



Peace Corps Office of Inspector General



PC/Mongolia office in Ulaan Baatar



Volunteers teaching English to special needs children



Flag of Mongolia

Final Audit Report: Peace Corps/Mongolia

February 2010



**Final Audit Report:
Peace Corps/Mongolia
IG-10-07-A**

A handwritten signature in blue ink, reading "Gerald P. Montoya". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerald P. Montoya
Assistant Inspector General for Audit

February 2010

EXECUTIVE SUMMARY

We found that Peace Corps/Mongolia's financial and administrative operations were operating effectively and in overall compliance with agency policies and federal regulations. However, we noted several areas requiring attention. These are summarized below.

Procurement

The post did not have on file security clearance updates for 13 personal services contractors (PSCs). The Regional Security Officer confirmed that the required updates were in progress. Timely and complete due diligence with respect to security clearances is important to ensure the continued suitability of the post's contractors.

Personnel Management

For one PSC, the 2008 ending balances for annual and sick leave were not correctly carried over to 2009 in the official time and attendance records. The timekeeper corrected the discrepancies upon our bringing them to her attention.

Safeguarding of Personal Information

The cashier's accommodation exchange authorization forms contained the Social Security numbers of the U.S. direct hires. In addition, the Volunteer medical files labels included their Social Security numbers. Having social security numbers on post files and documents subjects the affected individuals to the potential effects of identity theft.

Medical Supplies

The post's medical supplies listing contained discrepancies in expiration dates. In addition, the medical supplies dispensed form did not always indicate the quantity dispensed for entry into the inventory records.

Our report includes comments from post staff and Volunteers interviewed. Our report contains five recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

Table of Contents

EXECUTIVE SUMMARY	i
INTRODUCTION.....	1
AUDIT RESULTS	1
A. IMPREST FUND MANAGEMENT	1
B. PROCUREMENT	2
C. VOLUNTEER PROPERTY HELD FOR SAFEKEEPING	2
D. HOST COUNTRY CONTRIBUTIONS	3
E. PERSONNEL MANAGEMENT.....	3
F. SAFEGUARDING OF PERSONAL INFORMATION	3
G. MEDICAL SUPPLIES.....	4
QUESTIONED COSTS AND	6
FUNDS TO BE PUT TO BETTER USE	6
POST STAFFING	7
LIST OF RECOMMENDATIONS	8
OBJECTIVE, SCOPE, AND METHODOLOGY	9
APPENDIX A: MANAGEMENT'S RESPONSE	
APPENDIX B: OIG COMMENTS	
APPENDIX C: AUDIT COMPLETION AND OIG CONTACT	

INTRODUCTION

The Office of Inspector General conducted an audit of Peace Corps/Mongolia September 2 - 25, 2009. We previously performed an audit of the post in November 2002 (IG-02-27-A, issued March 2003).

The Peace Corps commenced its program in Mongolia in 1991. Since then, over 725 Volunteers have served there. At the time of our visit, 120 Volunteers were engaged in four projects: English education and community development, community youth development, community-based health, and community and economic development.

Our overall objective in auditing overseas posts is 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. A full description of our audit objective, scope, and methodology is provide at the end of this report.

AUDIT RESULTS

We found that Peace Corps/Mongolia's financial and administrative operations were operating effectively and complied overall with agency policies and federal regulations.

We noted a number of areas requiring attention. For example, we found that the post did not:

- Change the combination to the imprest fund safe annually.
- Obtain security clearance updates for all its personal services contractors (PSCs).
- Keep accurate forms listing Volunteer property held for safekeeping.
- Document the basis for calculating host country contributions.
- Ensure that post documents and files did not contain the Social Security numbers of staff and Volunteers.
- Maintain accurate medical supplies inventory records.

A. IMPREST FUND MANAGEMENT

1. The imprest fund safe combination had not been changed in over a year.

Peace Corps Manual (PCM) section 760.5.2 states: "The combination [to the imprest fund safe] should be changed at least annually, whenever there is a change in cashiers, or whenever the combination becomes known to a person other than the cashier."

The combination to the imprest fund safe of the cashier had not been changed since June 2008. Changing the safe combination as required reflect the cashier's responsibility for safeguarding the imprest fund and her personal accountability for its contents.

Subsequent to our visit, the administrative officer informed us that the safe combination was changed on September 11, 2009. Accordingly, no recommendation is required.

B. PROCUREMENT

1. The post did not have security clearance updates for all PSCs requiring them.

PCM section 743.8.2 states: "The CD must request re-certification of a continuously employed PSC every five years in accordance with 12 FAM 420. Documentation of the security certification will be filed in the individual PSC's contract file at post."

