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OFFICE OF INSPECTOR GENERAL

To: Aaron Williams, Director
Carlos Torres, Regional Director, IAP
Daljit Bains, Chief Compliance Officer

From: Kathy A. Buller, Inspector General *Kathy A. Buller*

Date: February 9, 2011

Subject: Final Report on the Audit of Peace Corps/Mexico
(IG-11-01-A)

Transmitted for your information is our final report on the audit of Peace Corps/Mexico.

Management concurred with all 27 recommendations. We closed 23 recommendations. 4 recommendations remain open pending confirmation from the chief compliance officer that the requested actions have been taken. Our comments, which are in the report as Appendix D, address these matters.

Please accept my thanks for the cooperation and assistance during the audit.

Attachment

cc: Stacy Rhodes, Chief of Staff/Operations
Elisa Montoya, White House Liaison/Senior Advisor to the Director
Esther Benjamin, Associate Director of Global Operations
Joseph Hepp, Chief Financial Officer
Brenda Goodman, Associate Director, Volunteer Support
Rosie Mauk, Associate Director, Office of Volunteer Recruitment
Daniel Evans, Country Director, PC/Mexico
Roger Conrad, Chief of Operations, IAP
Joshua O'Donnell, Country Desk Officer



Peace Corps Office of Inspector General



Peace Corps/Mexico office in Queretaro



Source: CIA World Factbook

Final Audit Report: Peace Corps/Mexico IG-11-01-A

February 2011

EXECUTIVE SUMMARY

In general, Peace Corps/Mexico's (PC/Mexico's) financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. However, we identified several financial and administrative operations not in compliance with agency policy and guidance. Some of the more important findings are summarized below:

- The country director had not established the required responsibilities in accordance with *Peace Corps Manual* section (MS) 734 and did not properly separate duties between medical supply receipt, custody, and recordkeeping.
- The post did not have an adequate process to oversee grant projects and ensure documentation was complete and accurate.
- The administrative officer did not maintain documentation to support the FY 2009 Volunteer living allowance surveys and did not perform market basket surveys to validate the results of the Volunteer living allowance surveys.
- The administrative officer did not conduct settling in allowance surveys in FY 2008 and 2009.

The post operated with a small number of staff to support approximately 35 Volunteers. With limited personnel the post struggled to implement sufficient separation of duties, and staff often had various responsibilities. However, plans for significant growth over the next three years will require additional staff. The post has proactively considered the impact of the growth on the financial and administrative functions to ensure proper separation of duties, provide the most efficient use of personnel, and support the work of Volunteers. During the audit, we identified several functions that require attention for the country director (CD) to manage the growth efficiently.

Our report contains 27 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report. Management concurred with all 27 recommendations and began implementing corrective actions. As a result, we closed 23 recommendations and await documentation supporting corrective actions for the remaining 4 recommendations. See Appendices C and D for management's response and OIG comments.

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BACKGROUND

The Office of Inspector General conducted an audit of PC/Mexico (hereafter referred to as “the post”) June 20 – July 3, 2010. The post had not been previously audited.

The post’s initiative originated in 2001 when former Mexican President Vicente Fox and former U.S. President George W. Bush signed the Partnership for Prosperity, an agreement that envisioned several initiatives to strengthen cooperation between the two countries. The Peace Corps entered Mexico in 2004, but did not sign a bilateral country agreement. Instead, Peace Corps signed agreements with Mexico’s National Council for Science and Technology in November 2003 and a partnership agreement with the Ministry of the Environment and Natural Resources in June 2006. In accordance with these agreements, the post places skilled Volunteers in working relationships with partner organizations. During the audit, the Peace Corps and the government of Mexico were in discussions about signing a bilateral country agreement.

Our overall objective in auditing the post was to determine whether the financial and administrative operations were functioning effectively and complied with Peace Corps policies and federal regulations during the period under audit. Appendix A provides a full description of our audit objective, scope, and methodology.

AUDIT RESULTS

In general, the post’s financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. However, we identified several financial and administrative operations not in compliance with agency policy and guidance, including:

- lack of proper separation of duties over medical supplies;
- inadequate oversight of Peace Corps partnership and small project assistance grants;
- inefficient and insufficient process for bills of collection;
- lack of Volunteer settling-in surveys and market basket surveys;
- inadequate documentation to support Volunteer living allowances; and,
- approximately \$1,398 a year in costs for International Cooperative Administrative Support Services which were not required by the Peace Corps.

A. MEDICAL SUPPLIES

The post had not established the required medical supply responsibilities in accordance with MS 734 and did not properly separate duties between medical supply receipt, custody, and recordkeeping.

