



# Peace Corps Office of Inspector General

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*PC/Paraguay office in Asunción*

## **Final Audit Report: Peace Corps/Paraguay IG-10-10-A**

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August 2010

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## EXECUTIVE SUMMARY

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The Office of Inspector General conducted an audit of Peace Corps/Paraguay January 19 - February 5, 2010. 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. Appendix A provides a full description of our audit objective, scope, and methodology.

Several functions of Peace Corps/Paraguay's financial and administrative operations were not in compliance with agency policy and guidance. In addition, controls over certain operations were not effective including lack of separation of duties, inadequate system controls, and insufficient supervisory review. As a result, the post increased the risk of fraud, waste, and abuse in areas such as grant management, bills of collection, and medical supplies. The following provides a summary of the more significant findings.

### Grants

The post did not ensure Volunteers submitted timely completion reports for partnership and Small Project Assistance (SPA) grant projects along with receipts and a full reconciliation of costs. The Office of Private Sector Initiatives (OPSI) did not provide adequate oversight of the post to identify projects that were not closed timely and required corrective action. In addition, the Peace Corps Partnership Project (PCPP) manual section and accompanying handbook did not provide clear guidance on tracking funds, reconciling costs, and delegating responsibilities to third parties.

In violation of Peace Corps policy, a previous country director inappropriately signed an agreement with the local government that obligated the Peace Corps to fund a five-year scholarship program. Because funds were not yet available the country director risked violating the Anti-Deficiency Act.

Post staff and Volunteers did not properly manage nor provide oversight of PCPP funds for five scholarship projects. As a result, a third-party assigned responsibility to manage grant funds for a scholarship program was able to maintain \$21,297 in funds outside the required bank account. This action eventually led to a mismanagement of funds and a shortage of approximately \$5,523. After four months of repeatedly requesting the additional funds the fund manager provided the total amount to the scholarship recipients.

### Bills of Collection

The billing officer was not using the official Peace Corps accounting system as the primary billing system. Instead, the billing officer used an external database created by the cashier to enter the initial bill of collection. As a result, post lacked a complete set of records; duplicated work entering information in two systems; did not use the required bill of collection log; and circumvented controls by allowing staff and Volunteers to pay amounts owed within seven days before entering the bill of collection in the Peace Corps accounting system.

In addition, the billing officer did not receive a copy of the paid receipt; maintain adequate supporting documentation in the bill of collection files, and record bills of collection for various types of collections. By not ensuring the billing officer properly recorded all bills of collection the post bypassed internal controls which reduce the risk that one individual is able to skim funds from collections and avoid detection.

#### Medical Supplies

The post had not established proper separation of duties between medical supply receipt, custody, and recordkeeping. The post lacked documentation supporting quarterly inventories and the medical supplies list contained discrepancies in the amount of one medication and expiration dates for two others.

#### Procurement

The post did not have on file security clearance updates for two personal services contractors and neglected to implement the requirement for personal services contractors to sign an intelligence background information certificate attesting to any previous employment by any intelligence organization or intelligence related activities. Timely and complete due diligence with respect to security clearances is important to ensure the continued suitability of the post's contractors. In addition, personal services contractor files contained errors including two contract options mistakenly marked as new contracts and two contracts that provided a full year of bonus payments for half a year of work.

#### Leases

The post inappropriately executed a lease for a period of one year and 45 months with four option years. By its terms, the length of the lease agreement risks violating the Peace Corps Act, which expressly limits the authority of the Peace Corps to enter into contracts or agreements that entail a commitment for the expenditure of funds in excess of five years. In addition, the post did not maintain support for competition of leases and created inefficiencies by issuing one lease at the beginning of a fiscal year.

#### Volunteer Support

The post did not conduct a market basket survey in fiscal years 2009 and 2010. The market basket survey is required each year to validate the cost data on the living allowance survey and ensure Volunteers have adequate allowances to pay for necessities. Further, the post did not adequately secure Volunteer property temporarily held at post.

#### Travel Vouchers

Post staff did not prepare their travel vouchers as required by the *Overseas Financial Management Handbook* (OFMH); instead the administrative staff prepared the vouchers on their behalf. A review of travel vouchers identified issues with vouchers not prepared timely, lacking required information on authorizations, and vouchers not supported by obligations before the trips dates.

### Property

The post did not have a consistent method for assigning property tags and tracking property, resulting in duplication of work and inefficiency in matching records. In addition, the post did not ensure proper separation of duties between property record keeping and physical inventories. The post attempted to implement a property database to improve tracking and recording property, but had difficulty reconciling its database with the spreadsheet that headquarters requires for inventory reporting. The lack of a Peace Corps property system and clear guidance on reporting property contributed to the inefficiencies at the post.

Our report contains 49 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report. Several of our recommendations addressed systematic weaknesses in Peace Corps policies and procedures for PCPP project management, property management, and the International Cooperative Administrative Support Services. For example, our recommendations to track and monitor Peace Corps partnership programs will increase early detection of grant mismanagement and deter potential fraud and abuse of donated funds.

Management concurred with all 49 recommendations and began implementing corrective actions. As a result, we closed 38 recommendations and await documentation supporting corrective actions for the remaining 11 recommendations. See Appendices B and C for management's response and OIG comments.

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## INTRODUCTION

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The Office of Inspector General (OIG) conducted an audit of PC/Paraguay January 17 - February 6, 2010. We previously performed an audit of the post in April - May 2003 (IG-03-04-A issued August 2003).

PC/Paraguay is one of the oldest continuously operating Peace Corps posts in the world. The Peace Corps commenced its program in Paraguay in 1967. Since then, nearly 3,000 Volunteers have served there. At the time of our visit, 206 Volunteers were engaged in the following sectors: health, agriculture, early elementary education, urban youth development, rural economic development, municipal service development, and environment.

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. Appendix A provides a full description of our audit objective, scope, and methodology.

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## AUDIT RESULTS

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Several functions of PC/Paraguay's financial and administrative operations were not in compliance with agency policies. In addition, internal control over certain operations was not effective. We identified weaknesses in several areas requiring attention, including:

- Inadequate oversight of PCPP and SPA grants;
- Inefficient and insufficient process for bills of collection;
- Lack of proper separation of duties over medical supplies; and,
- Errors and irregularities in personal services contractor (PSC) files, leases, travel vouchers, and property records.

In addition, *Peace Corps Manual* (PCM) sections for PCPP, International Cooperative Administrative Support Services, and property management were unclear and did not provide adequate guidance to posts.

## A. GRANTS

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### ***1. The post did not have an adequate process to monitor PCPP projects to ensure project funds were properly managed.***

The PCPP is designed to identify and accept financial donations to support, within the context of the goals of the Peace Corps, small-scale, community-initiated development projects. These projects are jointly proposed by Volunteers and their host-country community leaders to address basic needs. PCM section 720 provides PCPP policies and procedures including:

PCVs [Peace Corps Volunteers], working together with the community, must maintain a full accounting of the use of the funds (including receipts). The coordinator will monitor the status of the project and coordinate with the PCV during implementation.

Once the project is completed, the PCV shall submit a final report, including receipts and an accounting of funds spent to the coordinator for review. If the final report is satisfactory, the coordinator will pass the report to the administrative officer for review.

Once all obligated funds have been accounted for, the coordinator will pass the final report to the country director for review and final approval. The final report shall be signed by the PCV, administrative officer and CD [Country Director]. A copy will be forwarded to OPSI, along with the budget reconciliation memo if needed.

A programming and training assistant served as the partnership project coordinator at post. However, she did not always ensure Volunteers submitted completion reports, receipts for all costs, and a reconciliation of costs. Instead, the coordinator relied on the associate Peace Corps directors (APCDs) to monitor project progress and did not always follow up on project completion. The coordinator must communicate regularly with programming staff and Volunteers in order to properly monitor projects. Partnership projects require cooperation between the programming staff and the coordinator because the programming staff visit and are in communication with Volunteers, while the coordinator monitors the funds and reconciles the costs. The post's process did not ensure coordination between the programming staff and the coordinator and as a result, project final reports were not submitted in a timely manner, and the coordinator did not have supporting documentation for completed projects. For example, post self-identified two projects in 2008 and three projects in 2009 that did not have complete documentation reconciling costs and closing out the project.

One of the control mechanisms to ensure the coordinator is fully informed of partnership project status is the completion of service checklist used when a Volunteer is preparing to leave the Peace Corps post. Incorporated in OFMH chapter 16, the post administrative staff is required to sign off on the checklist that all of a Volunteer's secondary projects (including PCPPs) are cleared. This signature verifies that Volunteers completed projects and submitted the necessary supporting documentation, or transferred the responsibility to another Volunteer. Although the coordinator signed the completion of service checklist, we determined that final reports were not always supported by documentation.

The coordinator must use this final verification to ensure documentation is complete before the Volunteer leaves the post because the post must be able to collect any excess or unexpended funds.

In October 2009 the post became aware of potential misuse of PCPP funds. In response, the country director reviewed the post's process for partnership projects. In November and December 2009, the country director reassigned the PCPP coordinator responsibility to a member of the administrative staff and initiated a full review of partnership project documentation. The new coordinator worked with the previous coordinator to identify projects that required completion reports or lacked adequate supporting documentation. The new coordinator assumed responsibilities for tracking projects using a spreadsheet and facilitating a monthly meeting with programming staff to discuss project status.

In December 2009, OPSI began drafting a PCPP handbook for post staff. As of March 2010, OPSI was surveying country directors to obtain their comments about the PCPP. Once developed, a staff handbook will provide guidance on how PCPP coordinators and staff better manage the PCPP program. To address the issues such as those identified in PC/Paraguay, a staff handbook should discuss promoting communication between programming staff and the PCPP coordinator and maintaining supporting documentation.

**We recommend:**

- A.1.1 That the PCPP coordinator ensure all completion reports are signed and receipts are reconciled to budgets before signing Volunteers' close of service checklists.
- A.1.2 That the coordinator communicate with APCDs concerning outstanding projects and necessary documentation during the monthly meetings.
- A.1.3 That OPSI continue to develop a PCPP handbook or similar guidance to define staff roles and responsibilities regarding partnership projects.

***2. The post permitted a partner organization to inappropriately maintain Peace Corps funds outside authorized bank accounts and without oversight and monitoring. As a result, post and Volunteers lost accountability of \$42,344 in PCPP funds.***

One type of PCPP project is a scholarship. In 2004, a group of PCVs began a scholarship program in Paraguay. One individual was chosen to present the PCPP proposal to obtain the scholarship funding and worked through the APCD to develop the project. According to the *Peace Corps Partnership Program Volunteer Handbook*:

Scholarship programs can be effective tools to encourage education and increase retention in secondary and high schools. While creating a scholarship program, it is important to plan strategically for the long-term administration and sustainability of the program. This process involves significant planning and the inclusion of host country nationals and local organizations.

Because of the complexity of scholarship projects, Volunteers must coordinate extensively with host country nationals. Accordingly, the Volunteers coordinated with an office in the host country government and a partner organization to help manage the Paraguay scholarship program.

