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From: Kathy A. Buller, Inspector General 

Date: September 28, 2017

Subject: Final Report on the Audit of Peace Corps/Cambodia (IG-17-04-A)

Transmitted for your information is our final report on the Audit of Peace Corps/Cambodia.

Management concurred with all 19 recommendations. In its response, management described actions it is taking, or intends to take, to address the issues that prompted each of our recommendations. We closed 9 recommendations (numbers 1, 2, 4, 7, 9, 12, 15, 16, and 17) based on a review of corrective actions and supporting documentation. There are 10 recommendations (numbers 3, 5, 6, 8, 10, 11, 13, 14, 18, and 19) that remain open. We will review and consider closing the recommendations when documentation reflected in the agency's response to the preliminary report is received.

Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

Our comments, which are in the report as Appendix E, address these matters. Please respond with documentation to close the remaining open recommendations within 90 days of receipt of this memorandum.

You may address questions regarding follow-up or documentation to Assistant Inspector General for Audit Judy Leonhardt at 202.692.2914 or Auditor Shane Potter at 202.692.2905.

Please accept our thanks for your cooperation and assistance in our review.

cc: Paula Albertson, Country Director, Peace Corps/Cambodia
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PEACE CORPS

Office of Inspector General



Angkor Wat at sunrise.



Final Audit Report
Peace Corps/Cambodia
IG-17-04-A
September 2017

EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Cambodia (hereafter referred to as “the post”) from March 13 to March 31, 2017. About 505 Volunteers have served in Peace Corps/Cambodia since the program’s inception in 2007.

Staff:

U.S. direct hires: 3

Foreign Service nationals: 2

Full-time personal services contractors: 31

Spending (approx.):

Fiscal Year (FY) 2016 post spending: \$2.3 million

Average regional overhead: \$423,486



Map of Cambodia

WHAT WE FOUND

The post’s financial and administrative operations required improvement to comply with agency policies and applicable federal laws and regulations. Specifically, the post:

- Did not consistently collect overpayments of living allowances paid to Volunteers who terminated their service early.
- Did not follow adequate internal control procedures to ensure grant expenses were thoroughly reviewed, accurately reconciled and properly collected.
- Approved credit card payments for Volunteer training that exceeded the modified contract amount by \$301.
- Allowed the food security coordinator to operate as an unofficial sub-cashier and provided cash advances that exceeded the monetary limitations of a sub-cashier.
- Did not regularly liquidate interim advances in a timely manner.

In addition, we detected internal control issues with creating bills of collection (BOCs), retaining records, and consistently soliciting competitive bids for procurements that exceeded \$3,000 U.S. dollar equivalent (USDE) from FYs 2013 to 2016.

RECOMMENDATIONS IN BRIEF

Our report contains 19 recommendations directed to the post and headquarters, including that the post strengthen controls over the processes for managing imprest funds, modifying contracts, creating BOCs, collecting Volunteer overpayments, and closing grant projects. In addition, we recommend that the post work with Global Accounts Payable (GAP) to obtain a waiver for the sub-cashiers when exceeding the maximum amount for a cashier advance, and that GAP publish guidance for mobile banking.

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BACKGROUND

OIG conducted the audit of the post from March 13 to March 31, 2017. The Peace Corps received its first group of Volunteers in Cambodia in 2007. Since then, roughly 505 Volunteers have served in 16 of Cambodia's 24 provinces. The initial focus of the program was teaching English on the secondary level, as well as teacher training.

At the time of our audit, 112 Volunteers were working in English teaching/teacher training and community health education. The post had 3 U.S. direct hires, 2 Foreign Service nationals, and 31 full-time personal service contractors. In FY 2016, the post's budget was about \$2.3 million.¹

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

AUDIT RESULTS

VOLUNTEER ALLOWANCES

The post did not accurately calculate and routinely collect overpayments of living allowances paid to Volunteers who terminated their service early.

Volunteers receive monthly living allowances while in their country of assignment. Living allowance payments consist of base, supplemental, and/or special living allowances. Peace Corps Manual Section (MS) 221.5.8 states:

“...[T]he living allowance payments cover only the number of days the Volunteer served. In those cases where the termination date of an early termination is known in advance, calculation of the final living allowance payment must also be adjusted to cover through the last day of service. Where information is not known in advance, the overpayment must be collected from the Volunteer or deducted from the Volunteer's Readjustment Allowance.”

The post can collect these overpayments by issuing a BOC, requesting collection from the Volunteer's readjustment allowance, or withdrawing funds from the Volunteer's bank account.²

¹ The agency does not determine a total cost per post beyond directly attributable post expenses, as certain costs are centrally budgeted and managed by headquarters offices including the salaries and benefits of U.S. direct hires. The Peace Corps Office of Budget and Analysis provided the total cost of \$8.9 million incurred by the Europe, Mediterranean and Asia region in direct support of its 21 overseas posts in FY 2016, which is an average of \$423,486 per post.

² Overseas Financial Management Handbook (OFMH) 2.7, “Volunteer Allowances Paid/Collected via FORPost”

We reviewed living allowances for 70 Volunteers that ended their Peace Corps service early. Contrary to Peace Corps policy, the post did not collect overpayments of living allowances for eight Volunteers totaling approximately \$986 USDE.

According to the director of management and operations (DMO), the post creates BOCs to collect prorated living allowances whenever a Volunteer terminates their service early. If the Volunteer is unable to pay the amount due, the post deducts the amount from their readjustment allowance. In addition, Volunteers are instructed to close their bank account in order to prevent the next month's payment from being deposited. If a Volunteer is unable to request the account closure, the post signs a power of attorney authorizing post staff to close and remove funds from the Volunteer's bank account.

During the audit we concluded that the post overpaid living allowances to eight Volunteers. We discovered that three of the eight Volunteers' bank accounts had remained open after their service ended. Consequently, living allowances were automatically deposited into the departed Volunteers' bank accounts without the knowledge of the DMO or the financial specialist. We reviewed the bank statements and found that these accounts had uncollected balances totaling approximately \$424 USDE.

This lapse occurred because the post did not review any documentation to make sure that the Volunteers' bank accounts were closed, nor review living allowance reports and reconcile the disbursed living allowances to ensure proper collection. As a result, the post did not collect overpaid funds from the Volunteer accounts.

We also noted that living allowance collections were miscalculated for six Volunteers who departed the post early. The financial specialist prorated calculations based on paid host family fees, leave allowances, living allowances, and taxable allowance. Despite having a spreadsheet for tracking these allowances, the financial specialist did not always confirm that the living allowance payments listed in the spreadsheet were correct before calculating the debt owed. In certain instances, the post failed to account for the living allowances that were paid to Volunteers in advance. The errors in the calculations led to insufficient collections from the Volunteers totaling approximately \$552 USDE or, in one instance, overcharging the Volunteer.

We recommend:

- 1. That the director of management and operations incorporate a procedure to review departed Volunteers' bank accounts, confirm that the accounts are closed, ensure the amounts calculated as overpayments for living allowances are accurate, and collect any debt owed.**
- 2. That the post apply due diligence in issuing bills of collection for approximately \$986 USDE, withdraw the funds from the departed Volunteers' bank accounts, and collect the remaining overpaid living allowances.**

GRANTS

The post did not follow adequate internal control procedures to ensure grant expenses were thoroughly reviewed, accurately reconciled, and properly collected.

We sampled nine grant files and determined that five completion reports were not properly reviewed, as the post staff did not reconcile the receipts to the amounts indicated on the grant completion reports. When Volunteers complete grant projects, post staff should reconcile the completion reports with the supporting documents and tell the billing officer to create BOCs for any unused grant funds.³ The cashier must then collect funds from the Volunteers for any amount due. Per the Department of State's Cashier User Guide, "cashiers [principal, alternate and sub cashiers] or officially designated collection agents are the only individuals authorized by the Department of State to collect funds."

