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To: Carrie Hessler-Radelet, Director
Daljit Bains, Chief Compliance Officer

From: Kathy A. Buller, Inspector General

Joaquin Ferrao for K.B.

Date: September 30, 2014

Subject: Final Report on the Audit of Peace Corps/Dominican Republic (IG-14-06-A)

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

Management concurred with all 17 recommendations.[1] All recommendations will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. In its 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 agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities.

Our comments, which are in the report as Appendix F, address these matters. Please respond with documentation to close the remaining open recommendation 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 to Auditor Renita Davis at 202.692.1982.

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

cc: Laura Chambers, Chief of Staff
Jacklyn Dao, White House Liaison
Bill Rubin, General Counsel
Carlos Torres, Associate Director, Global Operations
Ken Yamashita, Regional Director, Inter-America and the Pacific Operations
Emily Untermeyer, Chief of Operations, Inter-America and the Pacific Operations
Mary Latka, Country Director, Dominican Republic
Joseph Hepp, Chief Financial Officer

[1] While the preliminary report contained 16 recommendations, we added one recommendation, recommendation number eight, to address the issue of transferring nearly expired medical supplies to vendors and revised recommendation number seven. All subsequent recommendation numbers were changed accordingly.

Corey Griffin, Associate Director, Strategic Partnerships
Garry Stanberry, Deputy Associate Director, Management
Linda Brainard, Chief Acquisition Officer
Paul Shea, Deputy Chief Financial Officer
Pat Kreamer, Chief Transportation Division
Dominican Republic Desk

Peace Corps
Office of Inspector General

The site of a Volunteer's grant project for economic development in Salto de Jimenoa, Dominican Republic

Flag of Dominican Republic

Final Audit Report:
Peace Corps/Dominican Republic
IG-14-06-A

September 2014

EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Dominican Republic (hereafter referred to as "the post") from March 16 to March 28, 2014. We previously performed a follow-up audit August 1–26, 2005 and issued our report in September 2006 (IG-06-17-A).

Staff:

- U.S. direct hires: 3
- Foreign service nationals: 4
- Full-time personal services contractors: 43

Funds (approx.):

- Fiscal Year (FY) 2013 post spending - $3.5 million
- Average regional overhead - $386,000

Map of the Dominican Republic

WHAT WE FOUND

The post's financial and administrative operations required improvement in a number of areas and did not fully comply with agency policies and applicable federal laws and regulations. Specifically:

- The post lacked an effective process to monitor and track grant projects to ensure that the projects managed by Volunteers were completed and reconciled prior to a Volunteer's completion of service.
- The post did not have a separation of duties in grants management resulting in the former billing officer admitting to taking funds without the post's knowledge.
- The post did not properly record and monitor bills of collections (BOCs) from FY 2011 to FY 2013 resulting in 53 outstanding BOCs that exceeded 30 days.
- The post was not authorized to return nearly expired medical supplies to vendors.
- The post did not liquidate remaining obligated funds after making final payments.

In addition, we noted internal control issues with imprest fund management and inadequate separation of duties in the management of property.

RECOMMENDATIONS IN BRIEF

Our report contains 17 recommendations directed to the post, including: that the post strengthen controls over grants management and BOCs, conduct daily imprest reconciliations, perform quarterly and monthly verifications at different times each month, separate duties for property and grant management, and comply with requirements for disposing medical supplies. We also recommended that the Office of Global Accounts Payable enhance oversight over the monthly imprest verifications and that the Office Gifts and Grants Management work with the post to resolve the grant fund discrepancies.

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BACKGROUND

OIG conducted an audit of the post March 16–28, 2014. We previously performed an audit in August 2005, and issued our report in September 2006 (IG-06-17-A).

More than 4,200 Peace Corps Volunteers have served in Dominican Republic since the inception of the program in 1962. At the time of our audit, 159 Volunteers were working in five program sectors: business, environment, education, health and youth/families and community development. The post had three U.S. direct hires, four foreign service nationals, and 43 full-time personal services contractors. The post's FY 2013 spending was approximately $3.5 million. In addition, at headquarters, the Inter-America and the Pacific Operations region incurred an average of approximately $386,000 per overseas post.[1]

Our overall objective in auditing overseas posts is to determine whether the financial and administrative operations are 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

GRANTS

The post did not establish adequate separation of duties in managing the grant process.