In 2004, the partner organization established a bank account for the scholarship program. Starting in February 2005, one Volunteer a year submitted a partnership project proposal through January 2009, and received the funding through OPSI via check written in his or her name. The Volunteers then signed the check over to the partner organization to deposit in the program's bank account. The fund manager of the partner organization was responsible for depositing and withdrawing the funds to pay scholarship recipients during two annual technical trainings hosted by the partner organization. However, we determined that the fund manager only deposited the first of the five checks, cashed the second and third check before depositing the money, and never deposited the money from the fourth or fifth check. The post and Volunteers did not properly manage the PCPP funds because they assigned full fund management responsibilities to a third party entity without providing oversight of the records.

A review of the scholarship fund bank account reveals that PCPP checks were not always deposited into the bank account, withdrawal of funds did not always correspond to dates when scholarship recipients were paid, and funds were subjected to numerous insufficient fund fees and other charges. The following Table summarizes the bank account activity by PCPP project.

**Table 1.**

<b>PCPP Project Number</b>	<b>526-163</b>	<b>526-168</b>	<b>526-174</b>	<b>526-178</b>	<b>526-187</b>	<b>Total</b>
Month of PCPP Check Disbursement	Feb 2005	Apr 2006	Feb 2007	Jan 2008	Jan 2009	
Approximate Number of Scholarship Recipients	22	36	36	53	52	199
PCPP Check Amount	\$5,909	\$6,435	\$10,000	\$10,000	\$10,000	\$42,344
Check Deposited in the bank account?	Yes, for \$5,909	No	No	No	No	\$5,909
Subsequent Deposits*	0	\$6,113 in Apr, \$1,359 in Oct	\$9,000 in Feb	0	0	\$22,381
Months Grant Fund was Withdrawn	Mar, Jun	May, Oct	Mar, May, Jun, Jul	None	None	
Months Scholarship Recipients Paid	Mar, Sep	May, Sep	Mar, Oct	Feb, Oct	Feb, Oct	
*Additional credits to the bank account included approximately \$400 wire transfer from a U.S. citizen in June 2008; a deposit of approximately \$98 in April 2009, and interest on the bank account funds.						

In October 2009, the fund manager informed the associate Peace Corps director that she could not pay the remaining amount owed to the 55 students (approximately half the scholarship amount). Two members of the Peace Corps staff provided \$2,500 of their own money to pay a portion of the remaining scholarships. The fund manager subsequently reimbursed the staff members. However, the Paraguayan government identified an additional amount of approximately \$3,023 owed to scholarship recipients.

Over the next three months the Paraguayan government and Peace Corps repeatedly requested the fund manager provide the missing funds. After several demand letters from the Paraguayan government in addition to OIG inquiries, the fund manager reportedly paid scholarship recipients individually. The country director reported that he accompanied the fund manager as she paid the last scholarship recipient on February 17, 2010. The country director is working with the Paraguayan government to provide the final accounting of the five-year program.

In summary, Peace Corps did not properly monitor the bank account in accordance with the scholarship program agreement and did not obtain documentation supporting the use of PCPP funds. The only supporting documentation available at post was receipts from scholarship recipients during the October 2009 training in the amount of approximately \$2,500. The remaining amount of PCPP for the five scholarship projects, approximately \$39,844, was unsupported. The last PCPP final closeout report stated, "There were no invoices for this project, as the check is deposited to the account of our partner organization ... and the scholarship fund is administered by them." This lack of oversight permitted the partner organization to inappropriately maintain \$36,435 (\$42,344 - \$5,909) in PCPP funds outside the authorized bank account and resulted in the shortage of \$5,523 (\$2,500 + \$3,023).

The recommendations provided in finding A.1 will help address these issues. In addition, the country director appropriately reported the incident to management in November 2009. This information was provided to the OIG/Investigations Unit, which opened an inquiry into the matter. The country director is working with the regional office, Office of General Counsel (OGC), and OIG to determine the required course of action.

**We recommend:**

- A.2.1 That the administrative officer review the new process for PCPP coordination and periodically ensure that the coordinator is receiving and maintaining all supporting documentation for Volunteer projects.

***3. By signing a five-year agreement to pay for scholarships, the previous country director did not follow Peace Corps policies, inappropriately committed the U.S. government before receiving funding, and acted beyond his authority regarding donated funds.***

The partnership program is designed for Volunteers to initiate projects and manage responsibility. However, the Paraguay country director and the APCD for education initially coordinated with the host country government and partner organization to begin the Paraguay scholarship program that Volunteers would later fund through PCPP projects. By executing the scholarship agreement, the country director acted outside the scope of the PCPP program and failed to comply with PCPP requirements intended for PCVs.

In May 2004, the Peace Corps country director at the time signed a five-year “Inter-Institutional Cooperative Agreement” with the Paraguayan Government’s Secretary of Women and a partner organization to establish the scholarship program. The country director did not submit the agreement to Peace Corps Washington. As a result, OPSI was unaware of the commitment of its PCPP funds; the Office of Acquisition and Contract Management did not approve the cooperative agreement; and OGC could not advise of the legal ramifications. In addition, the country director did not obtain an English translation of the agreement to clarify responsibilities and legal liabilities. PCM section 720.5.1.1 requires, “The PCV will work with community members to develop a written project proposal in English.” The lack of an English translation and a clause in the agreement specifying the English version as the controlling document increased the risk that the full meaning of the original agreement may not be conveyed.

**Authority for Cooperative Agreements.** The PCM does not provide the country director with explicit authority to enter into cooperative agreements. PCM section 114, “Delegation of Authority,” attachment B, “Contracts and Agreements,” delegates the Director’s authority for contracts and agreements. It states:

4. Authority to authorize, execute, amend, terminate, or administer all contracts, leases, agreements, or other procurements; and make decisions, determinations, or findings relating thereto, unless otherwise specifically delegated to another employee, and to have direct communication with the Director's Office regarding contentious procurement matters when necessary to avoid legal or ethical ramifications. (See PCM section 732 and PCM section 733. **To the Chief Acquisition Officer**)

5. Authority to approve, authorize, execute, amend, terminate, administer, and make decisions, determinations, and findings relating to individual contracts, leases, service contracts (including telecommunication services), and other procurements up to \$100,000 that are made overseas for their country of assignment; approve and authorize procurements up to \$3,000 that are made in the United States for their country of assignment. (See PCM section 732 and PCM section 733. **To Country Directors**)

The delegation to the chief acquisition officer clearly includes agreements, while the country director delegation does not include the same language. Further, PCM section 103, “Interagency Agreements,” states, “The chief acquisition officer shall be responsible for coordinating the submission, review, approval, and authorization of program agreements.” It also requires that:

For program agreements, written final approval rests with the Chief Acquisition Officer, unless otherwise delegated by the Peace Corps Director. Approved program agreements

shall be forwarded to the Office of Acquisitions and Contract Management for completion and authorization.

PCM section 103 defines program agreement as “an interagency agreement for the performance or support of specified program activities or services.”

Therefore, the country director may have exceeded his authority by executing a cooperative agreement with another government and a local non-governmental organization.

**Authority to use Donated Funds.** The Peace Corps has both appropriated funds and trust funds (donations). Donations operate under trust fund rules and are not subject to all of the requirements of appropriations. Trust funds are subject to the establishing statute and the rules of the trust. The Peace Corps Act provides Peace Corps with the statutory authority to accept and retain donations in furtherance of the purpose of the Peace Corps Act in Title 22 U.S. Code section 2509. Peace Corps assigned this authority in relation to the PCPP to OPSI. According to PCM section 720.3.3, “OPSI is the only Peace Corps office authorized to generate support and accept donations for a Partnership project.” OPSI is also responsible for approving PCPP projects and creating the official authorization memorandum which serves as both the obligation and payment document.

The country director acted outside the parameters of the PCPP and inappropriately committed PCPP funds by signing the scholarship agreement. Although the cooperative agreement did not follow the required PCPP process, the agreement did reflect the PCPP requirement in PCM section 720.4 that the community must contribute at least 25 percent of the total project cost. To fund the program the cooperative agreement required:

- That Peace Corps “support the management of the Program’s funds in an amount equivalent to 75 percent of the total to be determined for each period.”
- That the Secretariat of Women’s Affairs of the Presidency of the Republic “support fund raising, through the PCPP, and provide a counterpart contribution amounting to at least 12.5 percent of the total funding, to be distributed in each period, which may take the form of human resources, technicians, use and enjoyment of physical facilities, or others.”
- That the partner organization “support fund raising, through the PCPP, and provide a counterpart contribution amounting to at least 12.5 percent of the total funding, to be distributed in each period, which may take the form of human resources, technicians, use and enjoyment of physical facilities, or others.”

The cooperative agreement did not include a clause about availability of funds or what type of funding would be used.<sup>1</sup> Based on the development of the program and the

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<sup>1</sup> Because the post staff was unable to provide the auditor with the exhibits referenced in the cooperative agreement, the auditor could not review the complete document. Post staff explained that the exhibits were a reference to the subsequent PCPPs.

subsequent action to fund the program using the PCPP, it is evident that the country director intended on using PCPP funds. Because the country director was not authorized to use donated funds the scholarship agreement created an unauthorized commitment of PCPP funds. Further, the Paraguay scholarship agreement did not specify the amount or the number of scholarship recipients; the country director increased the risk of inadvertently exceeding the available funding. Because PCPP funds become public funds upon receipt,<sup>2</sup> the country director risked violating the Anti-Deficiency Act (31 U.S.C. § 1341(a) (1)), which states:

An officer or employee of the United States Government or of the District of Columbia government may not—

(A) make or authorize an expenditure or obligation exceeding an amount available in an appropriation or fund for the expenditure or obligation; or

(B) involve either government in a contract or obligation for the payment of money before an appropriation is made unless authorized by law.

The Peace Corps' administrative control of funds ensures compliance with various statutes and federal requirements, including the Anti-deficiency Act. PCPP funds are controlled through a sub allotment issued from the chief financial officer to OPSI. Although the scholarship agreement did not include specific costs or a limit on the amount to be distributed, we compared the actual amount of partnership funds spent over the five years (\$42,344) to the OPSI PCPP fund balances. Based on our review we determined that OPSI maintained sufficient balance in its PCPP fund to cover the estimated cost of the scholarship recipients through the life of the program. Further, OPSI's subsequent approval and accounting of PCPP appropriately recorded the obligations after receiving donations.

**Conclusion.** The previous Paraguay country director did not comply with Peace Corps policy regarding partnership funds and the administrative control of funds. His actions exceeded his authority and risked causing an Anti-deficiency Act violation. Further, not following PCPP procedures may have been a contributing factor to the mismanagement of Peace Corps funds by one of the parties of the agreement. This case remains under review by the OIG Investigations Unit.

PCM section 103 describes the process for submitting interagency agreements through the regional directors to the chief acquisition officer for approval. While no comparable PCM section addresses cooperative agreements with host governments and NGOs, country directors should embrace the procedures described in PCM section 103 to avoid executing a cooperative agreement without authority or lacking full understanding for the legal and accounting implications. Following this procedure would also ensure approval from the chief acquisition officer.