The grants coordinator told us that completion reports were being reconciled against the receipts. However, we determined that the post staff did not thoroughly reconcile the completion reports due to the large quantity of receipts included with each report. Instead, the staff relied solely on the totals provided by the Volunteers. By not reconciling the receipts with the completion reports, the post miscalculated the amount of unused grant funds for five grant projects. We found that some of the receipts were excluded from or incorrectly recorded on the completion report. Therefore, the post overcharged two Volunteers nearly \$134 USDE total and failed to collect roughly \$270 USDE of unused grant funds from three Volunteers. By not accurately reconciling the grants, the post was not compliant with the guidelines for managing small grants and the collection of unused grant funds.

In addition, we noted that post staff other than the cashier occasionally collected unused grant funds from Volunteers. According to the DMO, the cashier was unable to collect the funds since the Volunteers did not have the necessary paperwork for collection. Therefore, staff collected the funds to assist the Volunteers with safeguarding the money. Furthermore, the post wanted to minimize Volunteer time away from site and the need for extra travel to the capital.

Consequently, the post violated policy by allowing post staff to handle grant funds, whereas only the cashiers should collect funds from Volunteers. The post should have advised the Volunteers and staff that cash collection must only be handled by the cashiers. Volunteers must maintain possession of the grant funds until all of the necessary paperwork can be submitted to the cashier. Although we did not identify any instances of funds being misused, allowing other staff to collect funds is not consistent with the cashier's guidelines and exposed the agency to unnecessary risks of fraud and abuse.

³ Per OFMH 7.2.1 and the Peace Corps Small Grants Program - Staff Handbook, "Unused Funds."

We recommend:

- 3. That the director of management and operations establish adequate internal controls to ensure that completion reports are properly reconciled before closing out the grant projects.**
- 4. That the director of management and operations ensure cash collection is only performed by the cashier.**
- 5. That the post work with office of Global Accounts Payable and Office of Gifts and Grants Management to account for the five grants that were erroneously charged.**

BILLS OF COLLECTION

The billing officer did not consistently issue bills of collection when withdrawing grant funds from Volunteers' bank accounts.

We sampled 14 BOCs and deduced that the post did not create BOCs or document collections for unused grant funds that were withdrawn from two Volunteers' bank accounts. Instead of creating BOCs and collection receipts for all funds that were withdrawn, the post only created a BOC to recover the debt owed to the Peace Corps and another for personal funds that were returned to the departed Volunteer. The post did not create BOCs for unused grant funds that were then given to the Volunteers to whom the grant projects were reassigned.

This happened because the post received conflicting information from headquarters offices. The Office of Grants and Gifts Management told the post not to create BOCs for grant funds because it delays project implementation. However, the acting Chief Financial Officer stated, "BOC should be created anytime money is withdrawn from a Volunteer's account." Posts are advised to keep the grant funds in the departed Volunteer's bank account until the grant project is reassigned to another Volunteer. Before transferring the funds to the newly assigned Volunteer, post staff must reconcile grant receipts and complete the transfer of responsibility form with the newly assigned Volunteer's signature. The grant handbook for staff states that, "The post's DMO should follow standard agency collection procedures to credit unused funds against the original obligation." Per the collection procedure outlined in OFMH 7.2.1, the billing officer must create a BOC as soon as it is known that the Peace Corps will be receiving funds.

By not creating a BOC to document the withdrawal and collection of unused grant funds, the post lacked strong internal control procedures to safeguard funds and establish a system of checks and balances. Without a BOC or another electronic method for recording the transfer, unused grant funds from the departed Volunteer's account could easily be diverted because there is no record of the transfers in the financial system.

We recommend:

- 6. That the director of management and operations ensure compliance with policy to issue bills of collection as soon as the amount is due to the Peace Corps.**

The post did not consistently comply with records management policies to maintain bills of collection and collection receipts for the required time period.

We noted that the post prematurely disposed of eight BOCs for staff expenses due to a misunderstanding of the records management policy relating to the destruction for copies of imprest reconciliations. MS 892 - Attachment B, "Guide to Peace Corps' Records Schedules (Posts)" states:

"Cashier's Files / Imprest Reconciliations ...

Copies of Imprest reconciliations (cash counts and audit files) and the Financial Service Center (FSC) 365 ("Cashier reconciliation statement)... and supporting documentation (such as cashier cables relating to the adjustment of the imprest fund, overseas post bills of collection ...), collection for money owed to the U.S. Government [Bill of Collections (BOC)], and deposits to account. ...

DISPOSITION: Temporary. ... Post: Destroy 1 year after cutoff. ...

Collections for money owed U.S. Government...

Bill of Collection log and supporting documentation for telephone or other expenses charged to staff.

DISPOSITION: Temporary. Destroy after 6 years after final payment."

We recognize that the policy mentions two separate time periods for when the post should destroy BOCs, which may have caused confusion. However, the 6-year time period is specifically for expenses related to staff. As these documents are kept at the post, and not archived by headquarters, it is the responsibility of the post to maintain them for the disposition period. The absence of complete and accurate collection documentation can potentially expose the post to risks associated with not being able to accurately validate collections billed over specific periods in question.

We recommend:

- 7. That the director of management and operations ensure staff has an understanding of the record retention policies prior to destruction of documents.**
- 8. That the agency clarify the records retention policy as it relates to the destruction of bills of collection records to differentiate between cashier files/imprest reconciliations and collections for money owed to the U.S. Government.**

IMPREST FUND

The post did not regularly liquidate interim advances in a timely manner.

Interim advances were not liquidated within 3 days, as required by Peace Corps policy. There were a total of 19 instances from October 2015 through March 2017 in which interim advances were not cleared within 3 days. The majority of interim advances that were not cleared in a timely manner were for mail delivery and miscellaneous post and Volunteer expenses. OFMH 13.18.2 states: “The interim cash advance must be supported by a copy of the authorized purchase document, and liquidated (accounted for) within 3 working days.”

On five occasions, the post contracted taxis and buses to deliver mail to Volunteers’ sites to make up for the lack of postal services in remote locations. The post’s drivers would take out an interim advance to pay taxi and bus drivers to deliver packages to Volunteers. The amount of travel required to implement this plan meant that the post drivers were unable to clear the interim advances within 3 days as stated in the regulations. However, the former DMO recognized this was an issue prior to the audit and began the process to eliminate the mail delivery service benefit to the Volunteers as of April 1, 2017.

Similarly, the food security coordinator took out interim advances on four different occasions for training events that would not clear within 3 days (OFMH 13.18.2). These advances were for the volunteers and their in-country counterparts for travel, lodging, meals, snacks, and gardening supplies. These training events would often be Monday through Friday in remote locations away from the Peace Corps office. Therefore, the food security coordinator would be unable to clear the interim advances within 3 days.

Failure to liquidate interim cash advances within 3 days impacts the cashier’s ability to document the status of the imprest fund and accountability to safeguard interim advances. Clearing interim advances in a timely manner ensures a prompt return of unused funds and helps to minimize imprest fund cash required to be on hand. We advised the DMO that the food security coordinator could be designated a sub-cashier, receive the appropriate training, and avoid being subject to the three day rule for interim advances. During the audit, the post was granted approval from GAP for the food security coordinator to become a sub-cashier.

We recommend:

- 9. That the director of management and operations implement a process to ensure interim advances are cleared within three days.**

The post disbursed over the authorized amount for interim advances without receiving a waiver from the Office of Global Accounts Payable.