Security clearance updates for 13 PSCs were not on file. The country director sent a request to the Regional Security Officer (RSO) dated August 28, 2009 to have these completed. The RSO confirmed to us that he had received the request and was in the process of updating the security clearances. Security clearance updates are an essential element in the post's due diligence to ensure PSCs' acceptability for continued Peace Corps employment.

We recommend:

- B.1.1 That the post obtain the missing security clearance updates from the Regional Security Officer and place the updates in the PSCs' contract files.

C. VOLUNTEER PROPERTY HELD FOR SAFEKEEPING

1. Two forms listing Volunteer property held for safekeeping were incorrect.

In accordance with PCM section 235.3.5, the post held Volunteer property for safekeeping. When the designated staff member accepted property from a Volunteer, she recorded the items on a Volunteer property form. The Volunteer was given a copy of the form as receipt.

While the results of our review of the Volunteer property forms indicated that the forms were, in general, being conscientiously maintained, we found two discrepancies. One form had not been updated for the removal by the Volunteer of the items. Another form indicated that everything had been removed when, in fact, items were still being held by the post. The designated staff member told us that she relied upon the Volunteers to update the post's form.

During the course of the audit, she corrected the two Volunteer property forms, and the administrative officer issued instructions to her to personally complete the forms. Accordingly, no recommendation is required.

D. HOST COUNTRY CONTRIBUTIONS

1. The post did not document the basis used for estimating its host country contributions (HCC) for Volunteer housing.

PCM section 722.7.2.1 states: “The recorded value of in-kind contributions shall be based on a rational estimate of the cost of the contributed supplies or services to the Peace Corps. PCM 722.7.2 requires that the post maintain an annual log which, among other things, identifies “the basis for the estimate.”

The post received Volunteer housing and related utilities as a HCC, and the post reflected the HCC in its operating plan. However, the post did not document the basis for the valuation of the Volunteer housing. During the course of the audit, the staff member responsible for monitoring HCCs documented the calculation of Volunteer housing and utilities and placed it in the HCC records. Accordingly, no recommendation is required.

E. PERSONNEL MANAGEMENT

1. The post’s official time and attendance records did not accurately carry over the ending leave balances from 2008 to 2009 for one PSC.

PCM sections 742.6.1 and 630.4.6 provide guidance in proper time and attendance procedure.

During our review of the post’s official time and attendance records, we noted that, for one PSC, the timekeeper did not accurately carry over, to 2009, the 2008 ending balances of annual and sick leave. During the course of the audit, the timekeeper corrected the discrepancy. Accordingly, no recommendation is required.

F. SAFEGUARDING OF PERSONAL INFORMATION

1. Post documents contained the Social Security numbers of staff and Volunteers.

“Peace Corps Plan to Reduce Use of Personally Identifiable Information and Social Security Numbers,” dated September 7, 2007, states: “Peace Corps’ policy is to eliminate the unnecessary collection and use of SSNs.” Further: “In almost all cases, the Volunteer Identification Number could take the place of the SSN for Volunteers. There are only a few instances where SSNs are required, and none of these is overseas.”

During the course of the audit, we noted the following situations where the post maintained the full SSNs:

- The cashier's accommodation exchange forms contained the U.S. direct hires' SSNs. During the course of the audit, the cashier deleted the SSNs from the forms. Accordingly, no recommendation is required.
- The Volunteer medical file labels included their SSNs. The labels had been sent to the post by the Office of Medical Services. The medical secretary told us that the labels were also used on specimens sent to laboratories in the United States. The elimination of SSNs on post medical records would help protect against identity theft and unauthorized access to Volunteers' personal information.

We recommend:

F.1.1 That the post delete the Volunteers' Social Security number from the medical unit tabs and not use the Volunteers' Social Security number on specimens sent outside the post.

F.1.2 That the Office of Medical Services substitute the Volunteer identification number for the Social Security number on its labels sent to posts, and instruct medical officers to use the Volunteer identification number on specimens sent outside the office.

G. MEDICAL SUPPLIES

1. The post's medical supplies inventory records contained discrepancies.

PCM section 734.3.5, "Inventory Control for Medical Supplies," states: "Assurance that effective controls are in place is achieved through...accurate record keeping...."

We noted discrepancies in expiration dates between the medical supplies on hand and the related inventory records. For one drug, the records showed four boxes with an expiration date of April 2012. In fact, three boxes had this expiration date, and one box showed an expiration date of February 2010. Also, the records showed, for another drug, four boxes with an expiration date of July 2013. In fact, one box had this expiration date, and three boxes showed an expiration date of June 2013.