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<sup>2</sup> The Government Accountability Office, Principles of Federal Appropriations Law, chapter 6 states, "Gift funds constitute appropriated funds unless Congress provides otherwise and they are still "public funds" in a very real sense." (see Comptroller General Decision B-274855, Jan. 23, 1997)

**We recommend:**

- A.3.1 That the director for global operations coordinate with the respective headquarters offices to develop and issue a policy memorandum instructing country directors to follow the procedures described in PCM section 103 and reminding them of the legal and administrative risks involved with signing cooperative agreements that purport to obligate or commit U.S. government funds and other resources.

***4. The OPSI did not adequately monitor PCPPs to ensure timely completion of work and accurate accounting of funds.***

The Government Accountability Office *Standards for Internal Control in the Federal Government* (GAO/AIMD-00-21.3.1) requires control activities to monitor timeliness and completeness of transactions.

In accordance with PCM section 123.5.4, OPSI “Administers the PCPP and provides support and training materials on the program.” PCM section 720.5 lists OPSI responsibilities. Specifically, OPSI manages the program by:

Reviewing proposals for compliance with regulations; facilitating the process for requesting contributions; receiving contributions, and authorizing the use of the contributions....Once the project is complete, the post submits the final report to OPSI for review.

OPSI did not have an adequate process to monitor PCPPs, because it did not always track projects’ progress to know when final reports were due and did not require supporting documentation for project costs. Although the OPSI staff periodically sent posts emails regarding project status, they did not implement a uniform tracking mechanism for project status. As a result, OPSI could not ensure it received final reports timely. During our audit, we determined that OPSI did not have final reports for any of the 17 Paraguay Partnership Projects from 2008 and 2009. Without a process to track project status OPSI could not fulfill their responsibilities to monitor PCPPs.

The final reports sent to OPSI included a project log listing invoices and amounts expended. However, OPSI did not receive copies of receipts and relied on the post coordinator to ensure the costs reported on final reports were accurate and complete. As a result, OPSI had limited assurance that projects and partnership funds were properly managed. To provide adequate supervision of the partnership project, management should test transactions for accuracy and completeness. Adequate supervision and monitoring will help prevent and detect misuse of funds such as the incident discussed in finding A.1.

**We recommend:**

- A.4.1 That OPSI develop a process to track partnership projects from inception through completion, to identify projects that have not been completed in a timely manner or lack supporting documentation, and to request information from the posts needed to close projects timely.
- A.4.2 That OPSI develop a process to test a selection of partnership projects on a regular basis for accuracy and completeness.
- A.4.3 That OPSI develop a process to identify posts that repeatedly fail to provide timely and accurate project completion reports and provide that information to the regional management for follow-up and disciplinary actions.

***5. Peace Corps policies lacked guidance concerning PCPP management.***

PCM section 720.5.1.9 requires, “PCVs working together with the community must maintain a full accounting of the use of the funds (including receipts).” However, the policy did not provide guidance explaining when and how a Volunteer may reassign fund management. In addition, Peace Corps did not have a process to ensure locals that managed funds were held accountable for partnership funds.

The PCPP application requires that Volunteers and community leaders sign an application cover sheet that states, “We verify that this project is needed by the community...and that we fully understand and will fulfill the requirements of the PCPP in implementing this project.” The cover sheet also asks the applicant, “Has the community been informed and fully understands that Partnership funds are to be used only for costs associated with the project and that there will be no additional funding beyond the authorized amount on the proposal as submitted?” However, the attestation did not specifically discuss fund management responsibility or legal liability. In comparison, the U.S. Agency for International Development, SPA documentation requires both the grant recipient and the community organization officials sign a consent and liability acceptance form for responsibility of managing SPA funds.

Many Volunteers have not had experience managing funds. Providing additional guidance or best practices on fund management will help Volunteers track costs, especially in the local environments where documentation of expenses and receipts are not as common. In finding A.1 we discussed the five partnership projects where Volunteers assigned fund management to a partner organization. The misuse of the project funds might have been prevented if the Volunteers were provided more guidance

on the need to track project funds and how to coordinate fund management with partner organizations. In addition, by having all fund managers sign consent and liability acceptance, the Peace Corps helps protect its legal interests and the integrity of its privately donated trusts funds.

**We recommend:**

- A.5.1 That OPSI provide guidance on how Volunteers can effectively manage project funds, and when the assistance of local communities to manage funds is reasonable.
- A.5.2 That OPSI work with the OGC to develop a notice of liability form for community partners to sign when receiving partnership funds.

## **B. BILLS OF COLLECTIONS**

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### ***1. The billing officer did not use the official accounting system as the primary billing system.***

OFMH 7.2.1 requires the billing officer:

Enter [amounts owed] into FORPost as a Bill of Collection (or other appropriate entry, such as Prepare Proceeds of Sale or Prepare HCC). The bill of collection must be in English. The Bill must be in the currency of the obligation being credited and for the full amount owed. The information entered will appear on the FORPost BOC Log.

OFMH 7.3 states, “Payment is due within 30 days of receipt of the billing document (issued by the billing officer).”

The billing officer was not using ForPost as the primary billing system. When the billing officer was made aware of an amount owed, she first entered the information into an external FoxPro database. The database printed a bill of collection similar to the ForPost form. The billing officer provided the FoxPro form to individuals owing Peace Corps money. If the individual had not paid within 7 days, the billing officer would then enter the information in ForPost as an official bill of collection. This allowed individuals to repay amounts owed before ForPost began tracking the days outstanding. During our review we identified four payments in 2009 that were paid before a bill of collection was issued.

As a result of recording bills of collection outside ForPost, the billing officer duplicated work entering information into two systems and did not ensure compliance with the OFMH. During the audit, we compared the FoxPro database to the ForPost bill of collection log and identified several transactions that did not match. We determined that ForPost contained all bills of collection listed in the FoxPro and additional entries for

overpayment of Volunteer allowances and staff travel that were not recorded in the FoxPro database. The cashier maintained records on the overpayment of Volunteer allowances and staff travel but did not provide the documentation to the billing officer. In finding B.2 we discuss the process for sending records to the billing officer. In addition, the collection officer created the FoxPro database. Although the collection officer did not have a user account, the billing officer required his assistance anytime the system required additional programming or other adjustments. Because of the collection officer's knowledge of FoxPro database and ability to manipulate the database, the system controls could be overridden to circumvent the separation of duties. In addition, the alternate cashier had access to the FoxPro database and could potentially remove cash collections from the records. Although we did not identify instances of fraud during our review of the bills of collection, the risk of fraud is significant because of the potential lack of separation of duties.

In summary, the FoxPro database bypassed system controls, was not efficient, did not contain complete data, and increased the risk of fraud.

**We recommend:**

- B.1.1 That the billing officer fully utilize ForPost for billings and collections and stop using the outside system.

***2. The billing officer did not maintain adequate documentation to support bills of collection.***

OFMH 7.2.1 requires the billing officer to determine the amount owed based on the following documentation/ information:

- Personal use of vehicle - mileage from vehicle log x reimbursement rate. See PCM Section 522 for approvals required and mileage rate information
- Personal use of telephone/Fax - itemized bill from the utility company
- Unused travel advances - advance minus amount certified on the travel voucher
- Refund of excess funds - receipts for payment of goods/services
- Allowance overpayments to Volunteers - date of departure from Post (reduced for days not at Post)
- Overpayment of salary or other payment, based on contract terms
- Refund of excess funds for center-funded activities, such as SPA projects - receipts
- Host country contributions (HCCs) - memorandum or letter from donor
- Proceeds of sale - summary of items sold

In addition, OFMH 7.2.1 and 7.3.1 requires the collection officer to send a copy of the paid receipt to the billing officer and the billing officer to maintain the general receipt in the billing file.

The billing officer did not receive the support for all of the types of bills of collection, including: documentation for the personal use of Peace Corps vehicles, overpayment of Volunteer allowances, amounts due at close of service and early termination, bank refunds, and travel voucher collections. In some situations the cashier would inform the billing officer of the amount owed but would not provide the supporting documentation.

The cashier maintained the records for Volunteer allowances, Volunteer payment records, and the database of vehicle use. Because of the cashier's knowledge of FoxPro software, the post often relied upon him to create databases and maintain various data sets. Although the administrative officer reviewed the cashier's records regularly, the billing officer should also review the records to ensure documentation provides support for bills of collection.

Further, the collection officer did not provide a copy of the general receipt to the billing officer. Without the general receipt the collection officer could not ensure payments were received and credited properly in ForPost. This increased the risk of fraud because a payment could be diverted for personal use, especially in conjunction with the internal control weaknesses identified in finding B.1.

**We recommend:**

- B.2.1 That the billing officer receive the support for all billings directly from the staff responsible for tracking the documentation supporting the amount owed.
- B.2.2 That the billing officer maintain supporting documentation for all billings, including the basis for the amount owed and the general receipt.
- B.2.3 That the collection officer provide general receipts to the billing officer on a regular basis.

***3. Post staff did not always repay bills of collection timely.***

OFMH 7.3 states, "Payment is due within 30 days of receipt of the billing document (issued by the billing officer)."

The billing officer did not ensure payments were received timely. During our review, we determined that 14 out of 165 bills of collection were not paid within 30 days. Late payments prevent Peace Corps from earning interest on the funds and require additional time and effort to collect.

**We recommend:**

- B.3.1 That the billing officer requires staff to repay bills of collection within 30 days.

## **C. MEDICAL SUPPLIES**

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**1. *The post did not maintain adequate separation of duties over its medical supplies.***

PCM section 734.3.4 states:

The Medical Supply Inventory Control (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 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 PCM section 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 Unit staff, the section of the form containing personally identifiable information must be removed and destroyed.

On November 26, 2008, Peace Corps updated PCM section 734 to improve controls over medical supplies. The updated guidance assigned the MSIC clerk inventory responsibilities. However, the country director had not appointed a MSIC clerk. We determined that a medical office assistant was still primarily responsible for the medical supply inventory, acquisition, and storage of medical supplies.

Although the country director had not officially appointed an APC, the post had an administrative staff review receipt and acceptance of all medical supplies with the

medical officer. The administrative staff entered the new supply information into the medical inventory database.

In addition, post was not using the required medical supply forms contained in PCM section 734.3.4. Although not the required form, post did use a disposal form that contained the necessary information. However, the form post used for dispensing pharmaceuticals did not require PCMO signature and did not allow the dispensing information to be separated from the Volunteer's name. In accordance with PCM section 734, the form for dispensing must be provided to the MSIC clerk for all specially designated and controlled substances. Therefore, it is important to use the correct form to ensure inventory accuracy and Volunteer privacy. The official medical supply forms ensure an effective flow of information between medical staff and the MSIC clerk.

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

The post had an effective medical supply database that used bar code scanning and had separate access levels depending on job responsibility. However, the cashier, also serving in the capacity of the APC, created the database and kept full access to the system in order to make improvements. The user controls must prevent any one individual involved in the process from having access to all information. This helps ensure that users cannot bypass system controls and access or change information that exceeds their job responsibilities. If used properly, this system can help facilitate and enforce separation of duties once post has appointed a MSIC clerk.