The food security coordinator and the former sub-cashier had five interim advances from October 2015 through March 2017 that exceeded the monetary threshold for advances. The Cashier User Guide states that “the limitations for petty cash payments are the same as for all

payments from the imprest fund: U.S.E. \$ 500.00.” However, on four separate occasions the food security coordinator was given advances of more than \$500 USDE. Specifically, we noted that the food security coordinator received approximately \$5,500 in one instance, \$1,300 in another instance, and \$6,500 USDE in two other instances. According to the DMO, the use of interim advances was the best option to pay for off-site training. However, personnel cannot receive more than \$500 without being designated a sub-cashier.

In one instance, the former sub-cashier was given an interim advance for training in addition to the sub-cashier allotment; the advances collectively totaled \$12,114 USDE, which surpassed the threshold of \$2,500 USDE for a sub cashier and lacked approval from the Office of Global Accounts Payable. OFMH 13.C.3 states: “The maximum authorized advance is normally \$2,500 and will be listed in the Sub-cashier’s designation...” The post would still need approval from the director of GAP for anything over this amount. OFMH 13.C.3 further states:

“The Director of GAP may authorize a maximum authorized advance to a Subcashier higher than \$2,500 for specific circumstances with sufficient justification. (For example, when there are large training programs which require large individual disbursements, when there are safety and security concerns which may prompt consolidation or evacuation, etc.)”

When sub-cashiers carry large advances, it exposes the post to greater risk of improper payments and loss of funds through negligence.

We recommend:

10. That the director of management and operations ensure that interim advances do not exceed the authorized amount.

11. That the director of management and operations request approval from the Office Global Accounts Payable for interim advances over \$2,500.

Headquarters failed to establish adequate safety procedures for staff transporting large quantities of cash.

As credit cards are not widely accepted throughout Cambodia, it was necessary for the staff to carry imprest funds while preparing for training in remote areas of the country. However, the post has raised safety and security concerns regarding a staff member carrying over \$2,500 USDE. As noted above, we found instances of a post staff member carrying approximately \$12,000 USDE.

The post has suggested using a mobile payment service such as Wing to wire the money to staff, which would avoid staff needing to travel with a large amount of cash. However, the post was informed by GAP that imprest funds are controlled by the Department of State, which does not allow services like Wing to be used. However, around April 2017, GAP received notification from the Department of State that the Peace Corps or Peace Corps posts were allowed to use mobile banking systems to deposit money into an account stored on a cell phone. GAP began testing the new payment method with Peace Corps/Tanzania and presented the guidance during the Africa DMO conference. Under the new payment method, the post is authorized to pay host families, casual laborers, and other payees in remote locations as well as recipients without bank

accounts. In order to use mobile payments, the Africa posts were advised to work with the Embassy and the local phone provider. In addition, the post would need to solicit competitive bids and work with Acquisitions and Contract Management to ensure a contract is properly set up. During the course of the audit, GAP informed Peace Corps/Cambodia of the mobile payments pilot program and instructed the post to follow the guidance to be a pilot program for the Europe, Mediterranean, and Asia region.

We recommend:

12. That the post work with the Office of Global Accounts Payable and the Embassy to determine if a mobile payment system can be established.

13. That the Office of Global Account Payable publish guidance in the Overseas Financial Management Handbook for mobile payment service options.

The post did not perform random unannounced imprest verifications.

According to OFMH section 13.24.2, “The monthly and quarterly verifications must be unannounced and performed at different times each month, e.g., they should not be done on the last day of every month.” We reviewed cash counts conducted from October 2015 through March 2017, and noted that the post regularly performed cash counts during the last week of the month. We also noted the DMO did not perform the monthly cash count for May 2016. The post consistently waited until the last week to do their cash counts and ran out of available time to conduct the cash count for May.

The DMO said that random cash counts do not occur until the end of the month because of other priorities arising within the month. The post’s noncompliance with procedures for performing unannounced monthly cash counts increased the risk of misappropriated funds. For example, cashiers/sub-cashiers who can predict the timing of an unannounced cash count could potentially cover-up irregularities, thus making it difficult for the country director and DMO to detect them.

We recommend:

14. That the country director and the director of management and operations ensure that unannounced cash counts are performed each month and on a random basis.

CREDIT CARD PURCHASES

The post approved credit card payments for a Volunteer training that exceeded the stated contract amount.

In May 2016, the financial assistant signed a fixed-price contract with economic price adjustments for a training event totaling \$10,867.50 USDE. Federal Acquisition Regulations (FAR) 16.203 states that “a fixed-price contract with economic price adjustment provides for upward and downward revision of the stated contract price upon the occurrence of specified contingencies...” Clause 1 of the contract stated that the contracting officer or representative reserves the right to increase or decrease the number of units of agreed services (rooms, breakfast, lunch, dinner, and breaks) at the rates established per the contract by \$1,250 USDE.

By June 2016 the former DMO modified the contract amount to \$7,453.50 USDE, decreasing the agreed-upon services. The DMO also updated Clause 1 to state:

“This modification serves to decrease update and replace clause 1- Supplies or Services and Prices of contract per attachment 1 of this modification. No additional funding is needed. All other terms and conditions remain unchanged.”

Contrary to the terms of the modified contract, the post later approved three credit card payments totaling close to \$7,800 USDE, thereby exceeding the contract amount by about \$301 USDE. This occurred because the financial assistant believed that Clause 1 from the original contract was still in effect for the modified contract.

However, the contract was changed by the former DMO to explicitly amend and replace the economic price adjustment clause to state that no additional funds were needed in Clause 1. Therefore, the contract was modified to a firm-fixed-price contract when the Peace Corps and the contractor agreed to remove the economic adjustment clause. FAR 16.202 states, “A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor’s cost experience in performing the contract.”

The contract was never subsequently modified to increase the amount up to approximately \$7,800 USDE. Additionally, we noted that the post never decreased the obligation amount in June to reflect the modified contract amount. As a result, the transactions were approved for payment and the discrepancies were never detected by GAP.

We recommend:

- 15. That the director of management and operations modify the contract to clearly represent the cost of the services provided.**

DISBURSEMENTS

The post did not fully comply with requirements for vendor selection or maintain supporting documentation for procurements that exceeded \$3,000 USDE.

Despite Peace Corps policy, the post did not file quotes, retain proof of advertising, or complete a justification memo to document training and conference costs, purchase of medical supplies, internet service, bicycles, and computers that exceeded \$3,000 USDE. Peace Corps policy states that “when the expected purchase price exceeds 10% of the small purchase limitation threshold, the contracting officer shall solicit at least three bids from qualified suppliers, if available.” (MS 732.6.3.6). Policy further states that the post should maintain the quotes in a file and must provide evidence to determine that the quoted price is reasonable (MS 732.6.3.8).

We reviewed a judgmental sample of 78 disbursements and determined that 18 disbursements were not adequately supported. From FYs 2013 to 2016, the post disbursed approximately \$107,390 USDE without following the procurement requirements for requesting quotes and documenting competitive bids. The post staff did not provide any evidence to prove that the invoiced amounts were reasonable or that bid solicitations were completed. However, we noted that the post had obtained bids and maintained supporting documentation for some transactions related to these services in FY 2016.

After reviewing FY 2016 competition documents, we concluded that the former DMO did not consistently require the staff to follow policy because of the post’s familiarity with the vendor’s services and trends in the industry’s prices. Adequate documentation of the competitive process is an important internal control to ensure fair contracting practices and economical acquisitions. Thus, we are reporting approximately \$107,390 USDE in unsupported questioned costs.

We recommend:

- 16. That the director of management and operations follow policy and solicit bids for purchases over \$3,000.**
- 17. That the director of management and operations maintain vendor selection documentation in the Peace Corps files.**

PROPERTY MANAGEMENT

The post did not have proper segregation of duties over property management.

