, management, and monitoring tools;
- c) The budget allocation to KEMSA is not sufficient to meet the supply chain operational costs (procurement, storage and distribution);
- d) There is lack of clarity as to the rules for initiating procurement by MOH;
- e) The need to strengthen the procurement capacity of KEMSA as the procurement agent for medical supplies of MOH;
- f) Lack of integration of sector budgetary framework and program into the unified expenditure framework;
- g) The unpredictability of the budget as it pertains to requisitions made to KEMSA by MOH;

KEMSA has not completely adopted the Public Procurement Act 2005 and the associated regulations in the following key areas.

- a) There is no budgetary framework for all the procurements undertaken;
- b) There are no approved budgets provisions for all the procurements;

- c) Procurement proceedings are commenced without the ensuring that adequate funding have been set aside; and
- d) There is no inspection and acceptance committee.

5.2 Scope of Application of the Act and Regulations

KEMSA has a very high rate of staff turnover in several areas that are key to the efficient and effective supply chain management. Overall, KEMSA needs to develop a plan to ensure they retain their executives. At the time of review, several key positions that directly relate to procurement functions were vacant namely:

- i. Finance Director
- ii. Finance Manager
- iii. Management Accountant
- iv. Financial Accountant
- v. Three Internal Auditors

KEMSA must adopt private sector, business-like solutions, and need to balance pressures to reduce government expenditure against the need to pay people what they are worth. Competitiveness is essential; the base salary of executives should be comparable with salaries outside the public sector if the government wants to attract and retain prime talent.

5.2.1 Recommendations on the Institutional Framework and structures

- a) Accountability of KEMSA to MOH to be further clarified in areas of responsibilities and, commitments i.e. timely completion of procurement cycle, requirements in terms of procurement plans, payment to suppliers.
- b) Engaging a dedicated person to coordinate the entity's relationship with the MOH and to promote KEMSA's vision to ensure KEMSA generates successful private sector participation and donor attraction. The organizations should continue to use all forum to improve collaboration and synchronize their efforts, building on their experiences and the stakeholders' previous reports;
- c) Developing effective strategies, which implement recommendations, agreed upon in the health sector projects;
- d) Developing strategic partnerships with other organizations in similar business;
- e) Establishing operational systems which facilitate growth of the agency over time allowing it to act in the private sector while maintaining public accountability and transparency; and
- f) Constitute the Inspection and Acceptance Committee as stipulated in the Act.

KEMSA is expecting significant projects to be completed over the next three years according to their business plan. Retaining key personnel will be important to the organization's future success. Professional pride must be instilled, and an environment created that would allow senior management to feel valued, challenged and empowered.

Although remuneration is not the primary driver, addressing the salary issues should be the first priority in an overall review of management, retention, and recruitment of executives.

5.3 Scope of Application of the Act and regulations

KEMSA has not completely adopted all the PPDA 2005 and PPDR 2006 in its procurement functions and procedures:

- a) All the standing committees except for the Inspection and Acceptance Committee are operational. The Board created an extra procurement oversight committee (POC) which operates as an extra check in the internal control. This committee has been found to overturn some of the awards made by the tender committee. The law does not provide for such a committee and as such, it cannot overrule the tender committee;
- b) The review team did not find established procurement policies and procedures documents available, accessible, and regularly updated;
- c) There is no budgetary framework for all the procurements undertaken during the review period;
- d) Procurement proceedings commence without ensuring that adequate funding has been set aside;
- e) In the absence of an internal updated procurement manual and administrative outlining schedules of duties, it was not possible to verify the persons authorized to originate, certify, and approve various stages of the procurement process from inception to completion; and
- f) There are no disposal plans for the obsolete and excess equipment and supplies.

5.3.1 Recommendations of the Scope of application of the Act and Regulations

- a) All directors and executive heads should receive training in the aspects of Public Procurement Act and the Regulations;
- b) The project managers of the Ministry must provide detailed procurement scopes and budgets to the Procurement Unit on a timely basis to support preparation of a comprehensive consolidated procurement plan;
- c) All future procurement requests should be initiated through the consolidated procurement plan. The timing of both the procurement department's activities and the development of distribution document content by others should be driven from this schedule;
- d) A procedural requirement should be implemented to have the evaluation performed no later than 30 days as provided in the Act and Regulations. This would provide ample time for the evaluation committee to mark both technical and financial content and to conduct interviews, if necessary. This should be monitored through the procurement plan;
- e) Procurement procedure should not begin without approved budget and, if possible, when funds are already deposited in KEMSA account;
- f) Well-evaluated approved suppliers should be created by KEMSA to shorten procurement activities and times. A procedural requirement should be implemented to encourage the use of the lists;
- g) Long-term procurement arrangement or blanket orders should be created for standard repetitive requests;

- h) KEMSA should amend its procurement policy and ensure their policies and procedures are in line with the Public Act and Regulations;
- i) All evaluation decisions and communications should be made formally and documented in the procurement files; and
- j) Establish disposal plans for obsolete and excess stocks

5.4 Procurement Department

The Procurement Unit is established in accordance with the PPDA Section 4 and staffed with procurement professionals.

The Procurement Unit, headed by Purchasing Manager, who is also the Secretary to the tender committee, is responsible for undertaking all the procurement functions in the KEMSA, in accordance with the Public Procurement Act and Regulations. He is accountable to Chief Executive Officer for efficient and effective management of the procurement unit.

The scope of the work of the Procurement Unit includes but is not limited to-

- a) Organization of procurement and procedures to ensure compliance;
- b) Record keeping of procurement documents;
- c) Staffing and professionalism of procurement personnel;
- d) Development of Consolidated Procurement plan and its adherence;
- e) Contracts Management from inception to completion; and
- f) Any other issues within the purview of the Act and the Regulations.

The PU is adequately provided with computers and other tools but has inadequate office space and no registry.

The procurement unit has developed an internal KEMSA Manual of Procurement Policies and Procedures that sets out the procurement policies, procedures, instructions, and regulations that KEMSA employees must adhere to in matters relating to procurement. The existing manual does not conform to the provisions of the Act and Regulations.

The department has also prepared standard operating procedures for procurement department, which are used by the staff. There is no training policy or work plan in place to ensure continued development of skills and professionalism in supply chain management.

All key personnel have been hired and have undergone sensitization training in the Public procurement Act under the MCA-TP program.

Currently the unit spends 81% of the level of effort on low value procurements and quotations whose total value is less than 0.6% of the total procurement budget. This means that the unit does not have time to carry out more strategic tasks like assisting the management with market analysis, advising on best procurement options, forecasting and price projections.

The unit has not put in place strategic and innovative procurement systems that would focus on:

- a) Optimizing costs;
- b) Simplifying transactions;
- c) Streamlining the process;
- d) Managing deliveries; and
- e) Compliance program.

In keeping with the requirements of section 45 of the PPD Act requiring PEs to maintain records for each procurement, and section 34 (3) of the PPD Regulations, KEMSA procurement unit ought to maintain a comprehensive file for each procurement activity. Tender files examined did not contain some of the following documents:

- a) Initial purchase requisition from users;
- b) Tender notice;
- c) Bound tender documents (as far as possible);
- d) A copy of the tender advertisement as it appeared in the daily papers along with the LPO that was raised for the advertisement;
- e) Letter of appointment of the tender opening committee;
- f) Tender opening register;
- g) Minutes of the tender opening committee;
- h) Letter of appointment of the evaluation committee;
- i) Letter of appointment of technical evaluation committee;
- j) Minutes of the evaluation committee along with technical and financial evaluation summaries, and recommendation for award;
- k) Extracts of the minutes of the tender committee;
- l) Letter of tender award to the winning bidder;
- m) Letter of acceptance by the winning bidder;
- n) LPO/Contract copy;
- o) The performance bonds for contracts;
- p) Letters of clarifications regarding the tender;
- q) Letters of notification to unsuccessful bidders;
- r) Delivery Notes;
- s) Inspection and Acceptance Certificate;
- t) S12; and
- u) Payment Vouchers (copies).

It is clear from the observation that the Procurement Unit maintains tender files that are incomplete. Documents pertaining to the receipt of and payment for goods are maintained by

the warehousing and accounting divisions respectively, hence the LPO/Contract files remain open for an indefinite period. The filing and the internal control systems do not enable guarantee traceability of the procurement proceedings.

5.4.1 Recommendations concerning the Procurement Unit management

- a) The project managers of the ministry must provide detailed procurement scopes and budgets to the Procurement Unit on a timely basis to support preparation of a comprehensive consolidated procurement plan;
- b) The procurement unit must consider establishing long-term arrangements with reliable pharmaceutical suppliers, which will reduce repetitive tendering for same products;
- c) A consolidated procurement plan, showing the target dates for procurement-related activities and the actual progress achieved, should be generated by the organization-wide supply chain system to serve as a communication tool for future procurement planning with MOH/donor project managers and subsequent progress tracking;
- d) The procurement and other related and or/support departments should hold frequent meetings with project and operation managers to verify all procurement needs and ensure that they are integrated into the consolidated procurement plan;
- e) All future procurement requests should be initiated through the consolidated procurement plan. The timing of both the procurement department's activities and the development of distribution document content by others should be driven from this schedule;
- f) A procedural requirement should be implemented to have the evaluation performed no later than 30 days as provided in the Act and regulations. This would provide ample time for the evaluation committee to mark both technical and financial content and to conduct interviews, if necessary. This should be monitored through the procurement plan;
- g) Procurement procedure should not begin without approved budget and if possible, when funds are already deposited in KEMSA account;
- h) In order to improve deliverable times, the unit needs to track times. A field for sign-off date should be included on the procurement checklist for each procurement document to be tracked through the system. The data obtained from the checklist will be beneficial for planning procurement schedules and timelines;
- i) Well-evaluated approved suppliers should be created by KEMSA to shorten procurement activities and times. A procedural requirement should be implemented to encourage the use of the lists;
- j) The requirement for the procurement planning and delivery documents should be added to the policies and procedures manual to ensure it is included in each procurement file;
- k) The procurement unit should ensure their order tracking schedule reflects current project requirements by consulting with the appropriate departments;
- l) KEMSA should amend its procurement policy and ensure their policies and procedures are in line with the Public Act and Regulations;
- m) Effective lead times and designated delivery points should be determined for all orders to fit in with the distribution systems;

- n) All evaluation decisions and communications should be made formally signed and documented in the procurement files;
- o) An integrated warehousing system should be established to direct all the warehouses and depots;
- p) The Procurement Unit should develop a formal closeout process, policy, and procedures for contracts and orders. Close-out procedures would encompass all departments of the organization; accounting, finance, procurement, and warehousing operations; and
- q) A Procurement File / Completion Form should be used to track the completion of the closeout procedures.

