Peace Corps

MANAGEMENT ADVISORY MEMORANDUM

May 14, 2010

Memorandum for: Lynn Foden, Acting Regional Director, Africa Region Operations
Carl Sosebee, General Counsel
Esther Benjamin, Director of Global Operations
Elisa Montoya, Acting Chief Compliance Officer

From: Gerald P. Montoya, Assistant Inspector General for Audit

Subject: Peace Corps/Gambia Grant Activities

This memorandum summarizes our advice and assistance requested in November 2009 regarding PC/Gambia grant activities. Advisory assistance was provided in response to allegations received from the Office of General Counsel and the Africa Region staff regarding the solicitation, acceptance, receipt, and expenditure of United Nations Development Program (UNDP) funds by PC/Gambia Volunteers. Information in this memorandum was furnished to PC/Gambia on November 18, 2009 and to the Africa Region and Office of General Counsel in December 2009.

Summary of Allegations

A group of Volunteers in The Gambia established a committee to solicit and administer grant funds from the UNDP for small community projects. The group was entitled "The Grant Steering Committee" here in after referred to as the "committee." A Peace Corps Volunteer in The Gambia was asked by committee members to participate and become a signatory on a bank account established to receive UNDP grant funds and make disbursements for the small community projects. The Volunteer had substantial experience in the administration of grant funds as a former federal employee and began to question the legality of the bank account(s) and activities of the committee. The Volunteer's concern was discussed with a PC/Gambia staff member. The staff member notified the Africa Regional staff and the Office of General Counsel. The concerns were brought to the attention of our office and we agreed to provide advice and assistance.

We performed field work in Banjul, The Gambia from November 7 -19, 2009.

Summary of Review of Allegation(s)

The allegations related to the activities of the committee were substantiated.

Under the direction of PC/Gambia staff, Volunteers created an improper method to obtain UNDP grant funds for small community projects. We determined that Volunteers:

- On behalf of the Peace Corps, engaged in the solicitation of grant funds from the UNDP without appropriate written authority from the agency.
- Established a corporate entity registered with the Government of The Gambia for the purposes of directly receiving UNDP grant funds on behalf of local communities.
- Used Peace Corps' tax-free status to obtain tax-free status for the corporate entity from the Government of The Gambia.
- Inadvertently took actions that committed the Peace Corps to accept responsibility by accepting grant funds on behalf of the Peace Corps without any formal agreement between the Peace Corps, UNDP, and the Government of The Gambia.
- Established multiple foreign bank accounts to receive and disburse UNDP funds.
- Received and disbursed UNDP funds without oversight, reporting requirements, or other methods of accountability.

We also found that the country director and PC/Gambia staff facilitated many of the unauthorized and improper transactions. For example, the country director signed a letter to a local bank certifying Peace Corps tax exempt status so that the unauthorized corporate entity formed by the Volunteers could receive tax free benefits. The Peace Corps staff assisted the Volunteers in improper solicitation to the UNDP for grant funds and were likely aware that the Volunteers were engaged in these activities on behalf of PC/Gambia.

Since these activities did not comply with applicable laws and Peace Corps' regulations, we assisted the Peace Corps in terminating them. Our assistance included establishing a full accounting of all UNDP funds received by verifying the nature and the status of projects involving UNDP funds, identifying the amount of funds received and disbursed, and establishing the remaining fund balances. Our assistance also included helping to dissolve the unauthorized corporate entity in The Gambia, and participating in meetings with staff members from the UNDP and representatives of the Government of The Gambia to resolve any outstanding issues.

CC: Kathy Buller, Inspector General