The general services manager was responsible for purchasing inventory; conducting the annual inventory; and recording property into Sunflower, the post’s property database management system. This overlap occurred because post management noted that Sunflower had more controls over property management than the previously-used system, BarTracks, and so did not feel the need to further separate the duties related to property management.

However, Peace Corps policy specifies that property management duties for purchasing an item, entering it into the database, and conducting inventory should be separated. The same person maintaining the database should not be conducting the annual inventory (Personal Property Management Handbook). In addition, the Government Accountability Office's "Standards for Internal Control in the Federal Government" (GAO-14-704G) states:

"Segregation of duties helps prevent fraud, waste, and abuse in the internal control system." It further recommends that "management considers segregation of duties in designing control activity responsibilities so that incompatible duties are segregated and, where such segregation is not practical, designs alternative control activities to address the risk."

Adequate and properly implemented internal controls are essential for effective accountability and oversight over Peace Corps assets. By maintaining the official property records and conducting the annual count, the general services manager had the ability to remove an item from the records and cover up the loss by scanning the detached bar code.

During our review, we noticed a potential oversight in Peace Corps policy that may have contributed to this problem. The Peace Corps Personal Property Management Handbook specifically cites the use of BarTracks, but we noted that agency did not update the policy to establish segregated duties for Sunflower. The Peace Corps should update the Personal Property Management Handbook to include the changes implemented for using the new property management system and internal controls that outline the segregation of duties.

We recommend:

- 18. That the director of management and operations separate the responsibilities of Sunflower maintenance from conducting annual inventories.**
- 19. That the Facilities Management Division update the Personal Property Management Handbook to include Sunflower as the database management system and the segregation of duties that were implemented.**

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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

Questioned Costs

Recommendation number	Description	Amount
2	That the post apply due diligence in issuing bill of collections for approximately \$986 USDE, withdraw the funds from the departed Volunteers' bank accounts, and collect the remaining overpaid living allowances.	\$986
5	That the post work with office of Global Accounts Payable and Office of Gifts and Grants Management to account for the five grants that were erroneously charged.	\$270
16	That the director of management and operations follow policy and solicit bids for purchases over \$3,000.	\$107,390

The Inspector General Act of 1978, as amended, defines funds to be put to better use and questioned costs as follows:

- “Funds to be put to better use” are funds that could be used more efficiently if management took actions to implement and complete the recommendation.
- “Questioned costs” are costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or document governing expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

LIST OF RECOMMENDATIONS

We recommend:

1. That the director of management and operations incorporate a procedure to review departed Volunteers' bank accounts, confirm that the accounts are closed, ensure the amounts calculated as overpayments for living allowances are accurate, and collect any debt owed.
2. That the post apply due diligence in issuing bills of collection for approximately \$986 USDE, withdraw the funds from the departed Volunteers' bank accounts, and collect the remaining overpaid living allowances.
3. That the director of management and operations establish adequate internal controls to ensure that completion reports are properly reconciled before closing out the grant projects.
4. That the director of management and operations ensure cash collection is only performed by the cashier.
5. That the post work with office of Global Accounts Payable and Office of Gifts and Grants Management to account for the five grants that were erroneously charged.
6. That the director of management and operations ensure compliance with policy to issue bills of collection as soon as the amount is due to the Peace Corps.
7. That the director of management and operations ensure staff has an understanding of the record retention policies prior to destruction of documents.
8. That the agency clarify the records retention policy as it relates to the destruction of bills of collection records to differentiate between cashier files/imprest reconciliations and collections for money owed to the U.S. Government.
9. That the director of management and operations implement a process to ensure interim advances are cleared within three days.
10. That the director of management and operations ensure that interim advances do not exceed the authorized amount.
11. That the director of management and operations request approval from the Office Global Accounts Payable for interim advances over \$2,500.

PEACE CORPS OFFICE OF INSPECTOR GENERAL

12. That the post work with the Office of Global Accounts Payable and the Embassy to determine if a mobile payment system can be established.
13. That the Office of Global Account Payable publish guidance in the Overseas Financial Management Handbook for mobile payment service options.
14. That the country director and the director of management and operations ensure that unannounced cash counts are performed each month and on a random basis.
15. That the director of management and operations modify the contract to clearly represent the cost of the services provided.
16. That the director of management and operations follow policy and solicit bids for purchases over \$3,000.
17. That the director of management and operations maintain vendor selection documentation in the Peace Corps files.
18. That the director of management and operations separate the responsibilities of Sunflower maintenance from conducting annual inventories.
19. That the Facilities Management Division update the Personal Property Management Handbook to include Sunflower as the database management system and the segregation of duties that were implemented.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

Objectives

We conducted this audit to determine whether the financial and administrative operations at Peace Corps/Cambodia are functioning effectively and comply with Peace Corps policies and federal regulations.

Scope

This audit was conducted between January and July 2017 at the Peace Corps headquarters in Washington, D.C. and at the overseas post location in Phnom Penh, Cambodia. The scope period under review was October 2012 through March 2017.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Throughout the audit, auditors were aware of the possibility or existence of fraud, waste, or misuse significant to the audit objectives and conducted procedures designed to obtain reasonable assurance of detecting any such fraud as deemed appropriate.

Methodology

To obtain background information, we reviewed Federal laws and regulations as well as policies relating to Peace Corps financial and administrative operations, such as the Federal Acquisition Regulations, Peace Corps Manual, Overseas Financial Handbook, and Department of State's Cashier User Guide. Further, we provided questionnaires to Peace Corps headquarters and post managers to learn about post specific processes and risk areas.

We obtained Peace Corps/Cambodia's financial information from the disbursement and BOC reports for the fiscal years from October 2012 through January 2017. We sorted the disbursement reports universe of 47,823 transactions and judgmentally selected samples by the following payment types:

- **Imprest Fund.** We reviewed 17 months of cash counts from October 2015 to February 2017. We also performed an unannounced physical cash count for March 2017 with the cashiers (primary, alternate and sub cashiers), interviewed the cashiers, and reviewed supporting documentation related to the cash count.
- **Fuel.** We reviewed nine vehicle logs (for all seven vehicles and two moto scooters). We conducted a completeness test by tracing 20 fuel and 2 maintenance entries/receipts from the vehicle logs to the Vehicle Maintenance system. We selected the 22 entries because they were made within the last month of our testing. In addition, we reviewed the fuel vendor agreements and reconciled the sampled fuel receipts with the fuel vendor's credit card statements.
- **International Cooperative Administrative Support Services (ICASS).** We compared the ICASS invoice to the ICASS agreement to ensure that the agreement was in compliance with Peace Corps policy for allowable cost centers.