**We recommend:**

- C.1.1 That the country director designate a staff member as an APC who is outside the medical unit and not the MSIC clerk to immediately begin to receive, inspect, and distribute medical supplies to the medical unit and assume all other duties as described in PCM section 734.
- C.1.2 That the country director designate a staff member outside of the medical unit, who is not the MSIC clerk or APC, to perform quarterly physical inventories of medical supplies.
- C.1.3 That the country director ensure that duties associated with receipt and acceptance of medical supplies; maintaining official medical supply inventory records of specially designated items and controlled substances; and periodic physical

inventory counts be assigned to separate staff members that are outside the medical unit.

- C.1.4 That the medical unit provide the MSIC clerk with the official form recording the dispensing of all medical supplies, without the Volunteer information, for all specially designated or controlled substances at least on a monthly basis.
- C.1.5 That the MSIC clerk maintain an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, forms recording dispenses, disposal documentation, and reconciliation of the results from the quarterly physical inventory counts.
- C.1.6 That the country director separate the user roles within the medical supply database to ensure of the database administrator does not have responsibility for updating records.

## ***2. Medical inventory records were not accurately maintained.***

PCM section 734.3.5 states:

The Country Director and PCMO share the responsibility to maintain effective control over medical supplies to ensure that these items are properly dispensed or disposed of in accordance with Peace Corps policies and procedures. Assurance that effective controls are in place is achieved through maintaining appropriate segregation of duties, accurate record keeping, secure storage, and periodic inventories.

We attempted to verify the existence of all controlled and sixteen non-controlled pharmaceuticals. The controlled pharmaceutical inventory was accurate. However, of the sixteen non-controlled substances, the medical officer clerk listed one pharmaceutical with an incorrect amount and two pharmaceuticals with incorrect expiration dates in the inventory.

Accurate and complete inventory records are critical to effective internal control over medical supplies. In addition, accurate inventory records are necessary to ensure that there is an adequate supply of medicals supplies available to treat Volunteers. Effective inventory procedures are necessary to prevent theft, loss, and potential abuse of medical supplies.

In addition, PCM section 734.3.5.3 requires quarterly inventories be conducted by a member of staff from outside the medical unit. Post could not provide supporting

documentation showing that staff conducted the quarterly inventory. The quarterly inventory is necessary to identify and correct discrepancies such as those noted during this audit.

**We recommend:**

- C.2.1 That the country director require designated staff to perform an immediate physical inventory count of medical supplies.
- C.2.2 That the country director, in conjunction with the medical officers, review the results of the comprehensive physical inventory and reconcile any differences found. The medical officers must fully explain all discrepancies found, provide proposed adjustments in inventories accordingly, and report any losses in accordance with PCM section 734.
- C.2.3 That the MSIC clerk document the results of the comprehensive medical supply inventory together with any approved adjustments to the inventory in permanent inventory records as prescribed in PCM section 734.

## **D. PROCUREMENT**

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### ***1. Personal services contractors (PSCs) did not complete the required intelligence background information certification form.***

According to PCM section 743.8.1:

PSCs are subject to the policy and eligibility standards set forth in PCM section 611 concerning eligibility of applicants with intelligence backgrounds. ... Prospective PSCs are required to complete the intelligence background form provided as Attachment A to manual section 611, in addition to being certified through the appropriate security clearance process.

PCM section 611.1.0 explains the need for the intelligence background forms and states:

The policy is founded on the premise that it is crucial to the Peace Corps in carrying out its mission that there be a complete and total separation of Peace Corps from the intelligence activities of the U.S. government, both in reality and appearance. Any semblance of a connection between Peace Corps and the intelligence community would seriously compromise the ability of the Peace Corps to develop and maintain the trust and confidence of the people of the host countries.

The administrative officer had not implemented the requirement to have PSCs complete the intelligence background information certification form. As a result, the post did not

have assurance that employees had not been associated with intelligence activities that may compromise the host country's confidence in the Peace Corps.

It is important for the administrative officer to obtain and maintain completed intelligence background information certification forms for all PSCs because agency policy dictates that individuals who have prior connections with intelligence activities through employment, related work, or even family relations may be ineligible for a personal services contract.

**We recommend:**

- D.1.1 That the country director require all PSCs to complete an intelligence background information certification form in accordance with Peace Corps policy.
- D.1.2 That the administrative officer include copies of personal services contractors' completed intelligence background information certification in their respective files.

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

PCM section 743.8.2 states: "The Country Director 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."

We judgmentally selected six out of 40 PSC files to review for documentation completeness. Security clearance updates were not included in two out of six judgmentally selected PSCs files. Security clearance updates are an essential element in the post's due diligence to ensure PSCs' acceptability for continued Peace Corps employment. The administrative officer was able to obtain a copy from the regional security officer showing that the updates were previously completed.

**We recommend:**

- D.2.1 That the administrative officer track the employee security clearance expiration dates to ensure the post requests updated clearances timely.
- D.2.2 That the administrative officer include copies of the security clearances in the personal services contractor files.

### ***3. PSC contracts contained errors and irregularities.***

During our review, we determined that two PSC files mistakenly marked modifications as new contracts. New contracts have additional requirements based on the Federal Acquisition Regulation. In addition, identifying modifications as new contracts may cause additional mistakes such as inappropriately extending the period of performance. Therefore, the country director must review contracts closely to ensure accuracy before issuing new and/or modifications to contracts.

In addition, two contracts for technical trainers had a discrepancy between the period of performance and the amount of bonus payments. The contracts listed the first period of performance from January 3, 2010 to May 5, 2010 and four full option years beginning December 19, 2010 through December 17, 2011. However, the contract compensation chart and the total contract cost listed a full year's cost for the base year. Although the PSCs were paid biweekly, this discrepancy impacted the amount of the yearly bonus payments. The summer and winter bonus payments are calculated on a percent of basic pay. Because the contracts listed a full year of costs for the base year, the bonus payments were inappropriately listed at twice the actual rate. The post could save \$210 (\$105 each contract) by correcting this discrepancy and recalculating the bonus payments using the adjusted basic pay.

#### **We recommend:**

- D.3.1 That the country director modify the technical trainer contracts and correct the basic compensation and bonus payment calculations based on the actual period of performance.

## **E. LEASES**

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### ***1. The post inappropriately contracted for a lease that will exceed the statutory limit of five years.***

Section 2509(c) of the Peace Corps Act states, "A contract or agreement which entails commitments for the expenditure of funds available for the purposes of this chapter ... may extend at any time for not more than five years."

The base contract for a residential lease was August 15, 2008 to September 30, 2009 (1 year and 45 days). The lease included four option years extending to September 30, 2013. If these options are exercised the post will have contracted for a period of 5 years and 45 days. As a result, the post will exceed the five-year limitation established in the Peace Corps Act unless it modifies the contract.

In addition, the post renews the lease at the beginning of October each year, which causes the post additional work to obligate what is available under continuing resolution until a formal appropriation is available. This also increases the risk that the post inadvertently violates the Anti-Deficiency Act by obligating the government without an appropriation. PCM section 733.4.7 states:

In order to avoid violations of the Anti-Deficiency Act, a lease must not be signed nor can an option be exercised during a period in which the Peace Corps is without an appropriation. Ordinarily, this can be done by avoiding lease expiration dates, or dates on which options to renew must be exercised, in the first few weeks of October, which is the beginning of the fiscal year.

By adjusting the lease dates the post can help prevent Anti-Deficiency Act violations and ensure leases are properly funded.

**We recommend:**

- E.1.1 That the administrative officer take immediate corrective action to ensure the lease for the residence does not exceed five years.
- E.1.2 That the administrative officer avoid signing leases with expiration and renewal dates in the first few weeks of October.

**2. *The post did not fully document competition for lease contracts.***

The Federal Acquisition Regulation contains policies and procedures used to promote and provide for full and open competition, which includes the requirement that solicitations be in writing for contracts in excess of \$30,000. Peace Corps implements the Federal Acquisition Regulation requirements in PCM sections 733 and 734. PCM section 733.4.2 states, “To the maximum extent practicable, leases shall be awarded on a competitive basis.” PCM section 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.

None of the six leases at post were supported by documentation showing competition. One lease was from 1985, one from 2000, and the remaining four leases were from 2008 and 2009. Post personnel stated that several properties were considered when leasing, but without documentation this could not be verified. PCM section 733 permits market surveys as an acceptable means of ensuring competition. Post must fully document its market surveys, review of various properties, and decision making process for selecting rental properties to ensure compliance with the PCM section 733 and Federal Acquisition Regulations.

**We recommend:**

- E.2.1 That the administrative officer maintains documentation showing the competition in the lease folders.

**F. VOLUNTEER SUPPORT**

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***1. The post did not conduct market basket surveys to determine whether Volunteer allowances were appropriate.***

PCM section 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 post during the analysis of the surveys and adjusted, if necessary.

The administrative officer 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 on data submitted by the Volunteers and outside information which may not be fully sufficient for purposes of setting a reasonable allowance.

In October 2009, the Volunteer allowance surveys showed that the Volunteer coordinators in Asunción requested an increase of 17 percent and that other Volunteers in Asunción reported spending more than the allowance. However, post did not increase the allowance. A market basket survey would help the post determine whether an increase was necessary and would provide support for the decision.

**We recommend:**

- F.1.1 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 post must analyze significant differences and make any necessary adjustments in living allowances.

**2. *The post did not adequately safeguard Volunteer property.***

PCM section 235.3.5 states, “The country director may authorize Peace Corps employees and contractors to take custody of Volunteer/Trainee property only under the following circumstances:

- (a) An unforeseeable emergency (e.g., Medevac or emergency leave) provides the V/T with no opportunity to make arrangements for safeguarding property; or
- (b) Exceptional, individual cases in which the country director believes that Peace Corps custody is essential to safeguarding the property.”

According to PCM section 235.4.1.4, “The Country Director may authorize reimbursement of items lost, damaged, or stolen while in Peace Corps custody, provided that Peace Corps assumed custody of items in accordance with Section 3.5.”

The country director permitted Volunteers that were being relocated to a safer region to store luggage at the Peace Corps post temporarily. However, the post kept the luggage outside under a canopy. The luggage was easily accessible to anyone at the post. Without proper safeguarding such as controlled access and inventorying, the post increases the risk that Volunteer property may be lost or stolen. The post could be held liable for any Volunteer property lost or stolen under these circumstances.

**We recommend:**

- F.2.1 That the country director instruct his staff to secure the Volunteer property held at post in a locked area with controlled access.
- F.2.2 That the country director develop a process to inventory the Volunteer property held at post to record a description of the property and estimated value in case of loss or theft.

**G. VEHICLES**

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**1. *The post exceeded its authorized number of vehicles without obtaining proper approval from the region and the Office of Management.***

PCM section 527.5.1.1 states:

A post may not maintain a vehicle fleet in excess of the established ceiling in the post's VFP [Vehicle Fleet Plan], except:

- (a) As approved by M/OBO [subsequently renamed Post Logistics Support, Office of Management];

- (b) For a temporary period necessary to dispose of an excess or replaced vehicle. (Posts should dispose of excess vehicles immediately as set out in MS 511, Property Management. Replaced vehicles shall be disposed of within 60 days of placing the new vehicle in service); or
- (c) For vehicles loaned to the Peace Corps without cost.