On November 26, 2008, Peace Corps updated MS 734 to improve controls over medical supplies. The updated guidance requires overseas posts to assign an acceptance point clerk to receive the medical supplies and a separate staff member to maintain the medical supply inventory. This guidance helps separate the roles of receipt, custody, and issuance of medical supplies to ensure one individual does not have too much control over the process. MS 734.3.4 states:

The Medical Supply Inventory Control Clerk (MSIC Clerk) is designated by the country director. The MSIC Clerk maintains the Medical Inventory Control Log, which houses the inventory status of all medical supplies that are specially designated or controlled substances purchased, received, and stocked at post. The MSIC Clerk must be a person from outside the Medical Unit staff.

The Acceptance Point Clerk (APC) is responsible for receiving medical supplies at post and coordinating their initial inventory and transfer to the Medical Unit. The APC works with both the MSIC Clerk and the PCMO [Peace Corps Medical Officer] to ensure that medical supplies are delivered and inventoried. The APC must not be an individual assigned to the Medical Unit staff, and cannot serve as the MSIC Clerk. Further, the APC may not perform the quarterly inventory of medical supplies.

According to MS 734.3.5.3:

The MSIC Clerk must maintain an accurate and complete set of inventory records for all medical supply items that are specially designated or controlled substances (Medical Inventory Control Log). . . .

The PCMO must use form PC-734C to record the item and quantity dispensed, to whom it was dispensed, and when dispensed. . . .

Copies of the PC-734C forms and disposal records should be sent to the MSIC Clerk at least monthly. Before providing copies of the form PC-734C to the MSIC Clerk or anyone other than Medical staff, the section of the form containing personally identifiable information must be removed and destroyed.

Medical Supply Inventory Control Clerk. The post did not fully understand the roles and responsibilities described in MS 734. As a result, the CD had not appointed an MSIC clerk. Instead, a medical assistant was still primarily responsible for the medical supply acquisition, storage, and inventory counts. However, the Peace Corps medical officer (PCMO) attended a PCMO conference in June 2010 and was instructed on the various roles. The PCMO now has a better understanding of the policy.

Acceptance Point Clerk. Although the CD had not officially appointed an APC, the cashier reviewed receipt and acceptance of all medical supplies with the PCMO. However, when the cashier was not present the medical assistant still accepted the medical supplies. Further, the post sometimes used imprest funds to procure medical supplies locally. Therefore, the cashier could purchase and receive the medical supplies. To ensure adequate separation of duties the purchasing and receiving functions should be separated.

In addition, the post was not using the required medical supply forms contained in MS 734.3.4. The PCMO would tell the medical assistant when supplies were dispensed and the medical assistant would update the spreadsheet. Although we found that the spreadsheet contained the dispensing information, without a formal dispensing form, the PCMO could not ensure information was communicated and recorded correctly. In accordance with MS 734 the form for dispensing must be provided to the MSIC clerk for all specially designated medical supplies and controlled substances. The official medical supply forms ensure an effective and documented flow of information between medical staff and the MSIC clerk. Further, as the post considers contracting for additional medical staff the need to implement formalized processes and documentation becomes critical to coordinating the medical supplies process.

Quarterly Inventory. The medical assistant conducted monthly inventories of all medical supplies with the PCMO. According to MS 734.3.5.3, “The CD should appoint a member of staff from outside the Medical Unit, who is *not* the MSIC Clerk or APC, to conduct the inventory.” At least quarterly an individual not assigned to the medical office and not fulfilling another medical supply role must conduct a physical inventory and provide the results to the MSIC clerk to reconcile the records.

It is important that the post implement the revised Peace Corps policy related to medical supplies and in a timely manner. Adequate separation of duties is critical to effective internal control and minimizes the risks associated with fraud, waste, and abuse.

We recommend:

1. That the country director designate a staff member who is outside the medical unit to be the medical supply inventory control clerk.
2. That the medical supply inventory control clerk maintain accurate and complete medical supply inventory records including receipting documents provided by the acceptance point clerk, forms recording dispensing, disposal documentation, and reconciliations of the results from the quarterly physical inventory counts.
3. That the country director designate a staff member who is outside the medical unit and not the medical supply inventory control clerk to be an acceptance point clerk and immediately begin receiving, inspecting, and accepting medical supplies to the Medical Unit and assume all other duties as described in *Peace Corps Manual* section 734.

4. That the Medical Unit provide the medical supply inventory control clerk with the official form recording the dispensing of all medical supplies, without the Volunteer information, for all specially designated medical supplies or controlled substances at least monthly.
5. That the country director designate a staff member outside of the Medical Unit, who is not the medical supply inventory control clerk or acceptance point clerk, to perform the required quarterly physical inventory of medical supplies.