5.5 Procurement planning

There was no comprehensive consolidated annual procurement plan prepared by PU for some tenders, contracts, and/or LPOs reviewed (PPDA Section 26.3a and PPDR section 20-21). Procurement Unit however did prepare a procurement plan during the time of the review.

We have concerns over the inadequate pre-procurement planning that may contribute to the non-payment of suppliers. KEMSA's goal should be to prepare accurately procurement scopes and to define schedules, design distribution parameters and interfaces with stakeholders and other parties in order to choose the best procurement method and ultimately warehousing costs and internal process costs. Clear procurement documentation, including objectives, scope, deliverables, timing, progress, and payment reporting must be established. If procurement details are not well defined, financial offers from different sources may not be directly comparable, making it more difficult to evaluate them fairly. Inefficiencies are created when the procurement unit must react to unpredictable schedules, or is not given sufficient advance notice of changing needs. Externally, vendor bids could potentially increase if scope definitions and procurement levels are defined properly. This is observed when a few items have to be retendered several times due to unresponsiveness. A good case in point is the tender for zinc sulphate tablets, which was issued three times before getting the best responsive supplier. A proactive approach would allow the procurement department to build in timelines to obtain appropriate information for the documents being created and manage resources for when there are known deadlines that require additional attention at any given point in time.

The lack of timely, coordinated information input from other departments in MOH is affecting the ability of the procurement unit to deliver services in an efficient, effective, and economical manner. To be effective, the procurement unit must be provided with the appropriate information to control the process of procuring goods and services. Our observations indicate that this has been a challenge to KEMSA. To respond to this challenge, the procurement created a spreadsheet schedule to track procurements ordered throughout the year. This schedule needs to be verified periodically with the warehousing, depot managers, and MOH and parallel partners. We believe this is an excellent system for updating the schedule and enabling the department to receive timely information and better plan to meet upcoming procurement needs and expected deliveries from other partners. However, it can only be viable if linked to the warehousing and finance department.

The review also identified a number of areas in the procurement process that are not under the control of the unit. Securing funding for procurement is not a procurement function but

has a notable impact on their performance and compliance since confirmation of authority from the Ministry often governs when the procurement may be initiated and the actual receipt of funding directs when the suppliers can be paid.

There is no budget line indicated on the letters to show source, allocation, and availability of funds in the budget for particular procurement, or authority to incur expenditure for the purchases being requested. While this is a proactive approach to planning and meeting timelines, it has far-reaching consequences for KEMSA. This leads to cancellations of procurement proceedings midstream due to lack of funds or non-payment of items delivered.

For the cases reviewed, the review established that the approved operational budget from Treasury fell far below the amounts already authorized by the MOH and committed by KEMSA. The user department MOH-NASCOP, with the assistance of MHS Washington, prepared a very good plan for the procurement of ARVs, which should be adopted by KEMSA for all its planning.

5.5.1 Recommendations for Procurement Plans

KEMSA should consider adopting the MOH-NASCOP-MSH procurement plan model and/or the supply chain consortium-planning model. These are already in KEMSA system and need no extra resources.

5.6 Procurement requisitions and authorization

The procurement requests from the Ministry do not have official requisitions. These are initiated simply by letters signed by the Permanent Secretary. These letters do not indicate any approved budgets or approval in accordance with the Schedule and do not have all the comprehensive information pertaining to the procurement. The requisitions do not relate to the procurement plan.

5.7 Solicitation of Bids

While strong efforts have been made to eliminate sole sourcing, there are circumstances where it has continued, particularly in situations where there was no alternative vendor. KEMSA has worked to reduce the level of sole-sourced contracts awarded for goods and services where alternative vendors exist.

The following templates and forms were found to be operational as stipulated in the PPDR and following the PPOA formats:

- a) Request for Quotations;
- b) Tender documents;
- c) Tender opening documents;
- d) Evaluation documents;
- e) Bid Security Form;
- f) Performance Security Form;
- g) Confidential Business questionnaire; and
- h) Price comparisons schedules.

Open tenders account for 87% of the total procurement value undertaken during the period under review, which is commendable.

The advertisement for open tenders was done in the local newspapers but not in the entity's website or in the premises as provided for in the law. The international tenders were not placed in any newspapers with overseas circulation.

The review evaluated the suppliers register provided but did not see the processes followed in the development of this register. The users expressed their concerns on the quality of materials and equipment procured from some of these suppliers. Before accepting a particular supplier, PU in conjunction with the user department should conduct a supplier evaluation to ascertain the quality of production. There is also need to strengthen supplier performance evaluation to assess whether suppliers' performance meets the expectation or does not meet the expectation in terms of quality of goods and services.

5.8 Tender Opening Committees

We found the tender submission procurement area to be effective. The process is structured and allows a standard time to be allocated for most procurement. The estimated average activity time is within the provision of the law.

The procurement document is released to the public with a set response date, usually providing reasonable time for bidders to prepare and submit proposals. During this time, briefing meetings are held, evaluation teams are identified, and the procurement department answers questions and issues addendums as necessary.

With minor exceptions, the completeness checks are performed satisfactorily.

When the submissions have been received, a completeness check is performed. This check determines if the submission meets all of the mandatory requirements as set out by the procurement document. This activity is a very important one to ensure responses have met mandatory requirements. It should be completed within two business days of the receipt of submission.

The members do not sign some of the tender opening committee minutes so there is no way of proving their validity.

5.9 Evaluation of bids

With only a few exceptions noted, the evaluation of submissions is performed satisfactorily. Documentation of the evaluation process contained in the procurement files is adequate and appropriate for selecting the most responsive bidders however, formal bidders tender documentation were not included in the procurement file.

The submissions that meet the completeness check are forwarded to the evaluation team to be scored. This includes both technical and financial scoring, where applicable, and may include an interview component. The estimated time for this activity is between 16 to 114 days for the samples reviewed, depending upon the complexity of the assignment, the composition of the evaluation team, and the number of proponents to be reviewed. The law

allows a maximum of 30 days. It was noted that some evaluation results were not signed and therefore their authenticity could not be verified.

We also found that formal notification documentation, such as letters, sent to successful and unsuccessful bidders are included in the file, to ensure the process is open, fair, and transparent.

5.10 Integrity of Evaluation Committees

There are joint evaluation committees meetings. There is evidence that the evaluation committees did not adhere to various subsections of the Regulation 16 for all the cases reviewed. There is no code of conduct signed by the members to avoid collusion and any form of communication with any of the bidders. There are no records showing that the committees have ensured that the procuring entity does not pay in excess of prevailing market prices. There was no confirmation whether KEMSA requests and tests all samples as part of the bid evaluation process.

KEMSA needs to put in place safeguards against improper influence. The employee, agent, or committee member who has conflict of interest must disclose such conflict and not take part in procurement proceedings (PPDA Section 43).

During the discussions with the staff involved in the procurement process and from documentation there is revelation of some collusion with suppliers especially during the evaluation and tender committee meetings. There were allegations of contacts with suppliers during the tender committee meetings, to the extent that some suppliers even call those who appear to opposing their bids during the meeting.

KEMSA response: These could be allegations that may not be true.

5.11 Tender Committee

Although the tender committee is in place and undertakes the award of contracts, the following deficiencies were observed on all cases reviewed for MOH and donor funded procurement requests.

The committee failed to:

- a) Review, verify and ascertain that all procurement have been undertaken in accordance with the Act and the regulations;
- b) Ensure that funds are available for the procurement under consideration;
- c) Ensure market prices are not exceeded;
- d) Review the selection of procurement method and where a procurement method other than open tendering has been proposed, as in the case of Embakasi warehouse leasing, to ensure that the adoption of the other procurement method is in accordance with the Act, Regulations and guidelines of the authority;
- e) Review the quarterly reports of the procurement committee;
- f) Ensure that there were observers for tenders over Ksh 50 million; and

- g) Ensure that open advertisements conforms to the Act.

5.12 Procurement Oversight Committee

This is a committee formed by the KEMSA Board of Directors to:

- a) Approve the procurement budget and procurement plans;
- b) Authorize all the procurements undertaken by the organization; and
- c) Receive post award reports from the Tender Committee before notification to the participating bidders for commodities over Ksh 50 million.

The Board's request to incorporate the POC members into the standard tender committee was rejected by PPOA. The committee in pursuant to its mandate recommended the nullification of some of the awards by tender committee. The committee's focus has wandered from policy oversight to operations of procurement processes. The Board should review the scope of work of this committee to avoid unnecessary acrimony and delays in procurement management.

5.13 Procurement Committee

The committee has failed to

- a) Agree on the use of low value procurement;
- b) Ensure that market survey is undertaken for the low value procurement; and
- c) Submit quarterly reports to the tender committee

5.14 Draft and Signing of Contract

Our review of contract files found that the drafting and signing of contracts has been satisfactory. However, based on interviews performed we have found that this area could be one where significant flaws may happen in the future as Procurement Unit does not have control over its activities. It is the stage of the process, which create liability to KEMSA. It should be more comprehensive and ensure compliance with the provisions of the law. All contracts reviewed were signed without approved budgets. Once the successful bidder has been notified, the contract is drafted and sent out to be signed by all parties. The estimated average time for this activity is not predetermined and in some cases has taken 108 days from the date of receiving bids.

We have been advised that KEMSA has experienced delays when attempting to finalize and execute certain recent contracts due to the intervention of procurement oversight committee. The contract files are not in the procurement files.

5.15 Contract management

KEMSA has failed to develop arrangements that will clarify accountability and contract management structure for delivery of orders, internally and externally, while building stronger horizontal linkages, collaboration and interdependencies in those involved in the supply chain.