The post received two new vehicles in December 2009. With these new additions the post had 15 vehicles, but was only authorized to have 13 vehicles according to the vehicle fleet plan. Although the post has 60 days to dispose of the excess or replaced vehicle, the administrative officer stated that the post planned to keep 15 vehicles on hand during the next pre-service training in March. The administrative officer also stated that the post communicated this plan to regional management and received verbal approval. However, the post had not yet obtained formal approval from regional management and the Post Logistics Support within the Office of Management.

**We recommend:**

- G.1.1 That the country director requests written approval from the regional director and the Post Logistics Support within the Office of Management.

## **H. TRAVEL VOUCHERS**

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***1. Individuals did not prepare their travel vouchers upon completion of travel. Instead, administrative staff prepared travel vouchers for all the staff.***

OFMH 57.6 states, “It is the responsibility of the traveler to personally prepare the travel voucher within 5 days of completion of the travel. The administrative unit reviews and approves the travel voucher.”

The administrative staff prepared travel vouchers for individuals after completion of travel by obtaining supporting documents, such as receipts, and entering the information in the travel voucher form. The individual signed the completed form and submitted it to the country director. As a result, the post increased the risk that travel vouchers were not accurate or complete because administrative staff may not have all the necessary information or knowledge of expenses incurred during the trip. This also reduced the individual traveler’s responsibility and accountability to report travel expenses by inappropriately relying on administrative staff.

**We recommend:**

- H.1.1 That the administrative officer require staff to prepare their own travel vouchers.

H.1.2 That the administrative officer provide training to staff on how to properly prepare their own travel vouchers.

**2. *Travel vouchers were not always prepared accurately and timely.***

PCM section 812.18.10 states:

A travel voucher for each trip performed at Peace Corps expense must be completed and submitted within five working days after completion of travel. A guide for preparation of travel vouchers is available from the Accounting Division (M/FM/A).

OFMH 57.2 states:

A travel authorization (TA) must be issued before travel begins for any traveler. . . . It is important to specify the per diem rate on the travel authorization and advise the traveler of the rate before the beginning of travel. If the rate established by the country director is not indicated on the TA, the standardized rates will automatically apply.

A review of 14 travel vouchers identified the following discrepancies:

- Two travel vouchers were not prepared within five days of completion of travel. The trips were for international travel by U.S. direct hires. One was submitted 56 days and the other nine days after completion of travel.
- Travel authorizations did not include stated per diem rates.
- One travel voucher did not have an obligation established in the accounting system before the trip dates. The obligation is necessary to ensure adequate funding. The trip was during the beginning of a fiscal year and the post was in the end of year closeout process. However, Peace Corps policy discusses how to handle travel at the end and beginning of fiscal years. OFMH section 32.9.7 states, “The months of October and November may be funded from either the current or following years budget authority provided that the travel is supported by a valid travel authorization.”

**We recommend:**

H.2.1 That the administrative officer ensure travel authorizations are established before travel and provide the stated per diem.

H.2.2 That the administrative officer ensure travel vouchers are submitted within five days of completion of travel with an accurate accounting of costs.

## I. INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

***1. The post did not have on record the required waiver for subscription to services exceeding those authorized in the PCM. However, the PCM is outdated and no longer describes the current International Cooperative Administrative Support Services (ICASS) process.***

PCM section 708.4.1 states, “For reasons of cost-effectiveness, Peace Corps has limited the range of Foreign Affairs Administrative Support (FAAS) services for which posts may contract.” The manual lists ten subfunctions that are authorized services.

According to PCM section 708.4.2:

Under exceptional circumstances, a Country Director may identify a need for FAAS services which are not on the list of authorized subfunctions. 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 to request a waiver from the restriction . . . . The Director of Financial Management will inform the post if the waiver has been approved. In the absence of such a waiver all posts are expected to find alternative means to accomplish administrative functions such as maintenance, custodial services, travel services, etc., through either Peace Corps staff capability or local sources.

The post did not have on record the waiver from Peace Corps headquarters for subscribing to the following services:

- leasing,
- information management,
- human resources for U.S. direct hires, and
- nonresidential building operations.

The post requested that the embassy remove them from the leasing service, but it would not take effect until the next ICASS period.

Post explained that it subscribed to the U.S. direct hire human resources for value added tax exemption processing and the nonresidential building operations for small warehousing space to participate in auctions. However, the post already subscribed to the basic services, which included value added tax exemption processing and shipping and customs services that commonly included auctions. Therefore, the post should not be charged for these services under additional categories in the ICASS.

Some of these services that the post subscribed to are common services that other posts use. However, the PCM does not allow for these services without a waiver. Peace Corps has not updated PCM section 708, “Foreign Affairs Administrative Support” since July 1987. In 1997, the Department of State replaced FAAS with the International Cooperative Administrative Support Services. However, Peace Corps did not update PCM section 708 and has not revisited the policy since that time. A review of Peace

Corps posts' use of ICASS may identify additional services that should not require a waiver. By reviewing and updating the list of authorized services, headquarters could alleviate burdensome and outdated requirements of the post staff.

**We recommend:**

- I.1.1 That the country director obtain a waiver from the director of financial management for the services that are not explicitly authorized in PCM section 708 or find an alternative means for the services.
- I.1.2 That the Office of the Chief Financial Officer update PCM section 708 to incorporate ICASS.

## **J. PROPERTY**

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### ***1. The post did not have a consistent method of assigning property tags to personal property.***

According to PCM section 511.2 capitalized property is:

Non-expendable personal property that has an initial acquisition cost of \$500 US or more, an estimated service life of two years or longer, is considered highly pilferable, or that has been issued a manufacturer's serial number must be capitalized and entered into the property database as such. Examples include computers, printers, and vehicles.

PCM section 511.7.3 states, "Each piece of capitalized property must have a Peace Corps Property Tag attached. Overseas office property tags are blue, blue and silver metallic, or white bar code labels."

The post did not have a consistent method of assigning property tags to personal property. The property officer initially used a database to track the property. However, she stopped using it because headquarters required annual inventories be submitted using a prescribed spreadsheet. In 2009, she conducted a thorough review of property and assigned new property tags printed at post and entered the information into a spreadsheet. However, the old bar codes were still visible on some of the property, including official bar codes from headquarters. In addition, headquarters bar-coded information technology property it procured before shipment to the post. The information technology specialist maintained a database of all information technology property and provided this information to the property officer to add to the spreadsheet sent to headquarters during the annual inventory. As a result, the post duplicated work and required unnecessary data cleansing to provide a complete inventory.

The inefficiency in property management is exacerbated by the lack of clear guidance and a Peace Corps-wide property system. Peace Corps property policies are outdated and

are not compatible with the agency's financial statements and federal guidance. PCM section 511 defines capitalized property as:

Non-expendable personal property that has an initial acquisition cost of \$500 US or more, an estimated service life of two years or longer, is considered highly pilferable, or that has been issued a manufacturer's serial number must be capitalized and entered into the property database as such.

According to this definition most property at post would be capitalized because it has a life of two or more years. However, that is not the practice of the Peace Corps. Instead, the Peace Corps Financial Statement states: "The agency capitalizes property, plant, and equipment that has an individual acquisition cost of \$25,000 or greater, a useful life of two years or more, not intended for sale in the ordinary course of business, and intended to be used or available for use by the entity."

The manual section also includes a category called non-expendable property. Non-expendable property is durable property with an anticipated useful life of over one year, a value of over \$500, or property that has been assigned a manufacturer's serial number. This definition is not consistent with the Statement of Federal Financial Accounting Standard No. 6, "Accounting for Property, Plant, and Equipment," which classifies property, plant, and equipment as "Tangible assets that (1) have an estimated useful life of 2 or more years, (2) are not intended for sale in the ordinary course of business, and (3) are intended to be used or available for use by the entity."

PCM section 511 should clearly differentiate between accountable property and capitalized property. Accountable property is the property that must be tracked to prevent loss or theft. In determining accountable property the Statement of Federal Financial Accounting Standard No. 6 is still applicable and should be used in conjunction with other criteria such as the \$500 threshold and definition of pilferable property. For capitalized property, which is recorded as an asset in the financial statements, PCM section 511 should be consistent with the Office of the Chief Financial Officer definition as expressed in the Peace Corps financial statements.

PCM section 511 also discusses how to conduct inventories and file property cards in the Propman system, which is no longer used. Although Peace Corps is in the process of implementing a new property system, until a system is deployed the manual must reflect the current processes.

**We recommend:**

- J.1.1 That the chief of staff direct the update of PCM section 511 in order to clearly define the categories of property in agreement with federal standards and financial policies and to remove references to the property systems no longer used.
- J.1.2 That the property officer develop a process for tagging and inventorying property that uses the

official Peace Corps property tags for capitalized property and promotes efficiency between the property officer and information technology specialist.

***2. The post did not ensure separation of duties between recording property and conducting verification of inventory existence. Further, post did not maintain documentation showing the results of physical inventory verifications.***

PCM 511 requires:

Each office must take an inventory at least once a year, physically counting each item to verify that all property is on hand and properly recorded in the property management database. Offices may inventory various categories of non-expendable property throughout the year to balance workload.

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.

PC-1524 is a report of office property inventory records. All non-expendable property should be listed in the inventory records, including Agency property identified on Property Record Cards.

Overseas offices maintain copies of the following records for three years:

- PC 1524
- Maintenance Record Cards
- Property Hand Receipts
- Loss Reports

The property officer was responsible for conducting the physical inventory. However, the property officer was also responsible for maintaining the official property inventory database. To ensure proper separation of duties, the record-keeper should not conduct the verification of the property. Separating these responsibilities would help prevent fraud and maintain property control by ensuring that loss or theft of property could not be easily hidden in the property records.

**We recommend:**

- J.2.1 That the country director assign individuals other than the property officer to conduct the physical inventories.
- J.2.2 That the property officer maintain records documenting the physical inventory and reconciliation process.

## **K. IMPREST FUND**

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### ***1. The cashier did not have a lock box to keep the local currency coins.***

PCM section 760.5.4 states, “If a post operates both dollar and local currency funds, the two funds must be kept in separate cash boxes, accounted for separately, and may not be intermingled.”

Although the cashier had a separate lock box for the U.S. dollars and the local currency bills, the lock box for the local currency was not large enough to hold all of the coins. Keeping the currencies separate and in locked boxes is important to avoid mistakes when handling cash.

#### **We recommend:**

- K.1.1 That the administrative officer provide the cashier with a lock box for local currency change.

### ***2. The cashier did not post a copy of the general receipt outside the cashier cage.***

OFMH 7.3 states, “The Cashier must post a copy of the FORPost General Receipt outside the cashier window so debtors know what the form looks like.”

The cashier said that he provides staff and Volunteers with general receipts stamped paid after paying a bill of collection. However, he had not posted a copy outside the cage and said that individuals often shred their receipt after receiving it. Posting a copy of the general receipt outside the cashier cage helps inform staff and Volunteers of their responsibility to obtain a receipt as proof of payment. Further, staff and individuals should retain a copy of the receipt marked paid. This helps mitigate the risk of fraud and ensures the payee has proper support of payment in case of any disputes.

#### **We recommend:**

- K.2.1 That the cashier post a copy of the general receipt outside the cashier cage.
- K.2.2 That the administrative officer instruct staff and Volunteers to retain copies of paid receipts for the required period of time.