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- **Personal Service Contractor and Lease Payments.** We sampled 9 of 18 lease types and 9 of 51 PSC contracts to determine that the payment made on the disbursement report matched the contracts. In addition, we reviewed documentation related to the contract files. We also reviewed PSC security certifications for 31 PSCs. The lease sample was selected based on the contract prices, purpose of the lease contract and whether the contract was active. The PSC contracts were chosen based on the position of the employee, variations in the contract payments, and whether the employee contract allowed for overtime.
- **Medical Inventory and Transactions.** We performed medical inventory for 100 percent of the controlled and specially designated substances and sampled five disposal records. In addition, we conducted additions testing by tracing 4 medical transactions (purchases for controlled or specially designated substances) to the disbursement report, receiving report and the medical inventory records. We conducted additional sampling for the medical transactions in our review of non-cash payments and cash/credit card transactions.
- **Volunteer Payments.** We selected a small judgmental sample of 14 of 28,740 transactions to determine if the living allowances paid to Volunteers were consistent with the authorized amount. We also reconciled the collections for overpayments made to Volunteers when they terminated their service early. We reviewed living allowance payments for 70 of 105 Volunteers who early terminated between January 2013 and January 2017. We compared the Volunteer payments from the disbursement and calculated the collection amount based on the Volunteer's termination date. We reviewed the BOCs and readjustment allowance reports to determine if the collections were complete and accurate.
- **Grants.** We selected 17 of 181 grant reports (from FY 2014 to FY 2017) and reviewed the disbursement report, Peace Corps Grants Online report, project completion reports, and the project receipts. We also reviewed BOCs when the amount spent on the grant projects was less than the disbursed grant amount. We noted that five of the reports were still on-going and one project was cancelled. As a result, our sample size was reduced to nine.
- **Personal Property and Vehicles.** We performed a physical existence test for 38 out of 280 personal property items inventoried in the Sunflower inventory tracking system in addition to the 7 vehicles listed in the Vehicle Management Information System and 2 moto scooters. We also interviewed the general service manager regarding separation of duties for inventorying personal property.
- **Credit Card and Other Transactions.** We sampled 57 transactions that were not paid by credit cards and 21 credit card transactions. The 78 payments include transactions from imprest payments, personal property, medical, travel, trainings, conferences, maintenance, and general expenses. The transactions were selected because they were unusual, exceeded \$3,000 USDE, or had extensive use of vendors.

In addition, we reviewed the BOC report that had a universe of 1,287 collections (1,427 transactions). Our BOC review consisted of the following:

- **Long Outstanding.** Based on the BOC report, we calculated 17 outstanding collections over 30 days. At the post, we interviewed staff about collection steps they had taken.
- **Value Added Taxes and Host Country Contribution.** We reviewed the BOC report and the questionnaire responses from the post and the budget office to determine that the post did not have any host country contributions. In addition, VAT refunds are processed through the embassy and a credit is sent to headquarters.
- **VOIDS.** We reviewed all 72 voided BOCs and the supporting documentation to determine that the voids were correctly voided and rebilled if necessary.

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- **Open.** We reviewed both of the two open BOCs. None of the open BOCs were outstanding over 30 days.
- **Auction Sales.** No BOCs had been created for auction sales. Auction sales were processed similar to VAT. The collection was processed by the embassy.
- **General Testing.** We initially requested a sample of 23 transactions. However, we experienced a scope limitation of BOCs that had been destroyed prior to the destruction date. As a result, the sample was altered and reduced to 14 BOCs. This finding was addressed in the BOC section of the report. Our sample was based on large USDE amounts, unusual transactions, grants, Volunteer billings, and training/conference expenses. We reviewed the supporting documentation to determine if the BOCs were accurately recorded, created timely, properly obligated, and adequately collected.

Use of Computer-Processed Data

GAO's "Assessing the Reliability of Computer-Processed Data" defines reliability to mean that the data is reasonably complete, accurate, meets its intended purpose, and is not subject to inappropriate alteration.

During our audit, we relied on data extracted from the Peace Corps' financial system. We conducted limited accuracy testing of this data. During our sample testing, outlined in the methodology section above, we compared the financial system data to underlying source documentation to ensure consistency. We did not identify any discrepancies between the financial system data and the source documents reviewed. We did not test to ensure that the universe of data provided to us was complete.

However, our office uses independent auditors to annually audit the agency's financial statements. These auditors have determined that the financial statements were free from material misstatements and our auditors did not identify any material weaknesses in internal controls surrounding the financial statements.

Therefore, in our professional judgement, we determined that the data was sufficiently reliable for the purposes of this report.

Review of Internal Controls

Internal controls relate to the plans, methods, and procedures management used to meet their mission, goals, and objectives. We took steps to assess internal controls related to the Peace Corps' overseas financial and administrative operations. For example, we reviewed the Peace Corps Overseas Financial Management Handbook and interviewed key individuals on roles and processes related to disbursements and collections. Further, we met with Peace Corps management overseas and at headquarters who were responsible for oversight of post operations. We note any issues we identified during our fieldwork in the "Audit Results" section of this report. Our recommendations, if implemented, should improve the agency's overseas financial and administrative operations.

APPENDIX B: LIST OF ACRONYMS

BOC	Bill of Collection
FY	Fiscal Year
DMO	Director of Management and Operations
FAR	Federal Acquisition Regulation
MS	Manual Section
OFMH	Overseas Financial Management Handbook
OIG	Office of Inspector General
USDE	United States Dollar Equivalent
GAP	Global Accounts Payable
ICASS	International Cooperative Administrative Support Services
FSC	Financial Service Center
GAO	Government Accountability Office

APPENDIX C: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT

FEDERAL REQUIREMENTS

FEDERAL ACQUISITION REGULATION

The *Federal Acquisition Regulation 16.203- 1 (a)*, “Fixed-Price Contracts with Economic Price Adjustment- Description” states,

“A fixed-price contract with economic price adjustment provides for upward and downward revision of the stated contract price upon the occurrence of specified contingencies. Economic price adjustments are of three general types:

- (1) *Adjustments based on established prices.* These price adjustments are based on increases or decreases from an agreed-upon level in published or otherwise established prices of specific items or the contract end items.
- (2) *Adjustments based on actual costs of labor or material.* These price adjustments are based on increases or decreases in specified costs of labor or material that the contractor actually experiences during contract performance.
- (3) *Adjustments based on cost indexes of labor or material.* These price adjustments are based on increases or decreases in labor or material cost standards or indexes that are specifically identified in the contract.

The *Federal Acquisition Regulation 16.202- 1*, “Firm- Fixed-Price Contracts” states,

A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor’s cost experience in performing the contract. This contract type places upon the contractor maximum risk and full responsibility for all costs and resulting profit or loss. It provides maximum incentive for the contractor to control costs and perform effectively and imposes a minimum administrative burden upon the contracting parties. The contracting officer may use a firm-fixed-price contract in conjunction with an award-fee incentive (see [16.404](#)) and performance or delivery incentives (see [16.402-2](#) and [16.402-3](#)) when the award fee or incentive is based solely on factors other than cost. The contract type remains firm-fixed-price when used with these incentives.

STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT

GAO-14-704G, The Government Accountability Office’s *Standards for Internal Control in the Federal Government* states:

The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

PEACE CORPS REQUIREMENTS

PEACE CORPS MANUAL

Peace Corps Manual Section 221, 5.8, “Volunteer Allowances” states:

Payments for close-of-service Volunteers must be adjusted before the final payment is authorized to ensure that the living allowance payments cover only the number of days the Volunteer served. In those cases where the termination date of an early termination is known in advance calculation of the final living allowance payment must also be adjusted to cover through the last day of service. Where information is not known in advance, the overpayment must be collected from the Volunteer or deducted from the Volunteer’s Readjustment Allowance.

Peace Corps Manual Section 892, Attachment B, “Cashier’s Files / Imprest Reconciliations (Disposition Authority: DAA-GRS-2013-0003-0001) [GRS 1.1, item 010]” states:

Copies of Imprest reconciliations (cash counts and audit files) and the Financial Service Center (FSC) 365 (“Cashier Reconciliation Statement”), Subvoucher Transmittal Report (FORPost printout) and supporting documentation (such as cashier cables relating to the adjustment of the imprest fund, overseas post bills for collection, payments out (disbursement vouchers), collection for money owed to the U.S. Government [Bill of Collections (BOC)], and deposits to account. [NOTE: The FSC 365 is generated and required by the Financial Service Center and serves as the cover sheet for the supporting documents. FSC 365 is the same as Automated Cashiering System (ACS) 365.]

DISPOSITION: Temporary. Send record copy of Imprest Reconciliations and supporting documentation to Chief Financial Officer (CFO). Cut off at end of fiscal year. Post: Destroy 1 year after cutoff. CFO: Destroy 6 years after cutoff.