KEMSA should only be procuring from suppliers with a proven record of competence, knowledge, and experience. The review team did not see evidence of post contract award monitoring mechanism in place.

The following information was found to be either lacking or weak in areas of contract management:

- a) Relevant PPOA contract management policies not adopted in procurement plans;
- b) Claims and dispute resolution mechanism not constituted;
- c) Advance payments and/or Letters of Credit register not available in PU for follow-up;
- d) Progress payments for works (None seen for the car park construction works);
- e) Milestone payments for consultancies (none seen for the audit work funded by USAID);
- f) Taxes credit and refunds;
- g) Performance and security bonds register;
- h) Supplier Performance Evaluation Reports;
- i) Return of samples or taking into charge the samples not taken back by the suppliers;
- j) The contracts are not indexed and not linked to any LPO and the terms are not linked to procurement plans;
- k) Breach or termination of contracts not summarized and forwarded to PPOA;
- l) There are no certificates of completion; and
- m) There is an urgent need to strengthen contract management functions that cross horizontal departmental boundaries.

5.16 Timing and tracking

The Procurement Act and Regulations and the internal policies and procedures are designed to reduce the number of activities required in the process and the time required to complete these activities.

KEMSA does not monitor and track the time it takes to complete activities in the procurement process. For purposes of our review, we analyzed the average time it took to complete certain activities. We then analyzed these activities and the averages for reasonableness.

TENDER NO.	No. of days from BID to LPO	Days from BID opening to evaluation completion Maximum 30days by law	No. of Days from LPO +O D/N
KEMSA/RT 001/2006-2007	43	16	61-90
KEMSA/RT 002/2006-2007	DEFERRED	114	DEFERRED
KEMSA/RT 001/2007-2008	LPO pending	No date for Evaluation	LPO pending
KEMSA/RT 002/2007-2008	82	37	105-134

TENDER NO.	No. of days from BID to LPO	Days from BID opening to evaluation completion Maximum 30days by law	No. of Days from LPO +O D/N
KEMSA/RT 003/2007-2008	116	86	68
KEMSA/RT 003/2007-2008	116	86	N/A
KEMSA/RT 003/2007-2008		86	N/A
KEMSA/RT 004/2007-2008	108	82	30-35
KEMSA/RT 005/2007-2008	108	79	N/A

Procurement receives scope definition, technical information, and detailed submission content requirements to incorporate in the standard procurement documents (RFQs, and Tenders) from project managers of MOH. The quality of this information is dependent upon the amount and quality of planning by the institution/or department initiating the request. For all cases reviewed, there were no adverse complaints. Preparation of the procurement document is an interactive process; multiple drafts are typically prepared as comments from various internal and external stakeholders are reviewed and addressed. We have not been advised of the average time it takes to complete the preparation of the documentation before tendering. There is no target timing for most of the milestone stages in the procurement process. The procurement files do not have the delivery documents; as such, it is not possible to establish the delivery dates. Currently, they rely on the data provided by warehousing department.

5.17 Warehouse Department

The warehouse function at KEMSA is to receive, store, pack, and prepare for dispatch medical commodities that are procured by the Procurement unit and by parallel procurement agencies including MOH, Global Fund, UNICEF, ADB, DARE, JSI, and others. In addition to these traditional functions, the warehouse also assembles various kits of pre-packed medical commodities for distribution to public health facilities and controls the stock of all medical commodities stored within the warehouse. KEMSA has eleven warehouses all over the country acting as receiving and dispatch points for all the goods. These warehouses serve 4002 health facilities countrywide. They have started pull system on trial in North Eastern, Nyeri, Coast, and Nairobi.

The main challenges in warehousing management are:

- a) The volume of inventory is too large for the present capacity to accommodate;
- b) Deliveries are not phased out, all goods are received at once especially at the end of the financial year;
- c) Material handling equipment limited with only four forklifts;
- d) Inventory turn rate not established;

- e) No advance shipment notification from suppliers and/or stakeholders making deliveries;
- f) No advance planning and scheduling;
- g) Excess inventory should be determined and distributed;
- h) Limited staffing with only 6 permanent staff in Nairobi and 176 casual labourers; and
- i) The warehouses do not have an integrated computer monitoring systems amongst themselves and with the rest of the supply chain management.

5.18 Inspection and Acceptance Committee

The entity has not constituted this committee as provided for in the Regulation 17 to inspect, test and reviews the works, goods and services and issue completion certificates in accordance with the contracts. In many cases, the drugs received do not undergo random laboratory tests. The entity disqualified some suppliers because they were not registered with the local board, although the products could have met the WHO Performance Specifications. There is no provision that goods delivered directly from suppliers to other depots are subject to random inspection by KEMSA or designated representatives.

5.19 Disposal of Plan

There were expired drugs amounting to Ksh38, 457,690.00 as at 31 Dec 2007.

Although the disposal committee is constituted, the following deficiencies were observed:

- a) Disposal committee does not organize meetings as stipulated in the Act and regulations;
- b) There is no Disposal Plan for unserviceable, obsolete, or surplus stores and equipment.

5.20 Supply chain management support departments

5.20.1 Logistics Department

The role of the Logistics function is to ensure efficient and effective delivery of procured goods and services to respective storage and distribution facilities. In addition, the department is responsible for particular functions of delivering the medical supplies to health facilities as per distribution schedules provided by the facilities.

5.20.2 Legal Department

The role of the Legal Department is to advocate for a favourable legal environment that will assist KEMSA realize fully its legal mandate to plan, procure, warehouse and distribute drugs and other medical supplies. The review observed that the Legal Manager sits in the Board and in most of committees that adjudicate various stages of the procurement processes and therefore offers adequate legal advice in all parameters pertaining to the procurement. The manager prepares procurement contracts and oversees the management of the contracts.

5.20.3 Quality Assurance Department

The key function of Quality Assurance department at KEMSA is to inspect all medical commodities procured and delivered at KEMSA and evaluate redelivery samples. The Quality Assurance department provides technical support services to the procurement function in developing technical specifications for the procurement and technical evaluation of medical commodities. The department also provides technical services in the disposal of expired or damaged medical equipment. The department needs to undertake continuous evaluation of suppliers' performance to ensure that KEMSA procures medical supplies only from suppliers with proven record of competence, knowledge, and experience, that the products received meet the WHO performance specifications, and randomly carries out laboratory test samples of products delivered to the warehouses. There was no evidence that the quality assurance persons visit manufacturers' for inspections.

The key function of Internal Audit management is to provide independent and objective assessment and consulting services to add value and improve the organization's operations by enforcing compliance to company procedures and policy.

The function helps KEMSA accomplish its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of control, risk management, and governance processes. It was observed that the Internal Audit department is not adequately staffed to carry out its mandate effectively. Currently the department has only one staff i.e. the Manager. The department lost three members of staff last year due to the terms of service, which is below the market average for the profession, and lack of chances of progress.

Although he has attended one sensitization training, the auditor admits that he is not yet fully informed about the requirements of the new procurement law. The procurement unit has not been audited since the commencement of the Act. The auditor confirmed that he is not involved in the verification of the procurement processes, as this would compromise his capacity to audit the same processes.

5.20.4 Finance Department

The department is responsible for all financial matters of KEMSA such as funds collection and management, expenditure control, maintaining of financial records and producing financial statements of accounts, compiling and overseeing implementation of the budget

Appropriately, budgeting procurement is a key element of transparency and accountability in the way public funds are managed. The budget is the single most important policy document of governments, whereby policy objectives are reconciled and implemented in concrete terms¹.

The PPDA stipulates that financial commitments need to be approved before starting the procurement. The first step is usually the control of the commitment and the order to pay of all expenses, and the verification of the availability of credits, the correctness of the budgetary commitment, the regularity of proofs and the correct execution of internal controls.

¹ For further details, please refer to the OECD Best Practices for Budget Transparency, OECD, May 2001.

Public agencies are also required to justify the expense and show they fit in the objectives of the budget allocated.

The Permanent Secretary issued directives to KEMSA to procure assorted pharmaceutical and non-pharmaceutical commodities amounting to Ksh 3,270,449,338.00 for the FY2007-2008. Based on these letters of authority, KEMSA awarded contracts amounting to Ksh3,164,482,193.87 that were not linked to any MOH budgetary framework, as they were written before the national budget. To date, the Ministry has released only Ksh 861,238,932.40 to KEMSA to settle the bills arising from procurement contracts undertaken. A further Ksh 470,555,6876.00 was committed in Letters of Credits opened by the ministry to cover overseas contracts. This leaves KEMSA to carry forward a debt of Ksh1,981,264,767.99 owed to suppliers for the goods supplied during the FY2007-2008. Besides, KEMSA is withholding orders amounting to Ksh66,000,000.00 worth of drugs that have been awarded but LPOs not released. Moreover, the Ministry has further instructed KEMSA to undertake another procurement amounting to Ksh 1,346,467,650.00 without approved budgets for the current financial year.

In all this scenario the Ministry does not provide adequate funding for logistics and distributions, therefore all the drugs being procured are lying in various KEMSA warehouses due to lack of transport. This means that the bulk of the purchases are held in various warehouses instead of being distributed to the 4002 health facilities. The inventory on hand as at 31 Dec 2007 was Ksh 9,199,716,599.57. These amounts to some 3 years' supply at the 2008-08 level of spend. To cope with the increased deliveries KEMSA is acquiring more and more warehouses on lease.

The leased warehouses are heavily in rent arrears.

The financial, procurement and accounting framework systems are not in tandem with those of the Ministry. (PPDA Section 26.6).

5.21 Separation of Powers

There are no updated schedules of duties in the KEMSA outlining separation of functions (PPDA Section 26.3c). It is therefore difficult to determine whether there is clear separation of powers for those undertaking various stages of procurement processes.

5.22 Provision of insurance cover for warehouses

The review team was not provided with proof that there was in place a valid insurance cover for theft and fire for the warehouses and stocks. There is dispute between KEMSA and MOH over the ownership of goods.

5.23 Reports submitted to PPOA.

There were no reports of procurements submitted to PPOA during the period under review as required by the regulations namely:

- a) All contract over Ksh 5million;
- b) All terminated procurement proceedings; and

- c) Direct procurements.