B. GRANTS

The post did not have an adequate process to monitor the Small Project Assistance and Peace Corps Partnership Program projects and ensure project funds were properly managed.

The Small Project Assistance (SPA) and the Peace Corps Partnership Program (PCPP) are two grant programs in which Volunteers participate. Both programs require extensive documentation for requesting, obtaining, and documenting the grant project. Although the procedures are different, both require Volunteers to work with the Peace Corps post staff to receive approval for the project and review the completed project and total costs.

MS 720 states that the PCPP coordinator will monitor the status of the project and coordinate with Volunteers during implementation. It also requires Volunteers to submit a final report, including receipts and an accounting for funds spent, to the coordinator for review.

In FY 2009, the post did not have a coordinator to review and maintain documentation and ensure information was accurate and complete. Instead, the program managers coordinated with Volunteers but did not always review the supporting documentation, including receipts for funds expended. As a result, the files for SPA and PCPP projects were inconsistent and disorganized. During our audit we determined that:

- SPA project proposals were not kept in the respective files
- Four of the six completed SPA projects from FY 2009 did not have completion reports and one did not have an accurate completion form
- Two of the six SPA projects were significantly over budget
- Two of the four sampled PCPPs did not have completion reports.

Another control mechanism to ensure Volunteers close projects before leaving Peace Corps is the close of service (COS) survey. The post required the program managers to sign the COS survey indicating whether the SPA and PCPP projects were complete.

In October 2009, the CD appointed the safety and security coordinator (SSC) as the coordinator for the SPA and PCPP projects. The newly appointed coordinator developed a spreadsheet to track projects and ensure documentation is complete before Volunteers' COS. If used properly, this spreadsheet will serve as a control mechanism to track projects and identify incomplete

documentation. The SSC should also sign the COS checklist and verify whether SPA and PCPP projects are complete before the Volunteers complete their service.

We recommend:

6. That the Peace Corps Partnership Program coordinator use the newly-developed tracking spreadsheet for grants to monitor the project status and ensure all completion reports are prepared and signed and sent to headquarters.
7. That the Peace Corps Partnership Program coordinator sign the Volunteers' close of service checklists after verifying that Volunteers have submitted a completion report or transferred the projects and that any excess funds have been collected.
8. That the Peace Corps Partnership Program and Small Project Assistance coordinator inform program managers of the status of outstanding projects and necessary documentation during the monthly meetings.

C. BILLS OF COLLECTION

The billing officer did not review and maintain all of the necessary documentation to support bills of collection.

Review for Amounts Owed. The billing officer is responsible for determining and billing any amounts owed to the Peace Corps based on supporting documentation. To recoup for the personal use of vehicles it is important that the billing officer reviews the vehicles logs and identifies any unofficial use. PCM 527.5.4.4 states, "The staff member responsible for billing authorized, non-official use must review, initial, and date the Weekly Vehicle Usage Logs weekly." Although the billing officer reviewed telephone logs and the host country contributions, she did not review vehicle use logs weekly to identify personal use of vehicles. The post did not permit personal use of vehicles except for the limited uses described in the PCM for U.S. direct hire employees. As a result, the billing officer indicated that she did not need to review the logs. However, without reviewing the vehicles logs the billing officer could not ensure she identified and billed for every instance when personal use of vehicles occurred.

Maintaining Supporting Documentation. The billing officer did not maintain the official bill of collection files. Instead, the cashier maintained them. In addition, the cashier would not always provide a copy of the general receipt to the billing officer once the staff or Volunteer paid. The *Overseas Financial Management Handbook* (OFMH) sections 7.2.1 and 7.3.1 require the collection officer to provide a copy of the general receipt to the billing officer, who maintains a copy in the billing file. This process ensures that the billing officer knows that the cashier collected the amount owed and there is no longer a need to follow-up on repayment.

During our review the post took immediate corrective action on other issues regarding the billing

process. The CD implemented a minimum dollar threshold for collections, in accordance with OFMH section 7.1.1, to ensure the cost did not exceed the benefit for collecting small sums of money for personal use of telephones. The cashier posted a copy of the general receipt outside of her cashier window as required by OFMH section 7.3 so that “debtors know what the form looks like.”

We recommend:

9. That the billing officer obtain and review the vehicle use logs on a weekly basis to identify personal use of vehicles and bill the staff for amounts owed.
10. That the billing officer maintain the bill of collection files including all documentation to support billings.
11. That the cashier provide a copy of the general receipt to the billing officer to ensure the billing officer has a complete and accurate record of payments.

D. INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

The post subscribed to services it did not use through the Department of State’s International Cooperative Administrative Support Services (ICASS).