Peace Corps Manual Section 892, Attachment B, “Collections for money owed U.S. Government (Disposition Authority: DAA-GRS-2013-0003-0001) [GRS 1.1, item 010]” states, “Bill of Collection log and supporting documentation for telephone or other expenses charged to staff. DISPOSITION: Temporary. Destroy after 6 years after final payment.”

Peace Corps Manual Section 732, 6.3.6, “Purchases Over 10% of the Small Purchase Limitation Threshold” states:

When the expected purchase price exceeds 10% of the small purchase limitation threshold, the Contracting Officer shall solicit at least three bids from qualified suppliers, if available. If more than three qualified sources normally compete, the firms solicited may be rotated or the number of contractors increased to include the additional bidders. The decision to open the bid to additional bidders should correspond to the value of the purchase, the potential for additional price savings, and the additional administrative costs involved. Written quotations shall be required (except for emergency supplies and perishable subsistence) when the estimated dollar amount of the purchase exceeds \$10,000.00.

Peace Corps Manual Section 732, 6.3.8, “File Documentation” states:

The reason(s) for accepting a bid that is higher than the lowest quotation shall be entered in the procurement file. Such a decision must demonstrate that the lowest bid represents services or goods that fail to meet the minimum requirements of the Government. If only one source is solicited for a purchase order over 10% of the small purchase limitation threshold an additional notation shall be made to explain the absence of competition. The Contracting Officer shall establish a list of sources for use in soliciting quotations. This should appear in the file. The file must include evidence to determine that the quoted price is reasonable. The procurement file must include a written acknowledgement that goods or services were received. This acknowledgement must be made by an employee having personal knowledge of such receipt.

OVERSEAS FINANCIAL MANAGEMENT HANDBOOK

Section 2.7, “Volunteer Allowances Paid/Collected via FORPost” states:

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Volunteer allowances are processed in VICA. In limited circumstances, allowances may be paid/collected using FOR Post. (For example, paying a PCR/V his/her first month's living allowance, collecting living allowance for an early terminating Volunteer).

* * * * *

Occasionally there is a circumstance (such as a medical separation in the US) where Post must collect a Volunteer's bank account balance, keep a portion (the unused living allowance), and return the remainder (personal funds) to the Volunteer. The remainder that is paid to the Volunteer should never be charged to a taxable object class. The remainder should be collected and paid to the same nontaxable obligation.

Section 7.2.1, "Billing Steps" states:

"For internal control reasons, BOCs are entered as soon as it is known that Peace Corps will be receiving funds, even if the exact amount is not known (for example, HCC or VAT). It is very important that this Bill be entered in FOR Post at the moment it is identified."

Section 13.18.2, "Interim Advances" states:

Peace Corps Trainees, Volunteers, or staff may receive an interim advance to make a cash purchase when it is more economical or expeditious than making the payment by U. S. Government check or EFT. PSCs who receive Interim Advances are acting as Occasional Money Holders, see OFMH 13.18.3.

This interim cash advance must be supported by a copy of the authorized purchase document and liquidated (accounted for) within three (3) working days. The recipient of the funds is personally accountable for the funds until they are accounted for (with receipts or funds are returned).

The cashier should liquidate the advances within three (3) working days after issuance by obtaining copies of original receipts or other confirmation of use from the individual(s) to whom the funds were advanced. Unused cash must be returned to the cashier, with the receipts documenting the purchase. The cashier will then mark the interim receipt "Void" and return it to the person who received the advance. The receipts and the authorized purchase document are processed as a regular cashier disbursement.

Section 13 Exhibit C.3, "A Guide to Sub Cashiers- Maximum Authorized Advance" states:

The maximum authorized advance is normally \$2,500 and will be listed in the Subcashier's designation from the Director of GAP. The Subcashier's actual advance may be well less than this. The advance level is determined by the DMO based on disbursement levels of the activity being supported and on logistical issues related to being replenished by the Principal Cashier.

The Director of GAP may authorize a maximum authorized advance to a Subcashier higher than \$2,500 for specific circumstances with sufficient justification. (For example, when there are large training programs which require large individual disbursements, when there are safety and security concerns which may prompt consolidation or evacuation, etc.)

Section 13.24.2, "Verification Requirements-Reporting Procedures" states:

The monthly and quarterly verifications must be unannounced and performed at different times each month, e.g., they should not be done on the last day of every month. (See FOR Post Help for details on reconciling the ACDC report.) The verification includes a complete reconciliation, with a cash count and verification of supporting documents for all balances on the 365 (line by line) and completion of the Checklist for Verifying Officers. Note: When counting cash, the DMO or CD must physically count and inspect each bill - including packaged bundles from the bank.

U.S. DEPARTMENT OF STATE CASHIER USER GUIDE

Chapter 6, “Collections,” states:

Cashiers or officially designated collection agents are the only individuals authorized by the Department of State to collect funds... Class A and B, both Principal and Alternate, cashiers are automatically authorized to accept collections based on their position description. Sub-cashiers can only accept collections when authorization in writing to do so has been provided by the FMO, MO or Agency supervisor. If Sub-cashiers are provided the authority to accept collections, this must be indicated in the Sub-cashier’s official letter of designation....

PEACE CORPS SMALL GRANTS PROGRAM- STAFF HANDBOOK

Grant Management, -“Unused Grants” states:

In almost all instances, any funds remaining at the end of a project should be returned to the post. Volunteers or community organizations cannot use remaining funds to start new projects or to significantly expand the scope of the original project. Small grants training should emphasize that well-designed and -managed projects are completed on time and within budget. In other words, the Peace Corps expects that approved project budgets and timelines will closely correspond to actual expenditures and timelines. However, at the discretion of the small grants committee, if only a small amount of funds remain, they may be used to fund additional reasonable costs that fall within the scope of the original project.

The post’s DMO should follow standard agency collection procedures to credit unused funds against the original obligation. For PCPP, when funds are returned, they will be placed in the global fund and allocated to projects based on the Global Fund Guidance. For SPA, FTF, GEF, and VAST, posts are able to use the “recovered” budget authority to support additional grants during the same fiscal year. Unused funds are extremely difficult to collect once a Volunteer has left post, therefore every effort should be made to collect unused funds while a Volunteer is in-country.

PEACE CORPS PROPERTY MANAGEMENT HANDBOOK

The Peace Corps’ Property Management Handbook states:

The one requirement is that *these duties must be assigned to separate people*, in order to ensure separation of duties and appropriate internal controls. If the same person is purchasing an item, entering it into the database, and inventorying it, there are increased chances of both mistakes and actual fraud. Having multiple people involved in the life of the asset reduce the opportunities for mistakes or fraud.

BarTracks Database Maintenance Duties—One person should be assigned the task of updating the database as new property is received and excess property is disposed of. We suggest an Administrative or Financial Assistant. This person should not be involved in purchasing or disposing of assets, other than recording the transaction in the database. This person should not conduct inventories.


Conducting Inventories—The Administrative Officer must oversee inventory, but generally is not the person who conducts the entire inventory. The AO will most likely delegate the task of conducting the annual and semi-annual inventories to someone. Larger posts will want to detail more support to this person, particularly for the overall annual inventory in the fall, but we suggest that one person be selected as the primary lead for these tasks. We suggest the General Services Officer/General Services Manager. This person should not be the person who maintains the database. The inventory is conducted with the BarTracks scanner, which can then upload the updated information into the database. This also should not be a person who is primarily responsible for or directly involved in purchasing or disposing of property.