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## QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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We did not identify questioned costs during the course of the audit. We did identify funds to be put to better use and unsupported costs that are detailed in the following tables.

### Questioned Costs

Recommendation number	Description	Amount
	None	

### Unsupported Costs

Recommendation number	Description	Amount
A.3.1	Five Peace Corps Partnership Program projects that did not have receipt of payments	\$39,844

### Funds to be Put to Better Use

Recommendation number	Description	Amount
D.3.1	Inaccurate personal services contractor bonus	\$210

## POST STAFFING

At the time of our visit, the post had 50 staff positions: Three U.S. direct hire employees, six foreign service nationals, and 41 PSCs. The post recently experienced staff turnover in several key positions, including the PCMO, assistant Peace Corps director, and safety and security coordinator positions. In addition, the post staff level increased as a result of converting a contract for training services to PSCs. We interviewed a selection of staff members including the country director, administrative officer, program and training officer, and the two medical officers.

### PC/Paraguay Positions

Position	Status
Administrative Assistant (2)	PSC
Administrative Officer	FSN
APCD/Agriculture	PSC
APCD/Education	FSN
APCD/Environment	USDH*
APCD/Health	FSN
APCD/Rural Economic Development	PSC
Cashier	FSN
Cleaner/Office Attendant	PSC
Country Director	USDH
Executive Secretary	PSC
Gardener	PSC
GSO Assistant/ Office Manager	PSC
Human Resources Assistant	PSC
IT Specialist	PSC
Language & Culture Facilitators (10)	PSC
Librarian	PSC
Master Trainer	PSC
Medical Office Secretary	PSC
Messengers (4)	PSC
PCMO (2)	PSC
Program Specialist / Agriculture	PSC
Programming & Training Officer	USDH
Programming and Training Assistant	FSN
Programming Assistant (2)	PSC
Receptionist	PSC
Technical Trainer (4)	PSC
Training Center Administrative Assistant	PSC
Training Center Language Coordinator	PSC
Training Center Logistics Coordinator	PSC
Training Center Secretary	FSN
Training Manager	PSC
*In December 2009 - February 2010 the post transitioned this position to PSC and hired a USDH training director.	

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## LIST OF RECOMMENDATIONS

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**We recommend:**

- A.1.1 That the PCPP coordinator ensure all completion reports are signed and receipts are reconciled to budgets before signing Volunteers' close of service checklists.
- A.1.2 That the coordinator communicate with APCDs concerning outstanding projects and necessary documentation during the monthly meetings.
- A.1.3 That OPSI continue to develop a PCPP handbook or similar guidance to define staff roles and responsibilities regarding partnership projects.
- A.2.1 That the administrative officer review the new process for PCPP coordination and periodically ensure that the coordinator is receiving and maintaining all supporting documentation for Volunteer projects.
- A.3.1 That the director for global operations coordinate with the respective headquarters offices to develop and issue a policy memorandum instructing country directors to follow the procedures described in PCM section 103 and reminding them of the legal and administrative risks involved with signing cooperative agreements that purport to obligate or commit U.S. government funds and other resources.
- A.4.1 That OPSI develop a process to track partnership projects from inception through completion, to identify projects that have not been completed in a timely manner or lack supporting documentation, and to request information from the posts needed to close projects timely.
- A.4.2 That OPSI develop a process to test a selection of partnership projects on a regular basis for accuracy and completeness.
- A.4.3 That OPSI develop a process to identify posts that repeatedly fail to provide timely and accurate project completion reports and provide that information to the regional management for follow-up and disciplinary actions.
- A.5.1 That OPSI provide guidance on how Volunteers can effectively manage project funds, and when the assistance of local communities to manage funds is reasonable.
- A.5.2 That OPSI work with the OGC to develop a notice of liability form for community partners to sign when receiving partnership funds.
- B.1.1 That the billing officer fully utilize ForPost for billings and collections and stop using the outside system.

- B.2.1 That the billing officer receive the support for all billings directly from the staff responsible for tracking the documentation supporting the amount owed.
- B.2.2 That the billing officer maintain supporting documentation for all billings, including the basis for the amount owed and the general receipt.
- B.2.3 That the collection officer provide general receipts to the billing officer on a regular basis.
- B.3.1 That the billing officer requires staff to repay bills of collection within 30 days.
- C.1.1 That the country director designate a staff member as an APC who is outside the medical unit and not the MSIC clerk to immediately begin to receive, inspect, and distribute medical supplies to the medical unit and assume all other duties as described in PCM section 734.
- C.1.2 That the country director designate a staff member outside of the medical unit, who is not the MSIC clerk or APC, to perform quarterly physical inventories of medical supplies.
- C.1.3 That the country director ensure that duties associated with receipt and acceptance of medical supplies; maintaining official medical supply inventory records of specially designated items and controlled substances; and periodic physical inventory counts be assigned to separate staff members that are outside the medical unit.
- C.1.4 That the medical unit provide the MSIC clerk with the official form recording the dispensing of all medical supplies, without the Volunteer information, for all specially designated or controlled substances at least on a monthly basis.
- C.1.5 That the MSIC clerk maintain an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, forms recording dispenses, disposal documentation, and reconciliation of the results from the quarterly physical inventory counts.
- C.1.6 That the country director separate the user roles within the medical supply database to ensure of the database administrator does not have responsibility for updating records.
- C.2.1 That the country director require designated staff to perform an immediate physical inventory count of medical supplies.
- C.2.2 That the country director, in conjunction with the medical officers, review the results of the comprehensive physical inventory and reconcile any differences found. The medical officers must fully explain all discrepancies found, provide

- proposed adjustments in inventories accordingly, and report any losses in accordance with PCM section 734.
- C.2.3 That the MSIC clerk document the results of the comprehensive medical supply inventory together with any approved adjustments to the inventory in permanent inventory records as prescribed in PCM section 734.
  - D.1.1 That the country director require all PSCs to complete an intelligence background information certification form in accordance with Peace Corps policy.
  - D.1.2 That the administrative officer include copies of personal services contractors' completed intelligence background information certification in their respective files.
  - D.2.1 That the administrative officer track the employee security clearance expiration dates to ensure the post requests updated clearances timely.
  - D.2.2 That the administrative officer include copies of the security clearances in the personal services contractor files.
  - D.3.1 That the country director modify the technical trainer contracts and correct the basic compensation and bonus payment calculations based on the actual period of performance.
  - E.1.1 That the administrative officer take immediate corrective action to ensure the lease for the residence does not exceed five years.
  - E.1.2 That the administrative officer avoid signing leases with expiration and renewal dates in the first few weeks of October.
  - E.2.1 That the administrative officer maintains documentation showing the competition in the lease folders.
  - F.1.1 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 post must analyze significant differences and make any necessary adjustments in living allowances.
  - F.2.1 That the country director instruct his staff to secure the Volunteer property held at post in a locked area with controlled access.
  - F.2.2 That the country director develop a process to inventory the Volunteer property held at post to record a description of the property and estimated value in case of loss or theft.

- G.1.1 That the country director requests written approval from the regional director and the Post Logistics Support within the Office of Management.
- H.1.1 That the administrative officer require staff to prepare their own travel vouchers.
- H.1.2 That the administrative officer provide training to staff on how to properly prepare their own travel vouchers.
- H.2.1 That the administrative officer ensure travel authorizations are established before travel and provide the stated per diem.
- H.2.2 That the administrative officer ensure travel vouchers are submitted within five days of completion of travel with an accurate accounting of costs.
- I.1.1 That the country director obtain a waiver from the director of financial management for the services that are not explicitly authorized in PCM section 708 or find an alternative means for the services.
- I.1.2 That the Office of the Chief Financial Officer update PCM section 708 to incorporate ICASS.
- J.1.1 That the chief of staff direct the update of PCM section 511 in order to clearly define the categories of property in agreement with federal standards and financial policies and to remove references to the property systems no longer used.
- J.1.2 That the property officer develop a process for tagging and inventorying property that uses the official Peace Corps property tags for capitalized property and promotes efficiency between the property officer and information technology specialist.
- J.2.1 That the country director assign individuals other than the property officer to conduct the physical inventories.
- J.2.2 That the property officer maintain records documenting the physical inventory and reconciliation process.
- K.1.1 That the administrative officer provide the cashier with a lock box for local currency change.
- K.2.1 That the cashier post a copy of the general receipt outside the cashier cage.
- K.2.2 That the administrative officer instruct staff and Volunteers to retain copies of paid receipts for the required period of time.

## APPENDIX A

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### OBJECTIVE, SCOPE, AND METHODOLOGY

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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/Paraguay covered fiscal years 2008 and 2009 through February 5, 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 officers. 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 post management personnel. 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 PCM, OFMH, and current Peace Corps initiatives and policies.

## **APPENDIX B**

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

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**MEMORANDUM**

To: Kathy Buller, Inspector General

From: Carlos Torres, Regional Director Inter America and Pacific

Date: June 23, 2010

Subject: Preliminary Audit Report on Peace Corps/Paraguay

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Enclosed please find the Agency's response to the recommendations made by the Inspector General for Peace Corps Paraguay, as outlined in the Preliminary Audit Report on Peace Corps Paraguay.

The Agency concurs with all 50 recommendations.

**A.1.1 That the PCPP coordinator ensures all completion reports are signed and receipts are reconciled to budgets before signing Volunteers' close of service checklists.**

**Concur:** The PCPP coordinator receives and reconciles all PCPP projects before signing Volunteers' close of service checklists. Beginning in November 2009, the PCPP coordinator was reassigned and the process was reviewed. The process was implemented with the next COSing group who closed their service in December 2009.

**Date of completion:** November 24, 2009 and ongoing

**Documentation:** COS Checklist, E-mail from AO, Example of completed PCPP Report

**A.1.2 That the coordinator communicates with APCDs concerning outstanding projects and necessary documentation during the monthly meetings.**

**Concur:** Post is utilizing a tracking sheet that the AA maintains on a shared folder. The AA will email to APCDs and PSs a link containing the latest information on each project, including an agenda from program meetings where PCPP and SPA projects are discussed.

**Date of Completion:** June 21, 2010 and ongoing

**Documentation:** PCPP tracking sheet, e-mail

**A.1.3 That OPSI continues to develop a PCPP handbook or similar guidance to define staff roles and responsibilities regarding partnership projects.**

**Concur:** OPSI is awaiting final approval from Global Operations to send out a survey to gather information about how the Peace Corps Partnership Program (PCPP) is managed at the post level. Responses from this survey will be assessed and results will be implemented to further streamline the PCPP process.

As OPSI grows, we are working to clearly define staff roles and responsibilities regarding PCPP projects. In addition to OPSI's PCPP Volunteer Handbook, the office is the process of developing a post handbook that will contain post-specific guidance and best practices to assist in implementing PCPP. We anticipate that the PCPP Post Handbook will be developed and distributed to posts during FY 2011. Revised Volunteer materials will be distributed in summer 2010.