Through ICASS, the Department of State offers a range of administrative support services to Peace Corps and other agencies with overseas support requirements. Peace

Corps overseas posts are responsible for participating on ICASS committees, subscribing to only the required services, and reviewing their ICASS invoices for accuracy.

Unnecessary Costs. The post required cashiering services through the U.S. Embassy when it began in September 2004 and had not contracted for a cashier. In addition, the post initially subscribed to the U.S. direct hire personnel services to manage human resources for the U.S. staff. However, it quickly hired a cashier, and Peace Corps headquarters provides support for all U.S. direct hires. The post requested removal from the cashiering and U.S. direct hire personnel services at the beginning of FY 2008 but the U.S. Embassy did not remove them and Peace Corps continued to pay for the services through fiscal years 2008, 2009, and 2010. In FY 2010 post paid \$1,398 for these unnecessary costs.¹

Waiver for Subscriptions. The post did not have the proper waiver from the Office of the Chief Financial Officer to subscribe to the services that were not allowed according to the Peace Corps policy. According to MS 708.4:

¹ In response to the preliminary report the post justified the additional ICASS costs and obtained the appropriate waiver from the Office of the Chief Financial Officer. Accordingly, these costs were no longer reported as funds put to better use.

Under exceptional circumstances, a Country Director may identify a need for [ICASS] services which are not on the list of authorized sub functions. In such a case, the Country Director should list the specific services needed and send it with a written justification to the Director of Financial Management (M/FM) to request a waiver from the restriction.

This guidance ensures that posts only subscribe to necessary services and are not overcharged. The post did not have a waiver on file for the cashiering, U.S. direct hire personnel support, or the vouchering services. If the post had requested a waiver for the additional services, then Peace Corps headquarters may have provided additional support to the post in requesting the U.S. Embassy remove the services and the post could have put the funds to better use.

We recommend:

12. That the country director obtain a waiver from the Office of the Chief Financial Officer for the services that are not explicitly authorized in *Peace Corps Manual* section 708 or discontinue the services.
13. That the country director continue to request removal of the unnecessary services from the manager of the International Cooperative Administrative Support Services in Mexico.
14. That the Office of the Chief Financial Officer review PC/Mexico's International Cooperative Administrative Support Services costs to ensure the post removed unnecessary services and obtained authorization for any additional services.

E. PERSONNEL FILES

Personal services contractor (PSC) files were not always complete; some lacked evidence of competition, security certifications, and intelligence background certifications.

MS 743 requires that posts compete PSC positions and accept offers from at least three potentially qualified candidates. The manual section also requires PSCs complete the intelligence background certification and that the post obtain security certifications from the U.S. Embassy regional security officer. Foreign service nationals must also receive a security certification from the regional security officer in compliance with the *Foreign Affairs Manual* chapter 3.

Based on a review all 16 PSC files at post, we determined the following documentation was missing:

- Lack of evidence of competition for five PSC positions.
- A current security certification for two PSCs.

- A copy of the final security certification for two foreign service nationals.
- Post also did not obtain an interim security check for a temporary PSC. The temporary PSC no longer works at the post.

We discussed the missing documentation with the Director of Management and Operations² (DMO) and obtained an explanation and clarification for some of the information. According to the DMO the post competed for the five PSC positions but failed to retain the documentation. During our audit, the DMO also obtained the missing security certifications for the two PSCs and the two foreign service nationals from the regional security officer.

In addition, the country director did not request headquarters perform the required investigation on a transferred U.S. PSC before he started work. U.S. PSCs must undergo an investigation by Peace Corps headquarters. MS 744 states, “The Country Director, or Washington office requesting the contract, shall initiate the investigative request.” During the audit the post requested that headquarters conduct the investigation for the U.S. PSC.

The completeness of PSC files is essential in order to ensure and document compliance with Peace Corps and federal requirements. The competing of PSC positions and documenting the process in the PSC files helps ensure full and open competition and transparent hiring practices. The completed intelligence background information certification form identifies individuals who have prior connections with intelligence activities through employment, related work, or family relations and may be ineligible for a personal services contract. Lastly, security certifications are necessary to help ensure trusted personnel work at the Peace Corps and that Peace Corps personnel and resources are protected.

We recommend:

15. That the administrative officer ensure evidence of competition, consistent with the requirements of *Peace Corps Manual* 743, is included in the personal services contractor files.
16. That the administrative officer include copies of the security certification and intelligence background certification for the transferred personal services contractor in the personal services contractor files.

F. LEASES

The post did not fully document competition and other required information for lease contracts.