In addition, the medical officers did not always list the quantity dispensed on the medical supplies dispensed form.

Accuracy and completeness in the recording of medical supplies information are essential in detecting and preventing waste, fraud, and abuse.

We recommend:

- G.1.1 That the post conduct a complete physical inventory of medical supplies in accordance with PCM section 734 and update the inventory records as required.
- G.1.2 That the medical officers always list the quantity dispensed on the medical supplies dispensed form.

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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

Questioned Costs

Recommendation number	Description	Amount
	None.	

Funds to be Put to Better Use

Recommendation number	Description	Amount
	None.	

POST STAFFING

At the time of our visit, the post had 29 staff positions: three U.S. direct hire employees, two U.S. PSC medical officers, three foreign service nationals, and 20 local-hire PSCs.

We interviewed a selection of staff members including the country director, administrative officer, program and training officer, one of the two medical officers, and various local staff. All staff interviewed told us that they very much enjoyed working at the Peace Corps. They stated that, in particular, they enjoyed supporting and interacting with the Volunteers.

Volunteers told us that they appreciated the interest shown by the staff in their success and well-being as demonstrated by the numerous site visits by program, medical, and other staff members. Volunteers also stated that they had received effective ongoing support from the administrative unit and noted, in particular, their availability and responsiveness.

PC/Mongolia Positions

Position	Status
Country Director	USDH
Administrative Officer	USDH
Program and Training Officer	USDH
Safety and Security Coordinator	PSC
APCD/Program Manager	FSN
Program Manager (3)	PSC
Program Assistant (3)	PSC
Cashier	FSN
Financial Assistant	FSN
Administrative Assistant	PSC
IT Specialist	PSC
General Services Manager	PSC
General Services Assistant	PSC
Training Manager	PSC
Training Coordinator	PSC
Medical Officer (2)	USPSC
Medical Secretary	US/PSC
Driver (3)	PSC
Guard (4)	PSC

LIST OF RECOMMENDATIONS

We recommend:

- B.1.1 That the post obtain the missing security clearance updates from the Regional Security Officer and place the updates in the PSCs' contract files.

- F.1.1 That the post delete the Volunteers' Social Security number from the medical unit tabs and not use the Volunteers' Social Security number on specimens sent outside the post.

- F.1.2 That the Office of Medical Services substitute the Volunteer identification number for the Social Security number on its labels sent to posts, and instruct medical officers to use the Volunteer identification number on specimens sent outside the office.

- G.1.1 That the post conduct a complete physical inventory of medical supplies in accordance with PCM section 734 and update the inventory records as required.

- G.1.2 That the medical officers always list the quantity dispensed on the medical supplies dispensed form.

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 Peace Corps/Mongolia covered fiscal years 2008 and 2009 through August 31, 2009. While at the post, we interviewed key staff including the country director, the administrative officer, the program and training officer, the safety and security coordinator, staff responsible for administrative support, and the medical officer. 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 country director and administrative officer. 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, and current Peace Corps initiatives and policies.

APPENDIX A

**MANAGEMENT'S RESPONSE TO
THE PRELIMINARY REPORT**

MEMORANDUM

To: Kathy Buller, Inspector General
Thru: Nicola Cullen, Acting Agency Compliance Officer
From: David Burgess, Acting Director, Europe, Mediterranean and Asia Region
Date: January 13, 2010
Subject: Response to Preliminary Audit Report December 2009

The Europe, Mediterranean and Asia (EMA) Region appreciates the opportunity to respond to the Preliminary Report on the Audit of Peace Corps/Mongolia, submitted by the Office of the Inspector General in December 2009. The Preliminary Audit Report presented five Findings and Recommendations. The EMA Region concurs with each of the 4 Findings and Recommendations for which it and the PC/Mongolia post have direct implementation responsibility.

One Audit Recommendation, and part of a second Recommendation, are under the purview of the Peace Corps Office of Medical Services (OMS), which has provided the EMA Region with its response. That response is also included in this overall Response to the OIG (see attached e-mail from OMS).

EMA REGION and OMS RESPONSES

- 1. Recommendation B.1.1.: That the post obtain the missing security clearance updates [for PC/Mongolia staff members] from the Regional Security Officer and place the updates in the PSC's contract file.**

Concur. PC/Mongolia requested 13 lapsed security clearance updates from the RSO on August 28, 2009. During the RSO review process, 2 of these staff members resigned, reducing the requested clearance updates to 11 staff members. By November 4, 2009 all 11 clearances had been received and the renewed security clearance documents were placed in the respective PSC's contract folder.