5.24 Poor Recordkeeping Data and Documentation

Part of the objectives of this review was to establish whether there is any linkage between procurement files and payment records. There is no direct link between a procurement file with receipt and/or the payment records file. The implication is that the PE is not compliant with section 45 (6) a requiring procuring entity to maintain a proper filing system with clear links between procurement and expenditure files. An inventory of the payment voucher files needs to be maintained and cross-referenced with the relevant procurement files. Most importantly, evidence for payment for goods and services should be maintained in the corresponding procurement file. This evidence should take the form of a certified copy of the payment voucher stamped PAID, the check number and the date of collection by the supplier. This will make the procurement activity file complete and comprehensive, and this will in turn improve the procurement review and audit process.

The system of filing and record keeping is very weak. None of the reviewed tenders/request for quotations for the year had complete information pertinent to the procurement in question. Many data needed for verification purposes were either missing or incomplete. Apparently, this area has been observed in all previous reviews but no corrective action taken by management

5.25 Termination of the procurement proceedings

Several procurement proceedings were terminated midstream mainly due to lack of funds. The number of tenders being terminated raises concerns and will adversely affect the image of the entity.

5.26 Handling of complaints

The entity does not keep a complaints/protest log.

5.27 Benefits of Implementing Recommendations

- a) Enhance compliance with the Act and Regulations.
- b) Monitoring the duration of procurement activity, the consolidate annual procurement plan and procurement tracking will allow for analysis to be performed and ultimately create opportunities for time savings, enable better tracking and greater levels of transparency.
- c) Establishing and/or using an approved suppliers list and long-term arrangements will save time and money when procuring goods and services. In effect, KEMSA will not have to “reinvent the wheel” each time they procure to find qualified vendors for routine services and repetitive requirements.
- d) Reducing time to process a procurement document will allow the department to service other areas of KEMSA better by meeting their needs of quality and timely documents and ensure there are no delays to service delivery because of procurement.
- e) Having a budget or funding in place prior to commencement of procurement procedures will reduce any liabilities to KEMSA.

- f) Ensuring adequate documentation is kept in procurement files will ensure the process is open, fair, transparent, and traceable. A consolidated annual procurement plan will help ensure deadlines are met by providing a central document to track data and procurement milestone dates.
- g) Accurate procurement input data will save both the procurement units' and other departments' time and money. This will eliminate excessive back and forth communication and ensure vendors and other parties have sufficient information to make vital decisions.
- h) The procurement process will be streamlined, resulting in deadlines being met and service delivery more likely to be completed on time and efficiently.

6 IMPROVEMENTS & IMPLEMENTATION PLAN

TASKS	LEAD ACCOUNTABLE	TIMELINES	LINKAGES	FOLLOW-UP REVIEW DATE
The ministry to facilitate the transfer of procurement functions for drugs and medical supplies to KEMSA in line with legal notice that established KEMSA.	CEO	Dec 2008	PS Medical Services and Public Health ministries, PS Treasury, Head of Public Service, and PPOA.	March 2009
KEMSA should adopt, approve and implement the concept of lead procurement agency and strengthen its position, aimed at further rationalization of procurement proceedings by its partners in the health sector.	CEO	Dec 2008	PS Medical Services and Public Health ministries, PS Treasury, Development Partners, and PPOA.	March 2009
Establish clear budgetary framework and mode of financing mechanism with MOH and other stakeholders using KEMSA for procurement so that budgets can be aligned for the recommendations to be implemented there is need to integrate parallel procurement and sign MOU between MOH, development partners and KEMSA.	CEO	Dec 2008	PS Medical Services and Public Health ministries, PS Treasury, Development Partners, and PPOA.	March 2009
Train all executive heads including new members of the KEMSA Board on the provisions of the Public Procurement Act and the related regulations	CEO	March 2009	PPOA/ARD	March 2009

Organize training initiatives to cover other parallel partners on the Public Procurement Act under which KEMSA operating.	CEO	March 2009	Donors	March 2009
Strengthen the internal audit capacity to ensure that the audit program covers compliance by recruiting the replacements of the vacant positions	CEO/AUDIT MANAGER/HRAM	Dec 2008		March 2009
Implement the internal and external audit findings and recommendations and any previous reviews on procurement and stocks.	CEO/AUDIT MANAGER	Dec 2008		March 2009
Constitute an effective inspection and acceptance committee as stipulated in the Act	CEO/PROCUMENT MANAGER	Dec 2008		March 2009
Introduce joint development of consolidated annual procurement plans between KEMSA and MOH/DONORS using KEMSA warehousing and distribution systems.KEMSA should consider adopting the MOH-NASCOP-MSH procurement plan model and/or the Supply chain consortium-planning model	CEO/PROCUMENT MANAGER	May 2009	Ministries of Public Health, Medical Services and donors	March 2009
Ensure that procurement strategic policy and operational manual emphasizing on accountability, transparency efficiency conforms to the Act and regulations, in order to foster the compliance of the procurement process in all sections.	CEO/PROCUMENT MANAGER	Dec 2008		March 2009
Initiate framework contracting in the procurement of repetitive pharmaceutical supplies	PURCHASING MANAGER	June 2009	PPOA/ARD	March 2009
Ensure that KEMSA files all the designated	PROCUMENT	Implemented		March 2009

reports with PPOA as provided for in the Act and Regulations Submit all reports for procurements equal to or over Ksh5million, Direct Procurements, terminated tender proceedings, and Disposal to PPOA as required by the regulations.	MANAGER			
Establish Disposal Plan for all obsolete equipment, and expired stocks	PROCUMENT MANAGER/QUALITY MANAGER	Dec 2008		March 2009
Establish comprehensive record keeping for procurement activity filing systems which covers all documents and communication relating to a specific procurement activity from initiation to conclusion	PROCUMENT MANAGER	Dec 2008		March 2009
Introduce Code of Ethics Declaration to be signed by all persons carrying out the tender evaluation exercises to protect the integrity of the process.	CEO	July 2009		March 2009
Addressing the warehousing management challenges <ul style="list-style-type: none"> • The volume of inventory is too large for the present capacity to accommodate; • Deliveries are not phased out, all goods are received at once especially at the end of the financial year; • Material handling equipment limited with only four forklifts; • Inventory turn round rate not 	CEO/WAREHOUSING MANAGER/	June 2009	Ministries of Public Health and Medical Services.	March 2009

<p>established;</p> <ul style="list-style-type: none"> • No advance shipment notification from suppliers and/or stakeholders making deliveries; • No advance planning and scheduling; • Excess inventory should be determined and distributed; • Limited staffing with only 6 permanent staff in Nairobi and 176 casual labourers; and • The warehouses do not have an integrated computer monitoring systems amongst themselves and with the rest of the supply chain management. 				
Link procurement processes to the Budgeting and expenditure framework	PURCHASING /FINANCE MANAGERS	July 2009		March 2009
Secure insurance policy against theft and fire for stocks from MOMS and partners owning the stocks	COMPANY SECRETARY	September 2008	MOMS/PARTNERS	March 2009
Train Tender Committee members on the provisions of the Act to enhance their ability to make correct decision during adjudications	CEO/HUMAN RESOURCES	December 2008		March 2009

7 CONCLUSION

We have carried out procurement reviews in procurement functions and procedures to verify whether they conform to the Public Procurement and Disposal Act 2005, Public Procurement and Disposal Regulations 2006. We have also assessed whether the functions comply with generally accepted good practices. We have identified deviations in general and specific areas of procurement stages and attached ratings to them. In the selected areas, we concluded that the KEMSA level of compliance with the provisions of the Public Procurement Act is low but will improve with time. We urge the management to demonstrate greater commitment to follow the law in their operations. There is no compliance program in place. It is important for KEMSA to embrace the law and prepare an organization-wide compliance plan. The capacity of the internal audit department should be strengthened with adequate resources to assist in compliance verification in high-risk areas of the procurement processes. ***It is far better to conduct an internal review to discover, and then rectify your own problems.*** The office of the internal auditor needs to be strengthened to verify, examine, and determine that individual transactions comply with the Act and regulations. The auditor needs to undertake more training in the public procurement law and the related regulations to enable him perform better. The major challenge in the KEMSA is in the area of record keeping, data and documentation controls. Retrieving records for review purposes was difficult, time consuming and even for the files made available, some records pertaining to fulfilment of the procurement process were incomplete, limiting the review scope. The area needs an urgent attention of the senior management, since poor record keeping compromises validity, authenticity and quality of the information coming from the entity.

It was noted that some of the documents not in operation are yet to be prescribed by PPOA. The Procurement Unit should keep in regular touch with PPOA, seek their guidance in grey areas, and if possible get directives from them in writing.

The role of KEMSA in the MOH medical equipment procurement processes needs to be addressed. At this time KEMSA, mainly operates as a technical staff resource centre and a warehousing and distribution management unit of the ministry. It acts as the receiving entity of the procured medical supplies procured by MOH and parallel partners. The latter is not involved in the receipt and quality checks for supplies they have procured. There is need for improve engagement between KEMSA and these partners to coordinate deliveries and distribution. The biggest challenges of KEMSA are the inadequate funding and the unpredictability of the budgets financing both for the operations and for the drugs requested by MOH. This has hindered KEMSA's ability to undertake any long-term planning and expansion programs. This has compelled KEMSA to develop other revenue generation strategies including charging a fee for the procurement services for the donors. This is strategy should be supported and adopted for all services rendered by KEMSA. For long-term success of this strategy, KEMSA must position itself as procurement agent of choice in the health sector by strengthening its procurement capacity, and improving its overall capacity to manage the supply chain.

We did commence our review against the background of other comparable past reviews. We found that the recommendations of the previous reviews have not been adequately addressed. We have included our follow-up phase in our recommendations to ensure that the corrective measures are carried out in order to improve compliance, efficiency, and effectiveness in procurement management.

Although management welcomed the review exercise as a mechanism to identify and address any pending shortcomings and weaknesses, some information was released slowly. This has resulted in the review taking longer than intended. We noted that the period being reviewed was a transitional period for all staff to learn that any failure to follow procedures was due to lack of capacity. The management also pointed out that when the Act and Regulations was introduced, KEMSA could not immediately implement the laws because the management needed time to harmonize the systems to accept the new law. However, we congratulate KEMSA on the proportion of their spend covered by open tendering – this is above the target seen in many developed countries (60% by value) and we encourage the management to continue this practice. Transparency will definitely increase with open tendering and so will be the playing field and competitiveness.