The Federal Acquisition Regulation contains policies and procedures used to promote and

² On January 20, 2011, the position of administrative officer was renamed the Director of Management and Operations. This report was updated to reflect the current title.

provide for full and open competition, which includes the requirement that solicitations be in writing for contract in excess of \$30,000. Federal Acquisition Regulation requirements are incorporated into MSs 732 and 733. MS 733.4.2 states, "To the maximum extent practicable, leases shall be awarded on a competitive basis." MS 732.6 requires bids be in writing for purchases exceeding \$10,000. Requiring written solicitations helps ensure fair contracting practices and the most economical acquisitions.

During our review of the three lease files at the post we determined that two of the files at the post did not contain evidence of competition and lacked other important information. The third lease was for less than \$10,000 and didn't require written documentation of competition. In addition, one residential lease did not include an approval from the regional director to exceed \$20,000 a year, which is required by OFMH section 30. Further, two of the leases did not list the square footage of the property, which headquarters requests in MS 733, to fulfill General Services Administration and Office of Management and Budget requirements.

During the audit the post was competing for an additional property and was careful to follow the procedures for competition and approval. For previous leases, post personnel stated that the properties were competed, but there was no documentation to verify this information. The post must fully document its market surveys, reviews of various properties, and selection process for rental property to ensure compliance with the MS 733 and Federal Acquisition Regulation.

We recommend:

17. That the administrative officer maintain complete lease files including documentation showing the competition of leases, the actual or estimated property square footage, and all required approvals from management.

G. VOLUNTEER SUPPORT

1. The post did not maintain supporting documentation for the FY 2009 Volunteer living allowances surveys and results.

MS 221.5.7 states:

Posts shall conduct surveys to justify and determine changes to the amount of the living allowance.

At least annually, the post shall conduct a living allowance survey of the Volunteers....

The data from the returned surveys should be aggregated and analyzed by the staff.

According to the DMO, the post conducted living allowance surveys and analyzed the results. We confirmed with Volunteers that they had received surveys. However, the post did not retain the Volunteer submissions and its analysis of whether or not the Volunteer allowance was adequate. Without complete documentation, we could not assess the reasonableness of the FY

2009 Volunteer allowances. At the time of our visit, the post was conducting the FY 2010 Volunteer allowance surveys and was able to provide some of the surveys.

We recommend:

18. That the administrative officer maintain support for settling in surveys, living allowance surveys, analyses of the surveys, and the conclusions in a centralized and the administrative files.

2. The post did not conduct market basket surveys to determine whether or not Volunteer allowances were adequate.

MS 221.5.7.2 states:

To verify living allowance survey submissions, a Market Basket Survey shall be conducted by staff.

The Market Basket Survey is to be used as a guide to validate the cost data on the living allowance survey submissions. Large differences in prices between the market basket items and the volunteer allowance submissions should be reviewed by PC/Mexico during the analysis of the surveys and adjusted, if necessary.

The DMO informed us that the post had not conducted a market basket survey in the last two years. Market basket surveys are required by Peace Corps policy and are essential for determining whether Volunteer allowances are reasonable. Without the market basket survey, the post must rely exclusively on data submitted by Volunteers.

We recommend:

19. That the administrative officer conduct a market basket survey in conjunction with each living allowance survey and compare the results to determine if volunteer allowances are reasonable. In accordance with Peace Corps policy, the administrative officer must analyze significant differences and make any necessary adjustments in living allowances.

3. The post had not conducted settling in allowance surveys in fiscal years 2009 and 2010.

MS 221.4.2 states that “The survey process requires Volunteers to complete the Settling-in Allowance Volunteer Survey within three months after receipt of the allowance.” The previous DMO did not recall conducting a settling in allowance survey for the new groups of Volunteers in FYs 2009 and 2010. Settling in surveys are necessary to determine whether Volunteers receive adequate allowances to purchase furnishings and other items needed when Volunteers

arrive at their sites. It is essential the post maintain complete files containing the Volunteer settling-in surveys, living allowance surveys, the analysis of the surveys, and the results.

We recommend:

20. That the administrative officer conduct a settling in allowance survey and analyze the results for each group of new Volunteers.

H. PROPERTY

1. The post did not ensure separation of duties between recording property and conducting verification of inventory existence.

PCM 511.5.6 states, “Individuals other than the Property Officer should check database property reports against physical inventory of property to confirm the existence of property listed on the inventory record.” To ensure proper separation of duties the record-keeper should not conduct the verification of the property. At post, the property officer was responsible for conducting the physical inventory and for maintaining the official inventory database of property. Separating these responsibilities would help prevent fraud and promote property control.

We recommend:

21. That the administrative officer assign an individual other than the property officer to conduct the physical inventory of post property.