**Date Implemented:** Prior to the audit and ongoing.

**A.2.1 That the administrative officer reviews the new process for PCPP coordination and periodically ensures that the coordinator is receiving and maintaining all supporting documentation for Volunteer projects.**

**Concur:** The AO will periodically review projects and ensure that procedures are kept up-to-date. Post has developed a checklist to ensure that the coordinator receives and maintains all supporting documentation for SPA or PCPP projects which the AO reviews.

**Date of Completion:** June 1, 2010 and ongoing

**Documentation:** PCPP Checklist

**A.3.1 That the director for global operations coordinates with the respective headquarters offices to develop and issue a policy memorandum instructing country directors to follow the procedures described in PCM section 103 and reminding them of the legal and administrative risks involved with signing cooperative agreements that purport to obligate or commit U.S. Government funds and other resources.**

**Concur:** MS 103 was originally drafted and issued to provide a review process for collaboration between PC and other Federal government agencies. In practice, MS 103 has been used as well by the agency to review and approve collaboration between PC and NGOs to develop global partnerships. However, certain agreements have been exempted from such review because they are administered with a pre-approved template or are covered in existing bilateral agreements. These include Master's International, PC Fellows, and post implementing arrangements with host government entities and Volunteer site assignments.

The Office of Global Operations will work with General Counsel to craft a memorandum to posts by August 31 that clarifies current authority and guidance for establishing partnership agreements at post and highlight the legal and administrative risks of signing agreements outside of their authority. The guidance will be completed and distributed to posts by August 31, 2010.

**Date of completion:** August 31, 2010

**A.4.1 That the OPSI develops a process to track partnership projects from inception through completion, to identify projects that have not been completed in a timely manner or lack supporting documentation, and to request information from the posts needed to close projects timely.**

**Concur:** OPSI oversees implementation of PCPP projects from inception to completion in close partnership with the posts. Throughout the life of a project, OPSI maintains both paper and electronic files with detailed project data and post correspondence, as well as updates financial information through Odyssey. Once OPSI ensures the correct amount is successfully sent to Volunteers, it is the posts' responsibility to track on the ground implementation.

In an effort to give posts consistent and regular feedback on implementing projects, OPSI will send a status report to posts every two months. The report will include a list of projects that are being implemented by Volunteers who are within two months of their COS date. It will also outline outstanding items that these Volunteers need to complete for PCPP before their departure from Peace Corps. Posts will be asked to respond to each item listed with a current status and an anticipated completion date. The status report will specify that all Final Reports need to include itemized budgets that have been checked by the AO and that the full Final Report must be reviewed by the CD to ensure that donor funds were spent appropriately.

**Date Implemented:** Prior to the audit and ongoing.

**A.4.2 That the OPSI develops a process to test a selection of partnership projects on a regular basis for accuracy and completeness.**

**Concur:** On a pilot basis until OPSI can determine the appropriate frequency and process, OPSI will conduct a random spot check of closed projects to ensure accuracy and completeness of the

project files. Once each quarter, beginning in Q4 of FY 2010, OPSI will request a sampling of three recently closed projects from one post in each region (IAP, EMA, Africa). OPSI will look again at this process in FY 2011 to determine how to proceed with these spot checks moving forward.

**Date Implemented:** Q4, FY2010

**A.4.3 That the OPSI develops a process to identify posts that repeatedly fail to provide timely and accurate project completion reports and provide that information to the regional management for follow-up and disciplinary actions.**

**Concur:** OPSI will use the results from the status report findings outlined in item A.4.1 to track which posts have frequent outstanding items and/or fail to appropriately respond to requests for updates on this information. Once each quarter, after analyzing feedback from the post status report, OPSI will request a meeting with staff from posts who have not responded appropriately or for whom we have questions. In the meeting we will discuss key issues and identify an action plan for the post staff to work closely with OPSI staff to address them.

**Date Implemented:** Q4, FY2010

**A.5.1 That the OPSI provides guidance on how Volunteers can effectively manage project funds, and when the assistance of local communities to manage funds is reasonable.**

**Concur:** In the IPBS 2011-2013, OPSI included an objective to “review, revise (if needed), and develop PCPP materials (handbook, application, final report, etc.)” Following submission of the IPBS, OPSI developed a scheduled monitoring plan to regularly review, update, and disseminate PCPP materials. The office is nearing completion of the process to review the latest PCPP Volunteer Handbook and will include a section detailing methods of how Volunteers can effectively manage project funds and how local communities can be involved and share financial responsibility. OPSI will also include best practices on this topic in the post handbook so that posts have the tools to support Volunteers.

**Date Implemented:** Updated Volunteer Handbook, Summer 2010 and FY 2011 for Post Handbook

**A.5.2 That the OPSI works with the OGC to develop a notice of liability form for community partners to sign when receiving partnership funds.**

**Concur:** OPSI will work with OGC to develop a notice of liability form for community partners to sign when receiving partnership funds, as appropriate.

**B.1.1 That the billing officer fully utilizes For Post for billings and collections and stop using the outside system.**

**Concur:** The billing officer prepares bills of collection (BOC) utilizing ForPost and attaches the appropriate documentation. The BOC is then delivered to the person that owes the bill and a copy is kept in a folder for tracking purposes, as well as the outstanding BOC report displayed in ForPost. Use of the outside system (Fox Pro database) has been discontinued.

**Date of Completion:** June 1, 2010 and ongoing

**Documentation:** General Receipt (PC-2057), BOC (PC-1566), Vendor bill, Track-it of deletion of program

**B.2.1 That the billing officer receives the support for all billings directly from the staff responsible for tracking the documentation supporting the amount owed.**

**Concur:** The billing officer receives the documentation supporting the amount owed and prepares the bill for collection in ForPost and then delivers it to the staff responsible for the bill. Copies of all documents are kept in a folder for tracking purposes, along with the outstanding BOC displayed in ForPost . An example of supporting documentation for billings (personal phone usage) is provided.

**Date of Completion:** June 1, 2010 and ongoing

**Documentation:** Example of invoice, General Receipt (PC-2057), BOC (PC-1566), Vendor bill, Outstanding collections report from ForPost

**B.2.2 That the billing officer maintains supporting documentation for all billings, including the basis for the amount owed and the general receipt.**

**Concur:** The billing officer maintains supporting documentation for all billings including the basis for the amount owed and the printed form generated by FOR Post. A copy of the General Receipt issued by the collecting officer has been included in the BOC folder as back up documentation.

**Date of Completion:** February 22, 2010 and ongoing

**Documentation:** General Receipt (PC-2057), BOC (PC-1566), Vendor Bill, Outstanding collections report from FOR Post, Example of invoice

**B.2.3 That the collection officer provides general receipts to the billing officer on a regular basis.**

**Concur:** The collection officer delivers copies of the General Receipt to the billing officer after payment is collected. Please see example enclosed showing all phases of the process.

**Date of Completion:** 02/22/2010 and ongoing

**B.3.1 That the billing officer requires staff to repay bills of collection within 30 days.**

**Concur:** The billing officer delivers the BOC printout from ForPost to the staff member that owes the money and monitors the funds owed through the Outstanding Bill of Collection report in ForPost. After a week, if the staff member has not paid the bill, an email is sent by the AO to remind the staff member of the debt. This procedure is now included in the staff handbook.

**Date of Completion:** 02/22/2010 and ongoing

**Documentation:** Example of invoice, General Receipt (PC-2057), BOC (PC-1566) Vendor bill Outstanding collections report from FOR Post, section from Staff handbook

**C.1.1 That the country director designates a staff member as an APC who is outside the medical unit and not the MSIC clerk to immediately begin to receive, inspect, and distribute medical supplies to the medical unit and assume all other duties as described in PCM section 734.**

**Concur:** The Country Director has designated the Financial Assistant as the MSIC and the HR Administrative Assistant as the APC. PCMOs are responsible for dispensing medical supplies to Volunteers.

**Date of Completion:** 06/01/2010

**Documentation:** Memo

**C.1.2 That the country director designates a staff member outside of the medical unit, who is not the MSIC clerk or APC, to perform quarterly physical inventories of medical supplies.**

**Concur:** The Country Director designated the Administrative Officer to perform quarterly physical inventories of medical supplies.

**Date of completion:** 06/01/2010

**Documentation:** Memo

**C.1.3 That the country director ensures that duties associated with receipt and acceptance of medical supplies; maintaining official medical supply inventory records of specially designated items and controlled substances; and periodic physical inventory counts be assigned to separate staff members that are outside the medical unit.**

**Concur:** The Country Director has ensured that these duties be assigned to separate staff members that are outside the medical unit. The HR/AA has been designated as the APC who will be in charge of receiving medical supplies, the MSIC clerk or the FA maintains official medical supplies inventory records of specially designated items and controlled substances; and the AO will conduct periodic physical inventory counts.

**Date of completion:** 06/01/2010 and ongoing

**Documentation:** Memo

**C.1.4 That the medical unit provides the MSIC clerk with the official form recording the dispensing of all medical supplies, without the Volunteer information, for all specially designated or controlled substances at least on a monthly basis.**

**Concur:** Post created a sophisticated, computerized medical supplies control system that maintains a permanent, up-dated inventory of all medical supplies. This system has the ability to generate a form that records when medical supplies are dispensed. At COB, the PCMO signs this form. Because of the efficiency of the system, OMS has requested that our PCMOs bring samples for the FY 10 CME. OMS is considering the use of this system PC-wide. Post continually monitors, evaluates, and improves the program.

**Date of completion:** Commenced 04/2009, with improvements 06/18/2010

**Documentation:** Dispensed Medication Records

**C.1.5 That the MSIC clerk maintains an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, forms recording dispenses, disposal documentation, and reconciliation of the results from the quarterly physical inventory counts.**

**Concur:** MSIC clerk maintains an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, forms recording dispenses, disposal

documentation, and reconciliations of the results from the quarterly physical inventory counts. Post created a file to document the computerized medical supplies system report regarding the functions mentioned in the recommendation (see enclosed).

**Date of completion:** 06/01/2010 and ongoing

**Documentation:** List of purchased medicines, Obligating document (PC 2060), Payment voucher (PC 2059), Medical Supplies Inventory Report

**C.1.6 That the country director separates the user roles within the medical supply database to ensure the database administrator does not have responsibility for updating records.**

**Concur:** Separate functions have been assigned as follows:

1. Starting on 06/01/2010, the AO is the Medical Supply Inventory Control Officer.
2. The Acceptance Point Clerk, (APC) is the HR/AA.
3. Medical Secretary will be acting as Miscellaneous Clerk.
4. PCMOs are dispensing medical supplies to Volunteers.

**Date of completion:** 06/01/2010

**Documentation:** Memo

**C.2.1 That the country director requires designated staff to perform an immediate physical inventory count of medical supplies.**

**Concur:** The AO has performed the physical inventory of medical supplies.

**Date of completion:** 06/01/2010

**Documentation:** Memo

**C.2.2 That the country director, in conjunction with the medical officers, reviews the results of the comprehensive physical inventory and reconcile any differences found. The medical officers must fully explain all discrepancies found, provide proposed adjustments in inventories accordingly, and report any losses in accordance with PCM section 734.**

**Concur:** The Country Director will review the results of the comprehensive physical inventory and reconcile any differences. At this time, the Medical Officers will fully explain any discrepancies and report any losses in accordance with PCM section 734.