KEMSA should now adopt framework contracting for their large repetitive items and the management has been encouraged to work closely with PPOA and ARD to determine the modalities of this method.

8 ANNEXES

8.1 Entry meeting

ARD Inc - Support For Reforming the Public Procurement System and Improving Delivery of Health Services

Notes of KEMSA review entry meeting Held on 14 April 2008 at KEMSA Offices, Industrial Area, Nairobi

Present:	Nigel Shipman	ARD
	James Okello	ARD
	Jennifer Boit	ARD
	Robert Hunja	PPOA
	Joseph Kimani	PPOA
	Jane Njoroge	PPOA
	Dr. Charles Kandie	KEMSA
	Dr. John Munyu	KEMSA
	Godfrey Kiptum	KEMSA
	Fred Wanyonyi	KEMSA
	Paul Koskei	KEMSA

Purpose

The purpose of the meeting was to introduce the ARD/PPOA review team to KEMSA management. The meeting's objective was also to inform KEMSA management the purpose of carrying out the review that is to establish the status of KEMSA's procurement contracting, and implementation processes and systems, in order to determine the level of compliance with the new procurement law, regulations, circulars, and directives issued by the Public Procurement Oversight Authority.

Matters Arising

Robert Hunja, Interim Director General, PPOA took the team through an introduction of the entire MCC Threshold Program. He also reported that ARD was responsible for handling component 1. PPOA would prepare an e-procurement strategy and KEMSA would be one of the pilot entities before its implementation.

Mr. Hunja reported that Reviews at KEMSA would be the responsibility of ARD/PPOA staff; therefore, the purpose of the meeting was to kick-start the review process. Robert stressed on the importance of the review so that Kenya could be considered for compact status within the MCC Threshold Program.

Nigel Shipman, ARD Chief of Party took the team through the process that was to be used to carry out the review. The review was meant to assist Procuring Entities improve on their procurement procedures which should be carried out according to the Act & Regulations. Nigel reported that after the review, ARD would prepare a draft report, which would then be forwarded to PPOA. Once PPOA is satisfied with the draft, it would then be forwarded to KEMSA management. The review would look at the mandate of KEMSA, structures, committees, procurement plans and whether they are linked to the budgets, record keeping,

minutes of Tender Committee meetings amongst others. Nigel requested KEMSA to have all documentation ready before the review team reports on 18th.

Mr James Okello reported that the review team would use the PPDA as the reference point and the review would focus on the period from 01/01/2007 to 31/12/2007 and shall include procurements of services, goods, and works. James went further to elaborate on the rating criteria that will be used. He estimated that the time needed to carry out this intensive review would be 25 days, which would also be determined by the availability of the documents. Mr Okello also requested KEMSA to provide office space for the review team.

Dr Charles Kandie, MD, KEMSA, reported that the review process was an important exercise, as it would make them understand the law better. It would be very key, as it would help improve KEMSA's procurement process. He also thanked the ARD team for the sensitization training.

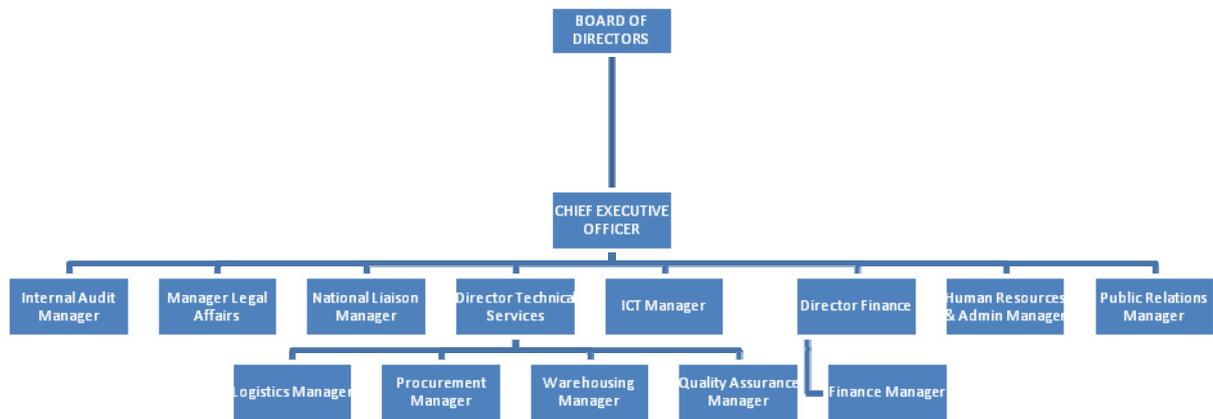
Dr Kandie also highlighted some of the problems facing KEMSA's procurement process. One of the main issues was the reviews carried out by the Kenya Anti Corruption. They tend to stall the procurement process by retaining documentation. He also reported that payment to suppliers was not in the hands of KEMSA but the Ministry of Health, hence had no control over the payment process, hence have a lot of problems with suppliers with regards to payments.

Mr Hunja, in conclusion, repeated the purpose of the review, to assess KEMSA's compliance with the Act & Regulations. He also reported that he would look into the issue of KACC, by having a meeting with the National Audit Office to see how both PPOA and KACC can work together with PPOA handling the procurement related issues.

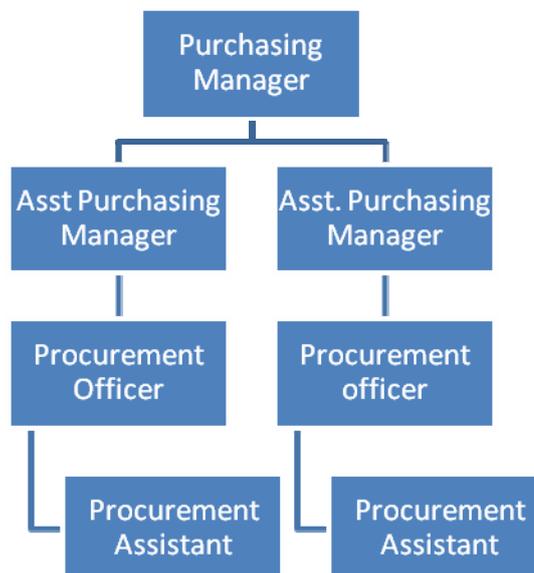
8.2 Persons met during the review

Name	Title	Role
Dr.Charles Kandie	Chief Executive Officer	Overall in charge of KEMSA
Dr.John Munyu	Director, Technical Services	In charge of technical services and chairperson of tender committee.
Edward Buluma	Purchasing Manager	Head of PU
Joseph Mwangi	Ag. Finance Manager	Finance management
Joseph Abok	Internal Auditor	Verification of procurement process
Fredrick Wanyonyi	Manager, Legal Services	Checks contracts

8.3 Organization Structure of KEMSA



8.4 Organization structure of Procurement Unit



8.5 Procurement Staff

Name of Staff	Designation	Qualifications
Edward Buluma	Procurement Manager	B.A Economics, MCIPS
John Kabuchi	Asst. Procurement Manager	Bsc, MCIPS
David Muttu	Asst. Procurement Manager	B.A, CIPS
Daniel Amuyunzu	Procurement Officer	B.A Economics, MCIPS
Caroline Gichinga	Procurement Officer	BBA, CIPS
Evelyne Wachuka	Procurement Assistant	Bsc CPA 1
Ben Wambua Mutua	Procurement Assistant	BA Govt. & Public Administration

8.6 Standing and Specific Committees

Name	Nature	MOH /Status
Ministerial Tender	Standing	In place
Procurement Committee	Standing	In place
Tender Opening	Specific	Complying with regulations
Evaluation Preliminary	Specific	Complying with regulations
Evaluation technical	Specific	Complying with regulations
Evaluation Financial	Specific	Complying with regulations
Inspection and acceptance	Standing	Not in place
Disposal	Standing	In place

8.7 Tender Committee members

Name	Designation
Dr John Munyu	Chairman
Edward Buluma	Secretary
Fredrick Wanyonyi	Member
Paul Koske	Member
Godfrey Kiptum	Member
Charles Nyamai	Member
	Member

8.8 Procurement Oversight Committee

Name	Designation
Ms Beatrice Sabana	Chairperson
Peter Kanyago	Member
Bart Mbuvi	Member
Celestine Otunga	Member
Dr C. Kandie	Member

8.9 Procurement Committee Members

Name	Designation
Dr. John Aduda	Chairman
J.Kabuchi	Secretary

Dr W.Mbuthia	Member
S.Okanda	Member
M'Arithi	Member
Dr Esther Turunga	Member
Dr. E.T.Gathoni	Member
John Mwangi	Member
Dr M.S.Odвори	Member
Dr Mildred Sheisha	Member
Oliver Mulama	member

8.10 Disposal Committee members

Name	Designation
E.Buluma	Secretary
Dr J.Aduda	Chairman
G.Kiptum	Member
S.Okanda	Member
F.Wanyonyi	Member
J.Wamwanga	Member
M.Arithi	Member

8.11 Distribution of the procurement methods in the sample

Type of procurement method	Selected sample	Out of total	Value sampled	Out of Value (Ksh)
Open International Tenders (OIT)	7	17	2,279,055,384.00	3,238,731,454.00
Open National Tender (ONT)	7	11	18552329.00	78,968,348.00
Restricted Tender (RT)	7	7		416,114,438.00
Request For Proposal (RFP)	n/a	n/a	n/a	n/a
Request For Quotations (RFQ)	37	61	14,630,854.00	20,931,409.00
Direct Procurement (DP)	5	5		21,277,857.73
Low Value Procurement (LVP)	39	94	562,300.00	1,481,256.00
Specially Permitted Procurement (SPP)	n/a	n/a	n/a	n/a
TOTAL	102	195		3,777,504,762.00

8.12 Terminated Procurement Proceedings

Tender no.	Tender Description	Status
KEMSA / ONT 7 / 2006-2007	Supply of 2 No. Reach Trucks and 1 No. Forklift	Nullified
KEMSA / ONT 8 / 2006-2007	Supply and Installation of 100Kva Acoustic Standby Generator	Nullified