2. The general services officer did not adequately secure the vehicle and office keys.

According to PCM 511.3.4, “The Property Officer (PO), appointed by the PAH, is responsible for carrying out functions to safeguard and control all U. S. government property assigned to his or her office.”

The post kept the vehicle and office keys on a desk in the front of the office. The keys were not properly safeguarded and could easily be lost or stolen. Proper safeguarding includes storing the keys in a controlled area and limiting access.

We recommend:

22. That the property officer secure the vehicle and office keys in a controlled area with limited access.

I. IMPREST FUND

The cashier issued frequent interim advances and did not always list recipient.

MS 760.13.3 states, “Interim advances, which should be tightly controlled, may be made by the cashier to staff who have been authorized by the Country Director or his/her designee to receive cash from the cashier to make cash purchases.”

OFMH section 13.18.2 provides the additional requirements:

- This interim cash advance must be supported by a copy of the authorized purchase document and liquidated (accounted for) within three working days.
- The cashier should liquidate the advances within three working days after issuance by obtaining copies of original receipts or other confirmation of use from the individual(s) to whom the funds were advanced. Unused cash must be returned to the cashier, with the receipts documenting the purchase.
- It is the responsibility of the cashier to monitor the clearance of interim advances and to notify the DMO if advances are not cleared within three days for direct follow-up action.

The cashier frequently listed outstanding cash advances as “daily expenses” in the cash reconciliation worksheet. The cashier said she did not always document the name of the individual because only two staff members frequently received advances for purchases. However, by not properly identifying individuals with outstanding advances, the cashier and staff could circumvent controls established to ensure proper imprest fund management. Therefore, it is important for the cashier to identify staff with advances and review the list to ensure that staff settles the advances in a timely manner.

We recommend:

23. That the cashier list each individual with an interim advance in the cash reconciliation worksheet.

J. GROWTH CONSIDERATIONS

The post was proactively planning for growth and should continue to assess the impact on its various financial and administrative functions.

The post’s strategic plan for FYs 2011-2013 proposed increasing annual trainee inputs gradually from 40 trainees up to 80 by 2012, contingent upon additional individual agency agreements or a national letter of agreement. The plan also stated:

PC/Mexico addresses opportunities in our growth strategy that reflect medium volunteer growth as defined by [Inter-America and Pacific] region with the potential for significant growth if an overall country agreement, or additional individual agency agreements, can be reached with the Government of Mexico in the near future (prior to Op Plan submission to region).

The post was proactive in considering the affect of growth in several areas of its operation. During the audit the impact of growth in the following administrative areas was discussed.

Staff Policies. The post was developing a staff handbook. A handbook is an essential document for managing the post and providing staff with guidance on implementing Peace Corps policies and conducting day-to-day operations.

Financial and Administrative Staff. The post was in the process of hiring a financial assistant and reassigning the part-time administrative assistant as a full-time medical assistant. By properly assigning the financial functions to the financial assistant, the post will help provide a better separation of duties and permit staff members to focus on their primary responsibilities. For example, the cashier maintained non-cashier vouchers and billing files and the safety and security coordinator facilitated Volunteer grant proposals and documentation, which are responsibilities often performed by a financial assistant.

Medical Support. The post identified a need to contract for a part-time PCMO. According to Peace Corps Medical Office technical guide 185, *In-Country Contracting of Peace Corps Medical Officers*, the Office of Medical Services (OMS) should be contacted early in the process so it can help the post determine future needs and provide better support throughout the recruiting and hiring process.

Facilities Management. The post was considering where to place additional staff within the limited office space. The decision requires consideration of long term growth and office workflow. For example, the size and layout of the medical office was identified by the OMS as a concern because of the lack of privacy and only one examination room that also serves as the medical officer's office. The post will need to address OMS's concerns and consider how new staff will be integrated into the workspace.

Vehicle Management. The post was authorized to have four vehicles but only had three. During the audit we identified several reimbursement vouchers for mileage associated with the use of personal vehicles for official purposes. In addition, the post did not have a designated vehicle for safety and medical use. The current vehicles are from 2004 and 2005 with over 50,000 miles. MS 527.3.1 states, "Peace Corps vehicles are normally scheduled for replacement after five years or 50,000-miles." Therefore, the post should consider the need for additional vehicles while also managing its aging vehicle fleet.

Volunteer Recruiting. The post was challenged by the level of expertise required for Volunteers to work with its highly technical partner organizations. Volunteer skills requested by the post and partner organizations have caused the Peace Corps Office of Volunteer Recruitment and Placement, in coordination with the post staff, to develop a model that attempts to supply the post's demand. The Office of Volunteer Recruitment and Selection prepared a timeline of events to address this concern and has coordinated its implementation with the CD. If the process and timeline proves successful it should become a standard operating policy. We also encourage the post to continue to streamline the process and to share any lessons learned and best practices with regional management and Office of Global Operations for future consideration.