APPENDIX D: AGENCY RESPONSE TO THE PRELIMINARY REPORT



MEMORANDUM

To: Kathy Buller, Inspector General

Through: Angela Kissel, Acting Chief Compliance Officer 

From: Jean Seigle, Acting Regional Director EMA Region 
Paula Albertson, Country Director, Peace Corps/Cambodia

Date: September 14, 2017

CC: Shelia Crowley, Acting Director
Carl Sosebee, Acting Chief of Staff
Kathy Stroker, Acting Deputy Director
Kristin Besch, Acting Associate Director of Global Operations
Joaquin Ferrao, Deputy Inspector General
Judith Leonhardt, AIG/Audits
Douglas Warnecke, Chief Administrative Officer, EMA Operations
Matthew Colburn, Director of Management and Operations, PC/Cambodia

Subject: Agency Response to the Preliminary Report on the Audit of Peace Corps/Cambodia (Project No. 17-AUD-04)

Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/ Cambodia as outlined in the Preliminary Report on the Audit of Peace Corps/Cambodia (Project No. 17-AUD-04) given to the agency on July 31, 2017.

The Region and the Post have addressed and provided supporting documentation for 10 of the 19 recommendations provided by the OIG in its Preliminary Audit Report: Peace Corps/Cambodia. The Post and Region will work to address the remaining recommendations by the set target dates.

Recommendation 1

That the Director of Management and Operations incorporate a procedure to review departed Volunteers' bank accounts, confirm that the accounts are closed, ensure the amounts calculated as overpayments for living allowances are accurate, and collect any debt owed.

Concur

Response: PC/Cambodia has implemented a procedure to ensure Volunteers close their bank account as part of the Close of Service and Early Termination (COS/ET) procedures and this requirement is now listed in Post's *Close of Service Handbook*. This procedure also applies to Volunteers who are being medically evacuated when it is probable they will be medically separated. Also, prior to arriving in Phnom Penh, the Country Director's Executive Assistant provides, via email, comprehensive COS/ET instructions including the bank account closure requirement. Post requires Volunteers who are departing to follow a specific checklist and obtain signatures from staff documenting their completion of each step. PCVs are required to submit a bank account statement showing the account has been closed as part of the financial reconciliation process which is verified by the Financial Assistant. If it is not feasible to close the bank account during the medevac process, Volunteers sign a letter authorizing Post's Financial Assistant to close bank account on their behalf.

Post adopted a new reconciliation spreadsheet to ensure accuracy of prorated living allowance calculations, other payments, reimbursements, and deductions. If over payment has occurred, the reconciliation spreadsheet supports the issuance of a bill of collection.

Documents Submitted:

- Close of Service Handbook Section 3.5 Overpayment of In-Country Volunteer Allowances and 3.6 – Closure of In-Country Bank Account
- Sample Email to Volunteer regarding COS/ET Procedures
- COS and Medevac Check List
- Sample Bank Account Closure Authorization Letter
- Sample ET Allowance Collection Worksheet
- Volunteer ET and Medevac Financial Reconciliation SOP
- Sample RA Account Details Report

Status and Timeline for Completion: Completed, August 2017

Recommendation 2

That the post issue bills of collections for approximately \$986 USDE, withdraw the funds from the departed Volunteers' bank accounts, and apply due diligence to collect the remaining overpaid living allowances.

Concur

Response: PC/Cambodia has taken multiple steps to close volunteer bank accounts, withdraw funds and collect remaining overpaid living allowances. Post has confirmed that all but one Volunteer's bank account is closed. As a result of the bank account closures, post was able to collect \$367.98. Despite multiple attempts, region has been unable to obtain an authorization letter from one departed Volunteer. A summary of post's due diligence has been submitted along with documentation of outreach to PCVs and collections.

Documents Submitted:

- BOCs for Volunteers
- ET Allowance Collection Documentation
- Departed PCV Bank Account and Living Allowance Collection Tracker
- Early Termination and Living Allowance Deduction
- Email Communication with Departed Volunteer

Status and Timeline for Completion: Completed, August 2017

Recommendation 3

That the Director of Management and Operations establish adequate internal controls to ensure that completion reports are properly reconciled before closing out the grant projects.

Concur

Response: Post instructed the Grant Coordinator to review and reconcile grant receipt totals submitted by PCV to verify accuracy of the PCV data submission to the Peace Corps Grants Online (PCGO) system. Post also requires the Grant Coordinator to separately reconcile each receipt line item against the receipt totals to verify accuracy of PCV and vendor calculations. Finally, Post requires the Grant Coordinator to reconcile receipt line items with the line items in PCGO. Grant close-out and the issuance of BOCs (if applicable) are only approved after DMO confirms receipt line items and totals are properly calculated and match PCGO submission.

Documents to be Submitted:

- 3 Sample Grant Reconciliations
- SOP, Grant Close-Out
- Email to Staff on New SOP

Status and Timeline for Completion: October 2017

Recommendation 4

That the Director of Management and Operations ensure cash collection is only performed by the cashier.

Concur

Response: PC/Cambodia verbally reminded all staff to not accept, transport, or hold cash from/for Volunteers. Post then instructed Volunteers (via email) not to ask grant staff to accept, transport or hold cash for them. The DMO also sent a memorandum regarding designated collection agents to all staff via email. Furthermore, the DMO and/or FA presented information related to this requirement at staff and volunteer events.

Documents to be Submitted:

- Weekly update email to all Volunteers regarding grant management.
- Memorandum to all staff regarding designated collection agents.
- Weekly update email to all Volunteers regarding cash collection.
- Staff Training PPT slide regarding designated collection agents
- Agendas/meeting notes from staff and Volunteer events

Status and Timeline for Completion: Completed, September 2017

Recommendation 5

That the post work with office of Global Accounts Payable and Office of Gifts and Grants Management to account for the five grants that were erroneously charged.

Concur

Response: The Office of Global Accounts Payable (OGAP) will set up an accounts receivable for the three grants that cost the Agency \$270. Additionally, OGAP will work with PC/Cambodia to attempt to refund the two Volunteers who were overcharged for their grants.

Documents to be Submitted:

- Proof of the accounts receivable
- Email proof of due diligence to refund the Volunteers

Status and Timeline for Completion: December 2017

Recommendation 6

That the Director of Management and Operations ensure compliance with policy to issue bills of collection as soon as the amount is due to the Peace Corps.

Concur

Response: Post requires the Grant Coordinator to perform a reconciliation of all grant expenses and submit the reconciliation to the DMO for approval. If the approved final reconciliation reveals unused funds, the Grant Coordinator submits the reconciliation to the Billing Officer to issue a BOC to the PCV who is required to return the funds within thirty days.

Documents to be Submitted:

- SOP, Grant Close-Out
- Email to staff about new SOP

Status and Timeline for Completion: October 2017

Recommendation 7

That the Director of Management and Operations ensure staff has an understanding of the record retention policies prior to destruction of documents.

Concur

Response: The DMO sent a memorandum to the Financial Assistant, Administrative Assistant, and Cashier detailing the “Cashier’s Files/Imprest Reconciliations Disposition Authority”. Furthermore, the DMO discussed the policy in person with each of the above staff members to ensure their understanding of the policy.

Documents Submitted:

- Email sent to FA, AA, and Cashier with signatures.

Status and Timeline for Completion: Completed, August 2017

Recommendation 8

That the Agency clarify the records retention policy as it relates to the destruction of bills of collection records to differentiate between cashier files/imprest reconciliations and collections for money owed to the U.S. Government.

Concur

Response: The Records Management Office is working on its annual update to the Guide to Peace Corps Records Schedules (Posts) and annual file plan revisions. In January 2018, when the Guide is published on the Records Management Resource Center page and the file plans are distributed to posts, they will include two changes based on the OIG recommendation: 1) The title for "Collection for monies owed to the U.S. Government" will become "Collection Logs and Supporting Documentation" ; and 2) “Cashiers Files/Imprest Reconciliations” will include a sentence stating that the disposition of the "Bill of collection logs and supporting documentation

for telephone or other expenses charged to staff" will be found under "Collection Logs and Supporting Documentation ".