KEMSA / OIT 16 / 2007-2008	Supply of ARV drugs	Nullified
KEMSA / ONT 3 / 2007-2008	Provision of Courier Services	Nullified
KEMSA / RT 006 / 2007-2008	Customer Satisfaction Survey	Nullified

8.13 Top ten Suppliers during the YR 2007

	Supplier	Contract Value (KSHS)	Percentage of total Value Procurements
1	Imres B.V.	368,619,073.82	9.7
2	Aurobindo Pharma Ltd	357,539,732.25	9.4
3	Universal Corporation Ltd	263,771,942.01	6.9
4	Cosmos Ltd	162,321,082.83	4.2
5	Hetero Drugs	156,423,795.53	4.1
6	Medivet Products Limited	137,741,260.00	3.6
7	Biodeal Laboratories Ltd	128,576,205.90	3.3
8	Ranbaxy	119,377,738.61	3.1
9	Sai Pharmaceuticals	102,666,666.60	2.7
10	Lupin	90,071,552.30	2.3
	Total value of procurements awarded to top ten suppliers	1,887,109,049.85	49.9

8.14 Profile of Procurements for 2007

Procurement method thresholds	Civil works	Goods	Consultants services		Non-intellectual services	TOTAL
			Firms	Individual		
NCB		78,968,348.00				
ICB		3,238,731,454.34				
Restricted Tender		416,114,438.00				
RFQ		20,931,409.12				
Special Tender						
Direct Procurement		18,471,718.73				
RFP						
TOTAL		3,754,745,649.46				

8.15 Open International Tender (OIT/ICB)

Tender No.	Description	Awards	Source Funding of
KEMSA / OIT 1 / 2007-	Supply of	1,597,209,581.72	GOK

2008	Pharmaceutical Drugs		
KEMSA / OIT 2 / 2007-2008	Supply of Non-Pharmaceuticals	46,344,965.00	GOK
KEMSA / OIT 3 / 2007-2008	Supply of Dispensary Kit I	106,738,932.79	GOK
KEMSA / OIT 4 / 2007-2008	Supply of Dispensary Kit II	92,452,695.71	GOK
KEMSA / OIT 5 / 2007-2008	Supply of Dispensary Kit III	23,244,648.00	GOK
KEMSA / OIT 6 / 2007-2008	Supply of Dispensary Kit IV	54,323,244.00	GOK
KEMSA / OIT 7 / 2007-2008	Supply of Dispensary Kit V	40,588,233.00	GOK
KEMSA / OIT 8 / 2007-2008	Supply of Health Center Kit I	23,503,800.84	GOK
KEMSA / OIT 9 / 2007-2008	Supply of Health Center Kit II	19,033,949.09	GOK
KEMSA / OIT 10 / 2007-2008	Supply of Health Center Kit III	8,212,800.00	GOK
KEMSA / OIT 11 / 2007-2008	Supply of Health Center Kit IV	13,948,270.20	GOK
KEMSA / OIT 12 / 2007-2008	Supply of Health Center Kit V	14,011,508.00	GOK
KEMSA / OIT 13 / 2007-2008	Supply of Pharmaceutical Packaging Materials	59,557,191.80	GOK
KEMSA / OIT 14 / 2007-2008	Supply of Contraceptives	467,101,724.00	GOK
KEMSA / OIT 15 / 2007-2008	Supply of Anti-TB drugs	93,841,552.00	GOK-NASCOP
KEMSA / OIT 16 / 2007-2008	Supply of ARV drugs	301,519,166.96	GOK
		2,961,632,263.11	
KEMSA/KEN/RHPIII/IC B 01/06/07	Supply and delivery of drugs to health centres and dispensaries (ADB funded)	277,099,191.23	African Development Bank
		3,238,731,454.34	

8.16 Open National Tenders (ONT/NCB)

Tender No.	Description	Value	Funding Source
KEMSA / ONT 7 / 2006-2007	Supply of Dispensary Kit III	8,480,000.00	GOK
KEMSA / ONT 8 / 2006-2007	Supply of Health Centre Kit III	4,321,800.00	GOK
KEMSA / ONT 7 / 2006-2007	Supply of 2 No. Reach Trucks and 1 No. Forklift	0	

KEMSA / ONT 8 / 2006-2007	Supply and Installation of 100Kva Acoustic Standby Generator	0	
KEMSA / ONT 9 / 2006-2007	Customer Satisfaction Survey	0	
KEMSA / ONT 10 / 2006-2007	Supply and Installation of Cold room	3,594,591.00	
KEMSA / ONT 11 / 2006-2007	Proposed Security and Area Lighting at KEMSA	1,566,638.00	
KEMSA / ONT 1 / 2007-2008	Provision of Transport Services from Nairobi to Hospitals and Depots	13,391,100	GOK
KEMSA / ONT 2 / 2007-2008	Provision of Transport Services from Nairobi to Dispensaries and Health Centres and vice versa	32,762,314	GOK
KEMSA / ONT 3 / 2007-2008	Provision of Courier Services	0	GOK
KEMSA / ONT 4 / 2007-2008	Provision of Insurance brokerage Services	(Premium)14851905	GOK
KEMSA / ONT 12 / 2007-2008	Provision of Insurance brokerage Services	Terminated	GOK
		78,968,348.00	

8.17 Restricted Tenders

Tender No.	Description	Awards	Source of Funding
KEMSA / RT 001 / 2006-2007	Supply of Pharmaceutical Drug	19,800,000.00	
KEMSA / RT 001 / 2007-2008	Provision of Audit Services	3,607,600.00	USAID
KEMSA / RT 002 / 2007-2008	Supply of Dextrose 5% IV Infusion	53,980,000.00	GOK
KEMSA / RT 003 / 2007-2008	Supply of Pharmaceutical Drugs	14,851,905.00	GOK
KEMSA / RT 004 / 2007-2008	Supply of ARV drugs	301,519,166.00	GOK
KEMSA / RT 005 / 2007-2008	Supply of Anti-TB drugs	22,355,767.00	GOK-NASCOP
		<u>416,114,438.00</u>	

8.18 RFQ

Quotation No.	Description	Invited Firms	Status	Amount awarded
KEMSA/ 50 /2006-07	Supply and installation of outdoor intrusion alarm system.	6	Not Awarded	
KEMSA/ 51 /2006-	Implementation of	4	Awarded	

Quotation No.	Description	Invited Firms	Status	Amount awarded
07	Local Area Network at Mombasa Road Warehouse			
KEMSA/ 52 /2006-07	proposed stores rehabilitation for Githunguri health centre	8	Awarded	131,456.80
KEMSA/ 53 /2006-07	proposed stores rehabilitation for Githiga health centre	8	Awarded	465,960.00
KEMSA/ 54 /2006-07	Provision of a Helpdesk Software	5	Awarded	308,895.77
KEMSA/ 55 /2006-07	Supply of Laptops & 17" TFT Monitor Screen	9	Awarded	833,000.00
	Dell TFT Screen			17,500.00
KEMSA/ 56 /2006-07	Supply of Printers	12	Awarded	88,500.00
KEMSA/ 57 /2006-07	Terminals Services Licences	5	Awarded	56,550.00
KEMSA/ 58 /2006-07	Supply of Cartons	5	Awarded	1,244,310.00
KEMSA/ 59 /2006-07	Supply of Air-Con systems for CEO'S office and Boardroom		Awarded	241,074.94
KEMSA/ 60 /2006-07	Supply of Side Cabinets	3	Awarded	72,660.00
KEMSA/ 61 /2006-07	Printing of Standard Order Forms	7	Awarded	15,450.00
KEMSA/ 62 /2006-07	Implementation of Local Area Network at Mombasa Road Warehouse	6	Awarded	941,992.40
KEMSA/ 63 /2006-07	Training for Health Care workers in parts of Eastern & Central Provinces	7		
KEMSA/ 64 /2006-07	Training for Warehouse Operations staff	7	Awarded	226,200.00
KEMSA/ 65 /2006-07	APC 650 VA Battery for UPS	10	Awarded	28,680.00
KEMSA/ 66 /2006-07	Supply of TB drugs Lab Reagents	6	Awarded	643,500.00
KEMSA/ 67 /2006-07	Desktop Computers and 400VA-650VA Smart UPS	11	Awarded	267,264.00
KEMSA/ 68 /2006-	Supply of Stationery	9	Awarded	209,721.00

Quotation No.	Description	Invited Firms	Status	Amount awarded
07				
KEMSA/ 69 /2006-07	68 Pin Internal Dual Channel SCSI Card for Dell	7	Awarded	72,500.00
KEMSA/ 70 /2006-07	Supply of Office Furniture	5	Not Awarded	
KEMSA/ 71 /2006-07	Printing of Standard Order Forms for Coast and NEP	6	Awarded	33,900.00
KEMSA/ 72 /2006-07	Supply of Heavy duty Pallets	3	Awarded	587,500.00
KEMSA/ 73 /2006-07	Proposed Completion Works to Frontage Parking (Phase 1 and 2) at KEMSA Commercial Street.		Awarded	921,561.30
KEMSA/ 74 /2006-07	DHMT Drug Supply Management Training	4	Awarded	757,500.00
KEMSA/ 75 /2006-07	RHF Drug Supply Management Training	4	Awarded	555,000.00
KEMSA/ 76 /2006-07	Provision of Consultancy Services		Awarded	360,000.00
KEMSA/ 77 /2006-07	Supply of Conference Table and Chairs for QA Department	5	Awarded	52,132.20
KEMSA/ 78 /2006-07	Supply of Phenol Detached Crystals	2	Awarded	948,750.00
KEMSA/ 79 /2006-07	Supply of Air-conditioning Unit for Kisumu Regional Depot	5	Awarded	69,600.00
KEMSA/ 80 /2006-07	Refrigerators for Rural Health Facilities			
KEMSA/ 81 /2006-07	Supply of Citrix Server Software	4	Awarded	693,216.00
KEMSA/ 82 /2006-07	Supply of Microsoft SQL Server 2005 Enterprise with Media Kit	5	Awarded	977,900.00
KEMSA/ 83 /2006-07	Wireless Desktop Adapter	4	Awarded	40,200.00
KEMSA/ 84 /2006-07	Navision Session Licenses	1	Awarded	771,225.00
KEMSA/ 85 /2006-07	Navision New User Requirements	1	Awarded	580,336.00
KEMSA/ 86 /2006-07	Supply of Office Glue	4	Awarded	91,200.00
KEMSA/ 87 /2006-	Supply of Stationery	6	Awarded	127,446.56