In summary, the post was exploring new opportunities for growth, which will bring about new challenges. The CD was also working to enhance the post's operations in preparation for these opportunities. The post can best assess and work to fulfill its future needs by partnering with headquarters offices responsible for the various components of the post's operations.

We recommend:

24. That the country director continue to develop and implement a post staff handbook.
25. That the country director determine the post's future needs for medical support, facility space, and staff in coordination with the Office of Medical Services.
26. That the country director, in coordination with the Office of Management's post logistics support, updates the vehicle fleet plan to addresses any need for additional vehicles while considering the age of its current vehicle fleet.
27. That the country director, in conjunction with the Office of Volunteer Recruitment and Selection, formalize the process and timeline for placing skilled Volunteers in PC/Mexico, and share the process, its lessons learned and best practices, with regional management and Office of Global Operations.

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

We did not identify questioned costs or funds to be put to better use during the course of the audit.

LIST OF RECOMMENDATIONS

We recommend:

1. That the country director designate a staff member who is outside the medical unit to be the medical supply inventory control clerk.
2. That the medical supply inventory control clerk maintain accurate and complete medical supply inventory records including receipting documents provided by the acceptance point clerk, forms recording dispensing, disposal documentation, and reconciliations of the results from the quarterly physical inventory counts.
3. That the country director designate a staff member who is outside of the medical unit and is not the medical supply inventory control clerk, to be an acceptance point clerk and immediately begin receiving, inspecting, and accepting medical supplies to the Medical Unit and assume all other duties as described in *Peace Corps Manual* section 734.
4. That the Medical Unit provide the medical supply inventory control clerk with the official form recording the dispensing of all medical supplies, without the Volunteer information, for all specially designated medical supplies or controlled substances at least monthly.
5. That the country director designate a staff member outside of the Medical Unit, who is not the medical supply inventory control clerk or acceptance point clerk, to perform the required quarterly physical inventory of medical supplies.
6. That the Peace Corps Partnership Program coordinator use the newly-developed tracking spreadsheet for grants to monitor the project status and ensure all completion reports are prepared and signed and sent to headquarters.
7. That the Peace Corps Partnership Program coordinator sign the Volunteers' close of service checklists after verifying that Volunteers have submitted a completion report or transferred the projects and that any excess funds have been collected.
8. That the Peace Corps Partnership Program and Small Project Assistance coordinator inform program managers of the status of outstanding projects and necessary documentation during the monthly meetings.
9. That the billing officer obtain and review the vehicle use logs on a weekly basis to identify personal use of vehicles and bill the staff for amounts owed.
10. That the billing officer maintain the bill of collection files including all documentation to support billings.

11. That the cashier provide a copy of the general receipt to the billing officer to ensure the billing officer has a complete and accurate record of payments.
12. That the country director obtain a waiver from the Office of the Chief Financial Officer for the services that are not explicitly authorized in *Peace Corps Manual* section 708 or discontinue the services.
13. That the country director continue to request removal of the unnecessary services from the manager of the International Cooperative Administrative Support Services in Mexico.
14. That the Office of the Chief Financial Officer review PC/Mexico's International Cooperative Administrative Support Services costs to ensure the post removed unnecessary services and obtained authorization for any additional services.
15. That the administrative officer ensure evidence of competition, consistent with the requirements of *Peace Corps Manual* 743, is included in the personal services contractor files.
16. That the administrative officer include copies of the security certification and intelligence background certification for the transferred personal services contractor in the personal services contractor files.
17. That the administrative officer maintain complete lease files including documentation showing the competition of leases, the actual or estimated property square footage, and all required approvals from management.
18. That the administrative officer maintain support for settling in surveys, living allowance surveys, analyses of the surveys, and the conclusions in a centralized and the administrative files.
19. That the administrative officer conduct a market basket survey in conjunction with each living allowance survey and compare the results to determine if volunteer allowances are reasonable. In accordance with Peace Corps policy, the administrative officer must analyze significant differences and make any necessary adjustments in living allowances.
20. That the administrative officer conduct a settling in allowance survey and analyze the results for each group of new Volunteers.
21. That the administrative officer assign an individual other than the property officer to conduct the physical inventory of post property.
22. That the property officer secure the vehicle and office keys in a controlled area with limited access.