See **Attachment 1** for a roster and copies of the 11 security clearances.

Completion date: November 4, 2009

- 2. Recommendation F.1.1.: That the post delete the Volunteer's Social Security Number from the medical unit tabs and not use the Volunteers' Social Security Number on specimens sent outside the post.**

(a) Delete Volunteer SSN from medical file tabs.

Concur. The SSN on the Volunteer medical file labels has been thoroughly blacked-out so it cannot be read. New files will not have an SSN identification on the file label.

Completion date: December 11, 2009

(b) Do not use Volunteer SSN on specimens sent outside of post.

Concur. OMS concurs that it is desirable that Volunteer SSNs not be used on specimens sent outside of post.

In 2007, the Office of Management conducted a thorough evaluation of all forms with personally identifiable information (PII) in an effort to comply with OMB mandates and subsequent OIG recommendations.

Due to the nature of healthcare, a unique identifier is required for OMS processes. At this time, the agency is using the Social Security Number. Dire consequences to health and life can occur if a unique identifier is not utilized. Current Peace Corps information technology systems require OMS to use the Social Security Number (SSN) and this has been addressed with other appropriate offices.

In March 2008, the Office of Medical Services (OMS) submitted to the Office of Management a detailed description of all documents and forms containing personally identifiable information (PII). The PII inventory was required to be completed and submitted by all departments within the agency. While many reductions in the use of PII have taken place, removal of the SSN would require another unique identifier to be used in its place and applied across all systems. Through a series of meetings, the use of the volunteer ID (Vol ID) as a replacement unique identifier was discussed. To date, the use of the Vol ID as a replacement identifier for the SSN has not been implemented by the Agency and thus OMS systems have not been modified to eliminate the use of social security numbers. It is anticipated that the implementation of the Volunteer Delivery and Support project will lead to cessation of SSN use.

Completion date: December 31, 2011 (estimate), depending upon agency implementation of the VDS redesign project and the capability of using a uniform assigned Vol ID number.

3. Recommendation F.1.2.: That the Office of Medical Services substitute the volunteer identification number for the Social Security number on its labels sent to posts, and instruct medical officers to use the Volunteer identification number on specimens sent outside the office.

Concur. OMS concurs that it is desirable that Volunteer SSNs not be used on specimens sent outside of post.

Due to the nature of healthcare, a unique identifier is required for OMS processes. At this time, the agency is using the Social Security Number. Dire consequences to health and life can occur if a unique identifier is not utilized. Current Peace Corps information technology

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Completion date: December 31, 2011 (estimate), depending upon agency implementation of the VDS redesign project and the capability of using a uniform assigned Vol ID number.

- 4. Recommendation G.1.1.: That the post conduct a complete physical inventory of medical supplies in accordance with PCM section 734 and update the inventory records as required.**

Concur. On December 14, 2009 PC/Mongolia conducted a physical inventory of medical supplies in accordance with PC Manual Section 734. Inventory records were updated as required.

See Attachment 2 for documentation of this completed Inventory.

Completion date: December 14, 2009

- 5. Recommendation G.1.2.: That the medical officers always list the quantity dispensed on the medical supplies dispensed form.**

Concur. Form 734D, Record of Medical Supplies Dispensed, will hereafter include the quantity of each medical supply dispensed. The Country Director has added a check of this requirement to his quarterly medical supplies review.

Completion date: September 26, 2009

In addition, PC/Mongolia has implemented a number of other beneficial administrative practices suggested by OIG Auditor Steven Kaffen. These procedures address a number of minor discrepancies that Mr. Kaffen identified and which the post promptly corrected in the areas of Personnel Management (Leave Administration), requesting Travel Authorizations, and Recording Property held for safekeeping. PC/Mongolia appreciates these improvements.

APPENDIX B

OIG COMMENTS

Management concurred with all five recommendations. We closed recommendations B.1.1, G.1.1, and G.1.2. Recommendations F.1.1 and F.1.2 remain open pending confirmation from the chief compliance officer that the Office of Medical Services has set a more immediate date for the elimination of Volunteer Social Security numbers on labels sent to the posts and on specimens sent outside the posts, rather than the December 31, 2011 date estimated by OMS in the “Response to Preliminary Audit Report December 2009” in Appendix A.

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 C

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Senior auditor Steven Kaffen performed the audit of PC/Mongolia.

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Gerald P. Montoya, Assistant Inspector General for Audits, at gmontoya@peacecorps.gov, or call him at 202.692.2907.

***REPORT FRAUD, WASTE, ABUSE,
AND MISMANAGEMENT***

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