Quotation No.	Description	Invited Firms	Status	Amount awarded
07				
KEMSA/ 88 /2006-07	Supply of Microlab Apparatus	6	Awarded	2,730.00
KEMSA/ 89 /2006-07	Supply of Drivers' Uniforms	6	Awarded	164,975.99
KEMSA/ 90 /2006-07	Fumigation of Mombasa Rd. Warehouse	6	Awarded	46,500.00
KEMSA/ 91A /2006-07	Installation of WAN between KEMSA commercial st. and KEMSA Mbs. Rd.	2	Awarded	432,240.00
KEMSA/ 91B /2006-07	Supply of Dot Matrix Printers	5	Awarded	466,320.00
KEMSA/ 92 /2006-07	Training on Safety Measures	3		
KEMSA/ 93 /2006-07	Supply of Refrigerators for Rural Health Facilities	4	Awarded	2,912,000.00
KEMSA/ 94 /2006-07	Employee Satisfaction Survey	4	Awarded	403,332.00
KEMSA/ 1 / 2007-08	Continuous Perforated Cheques, MICR- with Water Marks. Size as per Sample	4	Awarded	34,800.00
KEMSA/ 2 / 2007-08	HP Toner Q6511A	7	Awarded	115,536.00
KEMSA/ 3 / 2007-08	Batteries for Pulsar Evolution 1500 rack UPS	7	Awarded	80,040.00
KEMSA/ 4 / 2007-08	Supply of Stationery	8	Awarded	559,431.16
KEMSA/ 5 / 2007-08	Training safety measure (First- Aid, Disaster preparedness, fire fighting e.t.c)			
KEMSA/ 6 / 2007-08	Zinc Sulphate Injection Tablets 20mg	1	Nullified	
KEMSA/ 7 / 2007-08	Medium Height cabinet with glass doors, Lockable, As per sample	4	Awarded	32,886.00
	Four drawer metallic filing cabinet with security bar (Fire Proof)	4	Awarded	240,000.00
KEMSA/ 8 / 2007-08	Supply of Toners	9	Awarded	213,816.00

Quotation No.	Description	Invited Firms	Status	Amount awarded
KEMSA/ 9 /2007-08	Epson Network Card	8	Awarded	288,000.00
KEMSA/ 10 /2007-08	Rack Mounted Switch		Pending	
KEMSA/ 11 / 2007-08	Blue Overall, Large (65% Polyester, 35% Cotton)	7	Awarded	75,400.00
	Blue Overall, Medium (65% Polyester, 35% Cotton)	7	Awarded	60,320.00
	Blue Overall, Small (65% Polyester, 35% Cotton)	7	Awarded	10,600.00
KEMSA/ 12 / 2007-08	Filter Papers (Whatman filter No.1, 24cm diameter)	3	Pending	
KEMSA/ 13 /2007-08	Photocopying Machine	7	Awarded	382,800.00
KEMSA/ 14 / 2007-08	Desktop Computers,	6	Awarded	770,000.00
	400VA-650VA Smart UPS	6	Awarded	77,000.00
KEMSA/ 15 /2007-08	Generators	6	Awarded	130,000.00
Total Ksh				20,931,409.12

8.19 Direct Procurement

Description	Awards	Source of Funding
Supply of Anti TB Drugs	4,644,778.53	GOK
Supply of Syringes	6,943,696.20	GOK
Magnesium Sulphate Inj 50%, 2m	2,917,224.00	GOK
Atropine Sulphate 1% Eye Drops, 5ml	1,246,020.00	GOK
Beclomethasone Inhaler 0.1mg/Dose, 200 Doses	2,720,000.00	GOK
Embakasi hire of warehouse	2,806,139.00	GOK
	21,277,857.73	

8.20 Low value procurements

No.	Vendor:	Amount :
1	Going Places	28,915.00
2	Going Places	15,380.00
3	Westfield Motors Ltd	25,000.00
4	Westfield Motors Ltd	24,367.00
5	Motor Mec Motors Ltd	10,846.00
6	General Motors E.A Ltd	23,086.00
7	DT Dobie & Co. Kenya Ltd	12,397.50
8	General Motors E.A Ltd	22,681.00

No.	Vendor:	Amount :
9	Joto Enterprises	19,350.00
10	Toyota E.A Ltd	11,970.04
11	Motor Mec Motors Ltd	22,910.00
12	Toyota E.A Ltd	9,477.20
13	General Motors E.A Ltd	21,478.00
14	DT Dobie & Co. Kenya Ltd	20,954.24
15	General Motors E.A Ltd	15,402.48
16	DT Dobie & Co. Kenya Ltd	23,723.33
17	General Motors E.A Ltd	12,891.15
18	General Motors E.A Ltd	11,725.02
19	Toyota E.A Ltd	27,000.16
20	Bhogals Autoworld	22,401.90
22	General Motors E.A Ltd	11,999.00
23	General Motors E.A Ltd	16,000.00
24	General Motors E.A Ltd	11,281.00
25	General Motors E.A Ltd	16,000.00
26	Dagika Enterprises	22,340.44
27	Pelican Signs Ltd	11,252.00
28	Prowaka Contractor	24,373.92
29	Jocha Enterprises	23,142.00
30	Dagika Enterprises	19,414.92
31	Mobika Investments	13,154.40
32	The Copy Cat Ltd	15,660.00
33	Grand Scales Kenya Ltd	12,760.00
34	Sols Inclinations Ltd	23,200.00
35	Chloride Exide Kenya Ltd	13,402.64
36	Chloride Exide Kenya Ltd	13,402.64
37	Chloride Exide Kenya Ltd	11,430.00
38	National Quality Control Laboratory	18,000.00
39	Publishers Distribution services	25,920.00
40	The People Ltd	7,332.29
41	Elite Tents	11,252.00
42	Penta Converters Ltd	14,500.00
43	Penta Converters Ltd	15,950.00
44	Nairobi Projectors Services Ltd	12,760.00
45	A.w.Ogwayo	20,000.00
46	Mfekane Tours & Travels Ltd	9,199.85
72	Toyota E.A Ltd	9,828.62
48	Toyota E.A Ltd	10,000.36
49	Toyota E.A Ltd	27,000.16
50	General Motors E.A Ltd	8,999.00
51	Chloride Exide Kenya Ltd	20,530.00
52	General Motors E.A Ltd	21,299.00
53	Toyota E.A Ltd	10,000.36
54	Mutindwa Enterprises Ltd	24,790.00
55	DT Dobie & Co. Kenya Ltd	10,580.00
56	Toyota E.A Ltd	10,000.00

No.	Vendor:	Amount :
57	Chloride Exide Kenya Ltd	5,811.60
58	General Motors E.A Ltd	8,999.00
59	Joto Enterprises	11,426.00
60	General Motors E.A Ltd	29,679.00
61	Toyota E.A Ltd	10,000.36
62	General Motors E.A Ltd	21,301.00
63	Motor Mec Motors Ltd	16,762.00
64	Toyota E.A Ltd	10,196.40
65	Kingsway Tyres Ltd	16,611.20
66	Chloride Exide Kenya Ltd	5,670.00
67	General Motors E.A Ltd	19,020.00
68	General Motors E.A Ltd	16,000.00
69	DT Dobie & Co. Kenya Ltd	20,000.00
70	Toyota E.A Ltd	13,732.00
71	General Motors E.A Ltd	5,399.00
72	Toyota E.A Ltd	7,457.00
73	Toyota E.A Ltd	19,487.00
74	Toyota E.A Ltd	10,000.00
75	Toyota E.A Ltd	10,000.00
76	Toyota E.A Ltd	5,500.00
77	Nakumatt Holdings Ltd	23,549.00
78	Elite Tents	7,424.00
79	Nairobi Projectors Services Ltd	3,480.00
80	Penta Converters Ltd	17,199.99
81	Achelis Materials Handling	14,065.00
82	Fast Choice Ltd	16,298.00
83	Utalii Hotel	18,500.00
84	Microlan Kenya Ltd	17,400.00
85	Microlan Kenya Ltd	27,144.00
86	Airflow Engineering Ltd	4,640.00
87	Furnishing Concepts	27,260.00
88	Indent Ltd	5,800.00
89	Hot Point Appliances Ltd	24,999.00
90	The Automobile Association of Kenya	25,390.00
91	Trice-Ma Enterprises	26,000.00
92	UUNET Kenya Ltd	5,800.00
93	Victoria Furniture Ltd	19,905.00
94	Microlan Kenya Ltd	4,640.00
		1,481,256.17

8.21 Suppliers for Pharmaceuticals

Supplier	Contract Value (Kshs)
Imres B.V.	368,619,073.82
Aurobindo Pharma Ltd	357,539,732.25
Universal Corporation Ltd	263,771,942.01
Cosmos Ltd	162,321,082.83