23. That the cashier list each individual with an interim advance in the cash reconciliation worksheet.
24. That the country director continue to develop and implement a post staff handbook.
25. That the country director determine the post's future needs for medical support, facility space, and staff in coordination with the Office of Medical Services.
26. That the country director, in coordination with the Office of Management's post logistics support, update the vehicle fleet plan to addresses any need for additional vehicles while considering the age of its current vehicle fleet.
27. That the country director, in conjunction with the Office of Volunteer Recruitment and Selection, formalize the process and timeline for placing skilled Volunteers in PC/Mexico, and share the process, its lessons learned and best practices, with regional management and Office of Global Operations.

APPENDIX A

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing overseas posts is to determine whether the financial and administrative operations are functioning effectively and comply with Peace Corps policies and federal regulations. Our audit conclusions are based on information from three sources: (1) document and data analysis, (2) interviews, and (3) direct observation. Our audits are conducted in accordance with the government auditing standards prescribed by the Comptroller General of the United States.

The audit of PC/Mexico covered fiscal years 2009 and 2010 through July 3, 2010. While at the post, we interviewed key staff including the CD, the DMO, programming staff, the SSC, administrative support staff, and the PCMO. We also interviewed Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them. At the end of the audit, we briefed the CD, DMO, and PCMO. At headquarters, we conducted a general briefing for regional staff.

We relied on computer-processed data from the post's accounting system. While we did not test the system's controls, we believe the information generated by the system and used by us was sufficiently reliable for our audit objective.

Our audit criteria were derived from the following sources: federal regulations, the *Peace Corps Manual*, *Overseas Financial Management Handbook*, *U.S. Department of State Foreign Affairs Manual*, and current Peace Corps initiatives and policies.

APPENDIX B

LIST OF ACRONYMS

APC	Acceptance Point Clerk
CD	Country Director
COS	Close of Service
DMO	Director of Management and Operations
ICASS	International Cooperative Administrative Support Services
MS	Peace Corps Manual Section
MSIC	Medical Supply Inventory Control
OFMH	Overseas Financial Management Handbook
OMS	Office of Medical Services
PCMO	Peace Corps Medical Officer
PCPP	Peace Corps Partnership Program
PSC	Personal Services Contractor
PO	Property Officer
SPA	Small Project Assistance
SSC	Safety and Security Coordinator

APPENDIX C

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT



Since 1961.

To: Kathy Buller, Inspector General

Through: Daljit K. Bains, Chief Compliance Officer 

From: Carlos Torres, Regional Director, IAP 
Daniel Evans, PC/Mexico Country Director

Date: January 31, 2011

CC: Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff
Joaquin Ferrao, Deputy Inspector General
Bradley Grubb, Assistant IG
Esther Benjamin, Associate Director, Global Operations
Roger Conrad, Chief of Operations, IAP
Joe Hepp, Chief Financial Officer
Mike McKay, Chief of Operations, VRS
Brenda Goodman, Associate Director, VS

Subject: Response to the Preliminary Report of Peace Corps México

Enclosed please find the Region's response to the recommendations made by the Inspector General for Peace Corps/Mexico, as outlined in the Preliminary Report of the IG Audit.

The Inter America Pacific (IAP) Region concurs with all 27 recommendations, provided by the OIG in its Preliminary Audit Report: Peace Corps/Mexico (December 2010).

The IAP Region is encouraged with the OIG's findings that Peace Corps/Mexico's financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. However, OIG has identified several financial and administrative operations not in compliance with agency policy and guidance.

The Region will continue to work with Post to ensure all outstanding commitments are met.

APPENDIX D

OIG COMMENTS

Management concurred with all 27 recommendations. We closed 23 recommendations. Four recommendations remain open pending confirmation from the chief compliance officer that the following has been received.

To close recommendations 18, 19, and 20 please provide copies of results and examples of the support for the April 30, 2011 settling in surveys and market basket surveys.

To close recommendation 24 please provide a copy of the final post staff handbook.

In their response, management described actions they are taking or intend to take to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that the region or post has taken these actions nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

APPENDIX E

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Bradley Grubb, Assistant Inspector General for Audit, performed the audit of PC/Mexico.



Bradley Grubb, CPA
Assistant Inspector General for Audit

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Bradley Grubb, Assistant Inspector General for Audit, at bgrubb@peacecorps.gov, or call him at (202) 692-2914.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government affect everyone from Peace Corps Volunteers to agency employees to the general public. We actively solicit allegations of inefficient and wasteful practices, fraud, abuse, and mismanagement related to Peace Corps operations domestically or abroad. You can report allegations to us in several ways, and you may remain anonymous.

Mail:

**Peace Corps
Office of Inspector General
P.O. Box 57129
Washington, DC 20037-7129**

Phone:

**24-Hour Toll-Free: 800.233.5874
Washington Metro Area: 202.692.2915**

Fax:

202.692.2901

Email:

oig@peacecorps.gov