Documents to be Submitted:

- Updated Guide to Peace Corps Records Schedules

Status and Timeline for Completion: January 2018

Recommendation 9

That the Director of Management and Operations implement a process to ensure interim advances are cleared within three days.

Concur

Response: PC/Cambodia transitioned to provincial level PO Boxes for Volunteers thus eliminating the practice of contracting taxis to deliver mail to PCVs in remote locations. This resulted in less instances of failing to clear cash advances associated with mail delivery within the required three day timeframe. Post has also established additional sub-cashiers to issue interim advances when it is not feasible to clear the advances within the three day timeline.

The DMO sent an email to all staff to remind them cashier policies and specifically their responsibility to clear interim advances within three days of receipt. The DMO presented the cashier policies to all staff at an all staff meeting and will follow up with the cashier and senior managers to review any advances that are not cleared within three days.

Documents Submitted:

- Email to PCVs regarding provincial mailboxes
- Email to staff regarding cashier policy
- PPT from All Staff Presentation

Status and Timeline for Completion: Completed, September 2017

Recommendation 10

That the Director of Management and Operations ensure that interim advances do not exceed the authorized amount.

Concur

Response: PC/Cambodia obtained approval from the Office of Global Accounts Payable (OGAP) to establish the Food Security Coordinator as a sub-cashier with a max advance of \$6000. Post also received approval from OGAP to establish the Training Assistant as a sub cashier with a max advance of \$4000. Post requires cashier keeps hard copies of sub-cashier authorizations on hand and consults them prior to issuing advances to sub cashiers to ensure sub-cashier limits are not exceeded. Documentation of current sub-cashier advances show all advances are within the limits of GAP's authorization. Post updated their SOP to include instructions on interim advances regarding advances greater than \$2,500.

Documents to be Submitted:

- Food Security Coordinator sub-cashier approval
- Training Assistant sub-cashier approval
- Food Security sub-cashier advances
- Training Assistant sub-cashier advances
- SOP, Interim Advances (indicating that OGAP approval is needed for certain amounts).

Status and Timeline for Completion: October 2017

Recommendation 11

That the Director of Management and Operations request approval from the Office Global Accounts Payable for interim advances over \$2,500.

Concur/ Do Not Concur

Response: Post obtained approval from OGAP to establish Food Security Coordinator as a sub-cashier with a max advance of \$6000. Post received approval from GAP to establish the Training Assistant as a sub cashier with a max advance of \$4000. Post updated their SOP to include instructions regarding interim advances greater than \$2,500.

Documents to be Submitted:

- Food Security Coordinator sub-cashier approval
- Training Assistant sub-cashier approval
- SOP, Interim Advances (indicating that OGAP approval is needed for certain amounts).

Status and Timeline for Completion: October 2017

Recommendation 12

That the post work with the Office of Global Accounts Payable and the Embassy to determine if a mobile payment system can be established.

Concur

Response: Post has engaged in preliminary conversations with the Embassy FMO and local banks to explore alternative solutions for making payments and issuing reimbursements to unbanked rural vendors such as host families, casual laborers, tutors, and volunteer counterparts. As noted in the report, Post hosts trainings in remote locations that require per diem and other payments to be made in cash. Given the length of the trainings clearing those cash advances within three days is not practical. A mobile payment solution or other alternative approach may reduce Post's reliance on cash payments.

Documents Submitted:

- Meeting with FMO to discuss mobile payment solutions.
- Meeting with FMO and Embassy bank (Cambodian Public Bank) to discuss mobile payment solutions.

Status and Timeline for Completion: Completed, August 2017.

Recommendation 13

That the Office of Global Account Payable publish guidance in the Overseas Financial Management Handbook for mobile payment service options.

Concur

Response: The Office of Global Accounts Payable will edit the OFMH to include language concerning mobile payment service options.

Documents to be Submitted:

- Updated OFMH section

Status and Timeline for Completion: December 2017

Recommendation 14

That the Country Director and the Director of Management and Operations ensure that unannounced cash counts are performed each month and on a random basis.

Concur

Response: Unannounced cash counts were performed on a random unannounced basis between April and August of 2017. PC/Cambodia has submitted a tracker with the specific dates. The DMO and CD have each created private calendar reminders to ensure cash counts are performed each month at random times.

Documents Submitted:

- Cashier verification tracker
- Screenshots of the calendar reminders

Status and Timeline for Completion: Completed, August 2017

Recommendation 15

That the Director of Management and Operations modify the contract to clearly represent the cost of the services provided.

Concur

Response: Post issued a unilateral contract modification to clearly represent the cost of services provided.

Documents Submitted:

- Contract Modification

Status and Timeline for Completion: Completed, August 2017

Recommendation 16

That the Director of Management and Operations follow policy and solicit bids for purchases over \$3,000.

Concur

Response: The DMO sent all staff an email reminding them of the various requirements associated with the procurement of supplies and services as well as provided a copy of the Peace Corps Overseas Competition Matrix. Furthermore, the DMO made a presentation to all staff on contracting requirements at an all staff meeting. To ensure the current DMO follows contracting policy, the DMO will also attend overseas contracting officer training in November 2017.

Documents to be Submitted:

- Email to all staff re: Procurement Policy
- PPT from all staff meeting

Status and Timeline for Completion: Completed, September 2017

Recommendation 17

That the Director of Management and Operations maintain vendor selection documentation in the Peace Corps files.

Concur

Response: The DMO sent FA/Contracting Officer an email reminding them of the vendor selection documentation requirements associated with procurements greater than \$3001 and met to identify and discuss any questions or concerns with the policy. The DMO provided FA/Contracting Officer with updated selection memos for procurements under/over \$10,000 highlighting the importance of retaining all selection documents in the contract file. To ensure the current DMO follows contracting policy, the DMO will attend the overseas contracting officer training in November 2017.

Documents Submitted:

- Email to FA/Contracting Officer regarding vendor selection documentation requirements.
- Example vendor selection documentation.

Status and Timeline for Completion: Completed, September 2017

Recommendation 18

That the Director of Management and Operations separate the responsibilities of Sunflower maintenance from conducting annual inventories.

Concur

Response: The DMO in coordination with GSM will select and train a staff member by October 2017 to perform the next physical inventory scheduled for July of 2018.

Documents to be Submitted:

- Documentation of physical inventory training
- Updated SOW for selected staff member

Status and Timeline for Completion: December 2017

Recommendation 19

That the Facilities Management Division update the Personal Property Management Handbook to include Sunflower as the database management system and the segregation of duties that were implemented.

Concur

Response: The Office of Management and Facilities Division is currently updating the Personal Property Management Handbook and references to Sunflower as the database management have been added. The Handbook still requires review and Committee Approval. Once that is complete it will be available for post.

Documents to be Submitted:

- Updated section in the Personal Property Management Handbook.

Status and Timeline for Completion: October 2017.

APPENDIX E: OIG COMMENTS

Management concurred with all 19 recommendations. We closed 9 recommendations (numbers 1, 2, 4, 7, 9, 12, 15, 16, and 17) based on a review of corrective actions and supporting documentation. The remaining 10 recommendations remain open pending a copy of documentation listed in the agency's response.

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

Audit Completion and OIG Contact

AUDIT COMPLETION

Renita Davis, Senior Auditor and Shane Potter, Auditor performed the audit of Peace Corps/Cambodia.



Judy Leonhardt
Assistant Inspector General for Audit

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please email Assistant Inspector General for Audit Judy Leonhardt at Jleonhardt@peacecorps.gov, or call her at (202) 692-2914.

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