**Date of completion:** 06/30/2010 and ongoing

**C.2.3 That the MSIC clerk documents the results of the comprehensive medical supply inventory together with any approved adjustments to the inventory in permanent inventory records as prescribed in PCM section 734.**

**Concur:** The MSIC clerk will document the results and approved adjustments to the permanent medical inventory as required in PCM Section 734.

**Date of completion:** 06/30/2010 and ongoing

**D.1.1 That the country director requires all PSCs to complete an intelligence background information certification form in accordance with Peace Corps policy.**

**Concur:** The intelligence background information certification form has been completed by all staff members according to Peace Corps policy (see enclosed)

**Date of completion:** 06/30/2010 and ongoing

**Documentation:** Signed background information from staff (MS611)

**D.1.2 That the administrative officer includes copies of personal services contractors' completed intelligence background information certification in their respective files.**

**Concur:** The AO has included all intelligence background information certifications into the PSCs' files.

**Date of completion:** 06/01/2010 and ongoing

**Documentation:** PSC file checklist, Examples of security clearances included in files

**D.2.1 That the administrative officer tracks the employee security clearance expiration dates to ensure the post requests updated clearances timely.**

**Concur:** The AO has added a checklist to each PSC file to ensure that every five years a new clearance is performed for each employee (see enclosed).

**Date of completion:** 06/30/2010 and ongoing

**Documentation:** Clearance tracking sheet

**D.2.2 That the administrative officer includes copies of the security clearances in the personal services contractor files.**

**Concur:** The security clearances have been completed and filed in PSCs/FSNs folders with the exception of two staff members (see enclosed). The clearance for the 2 remaining staff members is pending the RSO's signature and will be included in their files upon receipt.

**Date of completion:** 06/30/2010 and ongoing

**Documentation:** PSC file checklist, examples of security clearances included in files

**D.3.1 That the country director modifies the technical trainer contracts and correct the basic compensation and bonus payment calculations based on the actual period of performance.**

**Concur:** Local Technical Trainers PSC contracts were calculated correctly. However, all other local Training Center PSC contracts that required bonus payment adjustment have been modified (see enclosed example).

**Date of completion:** 05/12/2010

**Documentation:** Signed modified contract

**E.1.1 That the administrative officer takes immediate corrective action to ensure the lease for the residence does not exceed five years.**

**Concur:** Post will modify the lease contract - Clause III to reduce the length of the last option year of the contract by 15 days to be in compliance with the recommendation.

**Date of completion:** 08/31/2010

**E.1.2 That the administrative officer avoids signing leases with expiration and renewal dates in the first few weeks of October.**

**Concur:** Post will avoid signing leases with expiration and renewal dates in the first few weeks of October. Post will correct this at the contract renewal period in August.

**Date of completion:** 08/31/2010 and ongoing

**E.2.1 That the administrative officer maintains documentation showing the competition in the lease folders.**

**Concur:** Post conducted housing market research to include all the necessary documentation in the lease contract file.

**Date of completion:** 06/23/2010 and ongoing

**Documentation:** Housing market research document

**F.1.1 That the administrative officer conducts 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 post must analyze significant differences and make any necessary adjustments in living allowances.**

**Concur:** Post is currently performing a country wide basket survey to properly document the living allowance adjustments that resulted from the last survey performed in April, 2010 (see enclosed a sample of the form to be used by programming staff to collect data)

**Date of completion:** 07/31/10 and ongoing

**Documentation:** Survey form sample

**F.2.1 That the country director instruct his staff to secure the Volunteer property held at post in a locked area with controlled access.**

**Concur:** A secure room has been designated as the place for keeping PCVs property. A control Clerk has been designed for this room and an 'in and out' form has been implemented for PCVs who are using this service. The Country Director has issued a Memo to staff instructing to secure all Volunteer property in this area. (see enclosed).

**Date of completion:** 06/01/2010

**Documentation:** picture of secure room, check-in list, memo

**F.2.2 That the country director develop a process to inventory the Volunteer property held at post to record a description of the property and estimated value in case of loss or theft.**

**Concur:** Post will perform a complete inventory of all PCV property held at post, including a description of the item and the value.

**Date of completion:** 07/31/2010

**G.1.1 That the Country Director requests written approval from the regional director and the Post Logistics Support within the Office of Management.**

**Concur:** The Country Director has been in communication with Region to ensure regional approval to increase the vehicle fleet ceiling.

**Date of completion:** 06/23/2010

**Documentation:** Approval Memo

**H.1.1 That the administrative officer requires staff to prepare their own travel vouchers.**

**Concur:** The AO requires staff to prepare their own travel vouchers. The AO sent the travel voucher to all staff, as well as provided instructions for the ease of preparation.

**Date of completion:** 06/30/2010 and ongoing

**Documentation:** sample of travel voucher, e-mail with instructions

**H.1.2 That the administrative officer provides training to staff on how to properly prepare their own travel vouchers.**

**Concur:** A training session for all PC staff is planned to comply with this recommendation. The presentation for this training session is included.

**Date of completion:** 06/30/2010

**Documentation:** Power Point presentation

**H.1.3 That the administrative officer ensures travel authorizations are established before travel and provide the stated per diem rate.**

**Concur:** AO will ensure that all Travel Authorizations have been prepared before travel starts. This information has been included in the training.

**Date of completion:** 06/01/2010 and ongoing

**Documentation:** Power Point presentation

**H.2.1 That the administrative officer ensures travel authorizations are established before travel and provide the stated per diem.**

See Recommendation H.1.3

**H.2.2 That the administrative officer ensures travel vouchers are submitted within five days of completion of travel with an accurate accounting of costs.**

**Concur:** Post will ensure that vouchers for international travel are submitted within five days after the travel is terminated. This information has been included in the training, as well as the instructions.

**Date of completion:** 06/01/2010 and ongoing

**Documentation:** Instructions, Power Point presentation

**I.1.1 That the country director obtains a waiver from the director of financial management for the services that are not explicitly authorized in PCM section 708 or find an alternative means for the services.**

**Concur:** Post sent a memo to ICASS Chairman requesting withdrawal from housing services to be in compliance with this recommendation (see enclosed)

**Date of completion:** 08/06/2010

**Documentation:** Memo to MO Mona Kuntz, housing waiver

**I.1.2 That the Office of the Chief Financial Officer updates PCM section 708 to incorporate ICASS.**

**Concur:** The Office of the Chief Financial Officer is currently in the process of updating MS 708 to include ICASS.

**Date of completion:** 10/31/2010

**J.1.1 That the chief of staff directs the update of PCM section 511 in order to clearly define the categories of property in agreement with federal standards and financial policies and to remove references of the property systems no longer used.**

**Concur:** The Chief of Staff has directed the update of PCMS 511. The Office of Administrative Services (M/AS) is currently updating this MS. The draft clearly defines the property categories in agreement with federal standards and financial policies. The update removes all references to property systems no longer in use.

**Completion Date:** September 2010

**J.1.2 That the property officer develops a process for tagging and inventorying property that uses the official Peace Corps property tags for capitalized property and promotes efficiency between the property officer and information technology specialist.**

**Concur:** Post will develop a process for tagging and inventorying property which promotes efficiency between the property officer and the information technology specialist. To implement this, post has requested official Peace Corps property tags from Headquarters. As soon as Post receives the property tags, a property inventory team will be created that includes the IT Specialist.

**Date of completion:** 08/31/2010

**Documentation:** E-mail requesting official tags

**J.2.1 That the country director assigns individuals other than the property officer to conduct the physical inventories.**

**Concur:** Post will create an inventory team that will not include the property officer to conduct the physical inventories.

**Date of completion:** 08/31/2010

**J.2.2 That the property officer maintains records documenting the physical inventory and reconciliation process.**

**Concur:** Post will maintain records to document the inventory and reconciliation process.

**Date of completion:** 08/31/2010 and ongoing

**K.1.1 That the administrative officer provides the cashier with a lock box for local currency change.**

**Concur:** New cash box has been purchased for the cashier to comply with this recommendation (see enclosed)

**Date of completion:** 02/22/2010

**Documentation:** picture of cashier's box

**K.2.1 That the cashier posts a copy of the general receipt outside the cashier cage.**

**Concur:** A copy of the general receipt has been posted outside of the cashier cage (see enclosed)

**Date of completion:** 06/01/2010

**Documentation:** picture of General Receipt posted

**K.2.2 That the administrative officer instructs staff and Volunteers to retain copies of paid receipts for the required period of time.**

**Concur:** A note to all PCVs and staff has been posted outside of the cashier cage requesting them to retain copies of paid receipts.

**Date of completion:**

**Documentation:** picture of General Receipt posted

## APPENDIX C

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### OIG COMMENTS

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Management concurred with all 50 recommendations made in our preliminary report. We subsequently removed recommendation H.1.3 because it was the same as recommendation H.2.1. As a result, the final audit report contained 49 recommendations.

We closed 38 recommendations based on the Agency's response and supporting documentation. We request additional documentation to close recommendations A.3.1, A.4.1, A.4.2, A.4.3, A.5.1, A.5.2, E.2.1, I.1.2, J.1.1, J.2.1 and J.2.2. These recommendations remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation A.3.1: We agree as noted in our audit report that Peace Corps Manual section 103 was not originally intended to provide a review process for post implementing arrangements with host government entities. We referenced the process to illustrate an existing procedure that provides for review by management and the Office of General Counsel, which is essential for an effective consideration of the legal and financial risks. We accept management's response and corrective action to issue a memorandum from the Office of Global Operations, in coordination with General Counsel. A clarification of the current authority and guidance for establishing the partnership agreements and a discussion of the risks involved in signing agreements outside of the country director's authority would satisfy the recommendation. Therefore, this recommendation remains open pending a copy of this memorandum upon issuance.
- For recommendation A.4.1 and A.4.3: A copy of the status report on PCPP projects.
- For recommendation A.4.2: Documentation of the OPSI quarterly spot checks of PCPP projects and the accompanying status report findings.
- For recommendation A.5.1: We acknowledge that OPSI was developing the updated Volunteer Handbook during the audit and request a copy of the completed version to close this recommendation.
- For recommendation A.5.2: A copy of the notice of liability form for community partners to sign when receiving partnership funds.
- For recommendation E.2.1: A copy of the housing market research document used by post when searching for properties to lease.
- For recommendation I.1.2: A copy of the updated PCM section 708 discussing the current policies regarding ICASS.

## APPENDIX C

- For recommendation J.1.1: A copy of the updated PCM section 511 that defines the categories of property in agreement with federal standards and financial policies and no longer discusses property systems not in use.
- For recommendation J.2.1 and J.2.2: A copy of the post's physical inventory and reconciliation documentation for the current fiscal year showing the signatures of the inventory team.

In their response, management describes 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 they have taken these actions nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

## APPENDIX D

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### AUDIT COMPLETION AND OIG CONTACT

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#### AUDIT COMPLETION

Senior auditor Bradley Grubb performed the audit of PC/Paraguay in coordination with the Office of Inspector General Investigations.

#### OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Steven Kaffen, Acting Assistant Inspector General for Audit, at [skaffen@peacecorps.gov](mailto:skaffen@peacecorps.gov), or call him at (202) 692-2905.

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