Supplier	Contract Value (Kshs)
Hetero Drugs	156,423,795.53
Medivet Products Limited	137,741,260.00
Biodeal Laboratories Ltd	128,576,205.90
Ranbaxy	119,377,738.61
Sai Pharmaceuticals	102,666,666.60
Lupin	90,071,552.30
Phillips Pharmaceuticals Ltd	86,940,000.00
Angelica Medical Supplies Ltd	85,903,227.06
Elys Chemical Industries Ltd	85,700,499.45
Dawa Limited	72,401,725.30
Surgilinks Ltd	71,237,570.00
Alpha Medical Manufacturers	67,351,570.90
N. V Organon	65,930,085.45
Medisel (K) Ltd	60,075,644.70
Sphinx Pharmaceuticals Ltd	57,399,575.00
Laborex Kenya Ltd	55,000,974.00
Fourrts (India) Lab PVT Ltd	45,952,189.83
Intas Pharmaceuticals Ltd	40,416,055.98
Autosterile (EA) Ltd	37,415,170.00
Bakpharm Limited	28,193,123.44
Famy Care Ltd	26,162,565.06
Strides Arcolab	25,717,632.82
Galaxy Pharmaceuticals Ltd	23,404,200.00
Harleys Ltd	21,717,277.58
Omaera Pharmaceuticals Ltd	21,300,000.00
Infusion Kenya Ltd	19,008,151.20
Jet Chemicals (K) Ltd	15,777,072.00
Oss-Chemie (K) Ltd	14,447,020.00
Surgipharm Ltd	13,682,500.00
C. Mehta & Co. Ltd	12,172,282.00
Nairobi Pharmaceuticals Ltd	8,256,188.50
Europa Healthcare Ltd	6,010,344.00
Regal Pharmaceutical drugs	5,678,910.00
GlaxoSmithkline Export Ltd	5,331,211.53
Sunpar Pharmaceuticals LTd	4,683,620.06
African Cotton Ind	4,254,480.00
Salama	3,770,000.00
Farmco International	3,374,660.36
Lords Healthcare Ltd	2,720,000.00
Sino Kenya Pharmaceuticals Ltd	1,671,600.00
Pharmaniaga Biomedical	1,555,964.52
Pan Pharmaceuticals Ltd	1,246,020.00
Curacid (K) Ltd	516,230.00
Medox Pharmaceuticals Ltd	428,846.10
Syner-Chemie Ltd	324,200.00
Syner-Med Pharmaceuticals	120,589.00
Madawa Pharmaceuticals Ltd	114,575.00

Supplier	Contract Value (Kshs)
Grand Total	2,990,472,600.69

8.22 Inventory of Total Value over Ksh50million

No	Description	UM	Qty	UP	Value
DEN0028	Dental Needles	Ea	84976	668.00	65763968.00
ENH0006	Delatmethrin tabs	Ea	1492221	624.00	931145904.00
ENH0063	Tents	EA	4	17000000.00	68000000.00
EQP0124	Elbow crutches	Ea	1120	380,800.00	426496000.00
EQP0181	Laryngoscope	Ea	3061	20328.00	62224008.00
EQP0387	Autoclave	Ea	22	3781281.04	83188182.88
LAB0003	Hepatitis Kit	Piece	2100	30606.34	64273324.50
NPH0012	Gauze swap	Ea	105568	584.67	61722442.56
NPH0022	Female Condoms	Ea	39287796	2.00	78575592.00
NPH0233	Syringes	Ea	318416	425.50	135486008.00
PHA0009	Amoxicillin caps	Pkt	228094	775.00	176772850.00
PHA0018	BCG Vaccine	Pkt	825850	153.90	127098315.00
PHA0052	Dextrose	Ea	2224189	34	75622426.00
PHA0125	Hydrocortisone	Ea	329109	370.00	121770330.00
PHA0195	RHZ	EA	59734	1812.77	108284003.00
PHA0197	Rifamp	Ea	327833	692.83	227132537.00
Pha0268	TB Patient Cat	Ea	87256	1038.75	90637170.00
PHA0297	Efavirenz	Ea	123435	2632.50	324942637.50
PHA0341	Fluconazole tabs	EA	24133	16805.30	405562304.90
PHA0342	STAVUDINE	EA	91274	853.00	77856722.00
PHA0381	LAMIVUDIN E	EA	168889	969.82	163791929.00
PHA0402	Stavudine30	Ea	174582	900.00	157123800.00
PHA0462	Proguanil	Ea	56242	952.25	53556444.50
PHA0503	Azythrom tabs	Ea	64633	3654.00	236168982.00
PHA0565	FDC Zidol	Ea	76781	861	66108441.00
XRY0005	Protective Apron	Ea	53500	15790.47	844790145.00
	Total amount of inventory of value over Ksh50 million				5,234,094,466.84

8.23 Summary of general rating in KEMSA

AREA	DDD	DD	D	SP	NI
General Procedures			X		
General adoption and operations of Act and Regulations		X			
Mainstreaming Procurement within Financial Framework for MOH and donors.	X				
Mainstreaming Procurement within Financial Framework			X		

AREA	DDD	DD	D	SP	NI
for KEMSA operation.					
No comprehensive Procurement files opened for all the 102 cases reviewed	X				
Incomplete Procurement Plans for all the cases of the 102 cases reviewed	X				
Inspection and Acceptance Committee not constituted.	X				
No Procurement requisitions for all the MOH requests cases	X				
Preference Schemes not available for all the cases reviewed over the entire review period	X				
None of the reports required to be sent to PPOA were sent for all cases reviewed during the review period.	X				
Internal Audit involves on compliance		X			
Poor recordkeeping and data storage. The records for all the 102 cases reviewed were fragmented and scattered making it very difficult to trace and retrieve.	X				
Implementation of Specific Procedures					
General Procedures for open tendering mostly adhered to in all cases reviewed				X	
Evaluation period exceeds 30 days in tenders reviewed	X				
External observers for TC for large contracts over Ksh 50 million not seen for all tenders reviewed.	X				
Terminated tenders are not advised to PPOA			X		
There no procedures of security and confidentiality and non collusion during the evaluation process		X			
Donor funded projects commenced without budgets		X			
Extension of deadline for submission of advertisement				X	
Notification of the amendments before closure				X	
Receipt in Tender Box				X	
Opening and recording of bids, Appointment of committee, Representative of bidders, and Submission of samples where appropriate				X	
Preliminary Evaluation committee/process				X	
Technical Evaluation, committees, procedures				X	
Evaluation Report to TC		X			
Procurement Oversight Committee adjudicates tenders already awarded by TC	X				
Notice of Acceptance				X	
Procedures of Complaints and protests	X				X
Contract Award					
Written contract				X	
Contract over Ksh 5million to be advised to PPOA for advertising in the website	X X				
Consideration of other lifetime costs during evaluation	X				
Financial evaluation					
Committee				X	
Responsive to Technical evaluation				X	

AREA	DDD	DD	D	SP	NI
Quality Certificates				X	
Bid securities				X	
Post qualification for complex procurements					X
Overdue payments with interest charged					x
Restricted Tender					
Method and justification approved by TC				X	
Request for Quotations					
Pre-qualified suppliers used for solicitation				X	
Used for the threshold for goods Ksh 6million				X	
Adequate bidding time allowed for all cases reviewed				X	
Opening committee used				X	
Request for Proposal					X
Direct Procurement	X				
Method and justification approved by MTC for repeat and proprietary services for the cases reviewed				X	
Framework contracts					X
Specially permitted Procedures					X
Low value procurement	X				

The rating criteria were based on that in Section 1.4.4. (NI means not investigated).

8.24 Consolidated annual procurement planFinancial Year: 2
Procuring Entity007/2008..
Kenya Medical Supplies Agency

No.	Item/Service description	Unit of issue	Qty	Estimated Unit Cost	Estimated Total Cost In Ksh. '000	Funds Allocated	Procurement Method	Timing of Activities Quarter				Targeted Outputs	Remarks
								1 st	2 nd	3 rd	4 th Q		
1	Outsourced Transport/Other distribution				250,000		Open National tender	√	√	√	√	Delivery of Commodities in Health Facilities	Other Distribution to include procurement related to use of own fleet
2	Purchase of Dustcoats and overalls				520		Request for Quotation	√	√			Delivery of Uniform	
3	Motor vehicle Maintenance				15,694		Direct Procurement	√	√	√	√	Operational Vehicles	
4	Insurance Services				16,500		Open National tender	√				Insurance in Place	
5	ICT Hardware Maintenance				1,400		Open National Tender	√				Functional ICT Equipment	

6	Software Licences				2,300		Direct Procurement	√	√	√	√		
7	Security Services				7,000		Open National Tender	√				Security Services in Place	
8	Pallets				5,000		Open National Tender	√	√			Availability of pallets	

Prepared by: Head of Procurement Sign Date

A.I.E Holder SignDate

Approved by: Accounting Officer Sign Date.....

8.25 Summary of deviations in the sampled procurements

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
KEMSA/OIT 1/2007-2008	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/OIT 2/2007-2008	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
		No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file						
KEMSA/OIT 3/2007-2008	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/OIT 8/2007-2008	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/OIT 13/2007-2008	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
		Certificates in the file No Invoices and payment documents in the file						
KEMSA/OIT 14/2007-2008	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/KEN/RHPHIII	OIT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/ONT 7/2006-2007	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
KEMSA/ONT 8/2006-2007	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/ONT 9/2006-2007	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/ONT 10/2006-2007	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/ONT 11/2006-2007	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
		No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file						
KEMSA/ONT 2/2007-2008	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/ONT 3/2007-2008	ONT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/ONT 4/2007-2008	ONT	Procurement procedure commenced without budgetary allocation	X					
KEMSA/RT OO1/2007-2008	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
		No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file						
KEMSA/RT OO2/2007-2008	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file 82 Days from Bid to LPO 37 days from Bid opening to Evaluation 105-134 days from LPO to deliveries	X					
KEMSA/RT OO3/2007-2008	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file 116 Days from Bid to LPO 86 days from Bid opening to Evaluation over 68 days from LPO to deliveries No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/RT OO4/2007-2008	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file 108 Days from Bid to LPO	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
		82 days from Bid opening to Evaluation 12-35 days from LPO to deliveries No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file						
KEMSA/RT OO5/2007-2008	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file 79 days from Bid opening to Evaluation 108 Days from Bid to LPO No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/RT OO6/2007-2008	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file	X					
KEMSA/RT OO1/2006-2007	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation	X					

TENDER	METHOD	FINDINGS	DDD	DD	D	SP	NI	KEMSA RESPONSE
		No extract of the TC minutes in the file No Delivery No copies in the file No Inspection and Acceptance Certificates in the file No Invoices and payment documents in the file 43 days from bid to LPO 16 Days from Bid opening to evaluation 61-90 days from LPO to Delivery note						
KEMSA/RT OO2/2006-2007	RT	No Procurement Plan Procurement procedure commenced without budgetary allocation No extract of the TC minutes in the file 114 days from Bid opening date to Evaluation Deferred	X					
Lease of ware house at Embakasi at Ksh 2,806,139.00.pm	DP	No Procurement Plan No sufficient justification for choice of the procurement method.	X					