The Government Accountability Office (GAO)'s report on internal control standards for the federal government states that key duties are to be divided among different people. Further, no one individual should be allowed to control all aspects of a transaction or event (Government Accountability Office's *Internal Control Management and Evaluation Tool).*[2] In addition, Peace Corps policy specifies that the billing function must be separate from the cash collection (*Overseas Financial Management Handbook* (OFMH) 7.1).

Contrary to the internal control standards, the post did not separate grants management from the review process and the billing function from cash collection. The former billing officer performed several grant management duties including coordinating the selection of grants, tracking their status, monitoring the projects and reconciling the completion report with the supporting documents. For any amount due, the former billing officer collected the funds from the Volunteer, issued a BOC, and provided cash received to the cashier. In multiple instances, the former billing officer failed to update the grants tracking sheet, properly close out Volunteer

[1] The agency was unable to provide the total cost per post 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 $8.5 million incurred by the Inter-America and the Pacific Operations region in direct support of its 22 overseas posts in FY 2013, which is an average of $386,000 per post.
[2] The Peace Corps policies and federal regulations are paraphrased in the report. A complete list of the policies and regulations are listed in Appendix C.

grant projects, create BOCs or remit grant funds to the cashier. The concentration of duties in one staff member allowed the former billing officer to manipulate the grants tracking records and commit fraud.[3]

We recommend:

1. **That the director of management and operations reassign duties for reviewing the completion report and supporting documentation to an administrative staff member, and ensure cash collection is only performed by the cashier.**

The post did not adequately track and monitor the progress of grant projects

The post used Microsoft Excel spreadsheets to track and monitor the following grant projects: Volunteer Activities, Support, and Training, Peace Corps Partnership Projects (PCPP), Energy and Climate Partnership of the Americas, and Small Project Administration (SPA). The former billing officer was responsible for maintaining and updating the grant spreadsheets. However, from FY 2010 to 2014 spreadsheets were not complete and up-to-date. Specifically, the grants tracking spreadsheets were not updated with new grant projects, project status, approved grant amounts, and the Volunteer's close of service dates. We identified three SPA projects from 2012 where funds were disbursed to Volunteers but were not included on the grant tracking sheet. Also, the former billing officer failed to update the project status for a 2013 SPA and PCPP grant. The grants tracking sheet noted the projects as either in progress or complete, however the Volunteers had actually cancelled the projects and returned the funds to the former billing officer. By not recording and tracking new grants disbursed to Volunteers and appropriately updating the spreadsheets with changes in the project status, the internal controls for monitoring and tracking grants were subverted and funds were misappropriated.

Our audit noted numerous other control lapses beyond the instances of subverted funds described above. The post did not include the Volunteer's close of service date on the grant tracking sheet or consistently follow-up on grants that surpassed the projected completion dates. According to the post staff, before Volunteers complete their service, the billing officer reviews open grant projects assigned to the Volunteer, requests completion reports, reconciles the reports with the supporting documents, and collects unused funds. However, the former billing officer did not obtain completion reports for 33 Volunteer grant projects or receive repayment of unused balances from the Volunteers before their close of service date. As a result of not closing out the grants, the post acquired an outstanding balance totaling $65,415 USDE that should have been accounted for through project completion reports.

[3] In April 2014, the country director contacted the OIG regarding missing grant funds. OIG conducted an investigation and concluded that the former billing officer unlawfully used his position to embezzle funds for two grants issued to Volunteers totaling $8,934.67 USDE.

We recommend:

2. **That the director of programming and training work with the billing officer to ensure that the status of all projects are updated in the tracking worksheets and follow-up with the Volunteers when completion reports are not submitted within 30 days of estimated completion dates to ensure that project completion reports are filed and projects are timely closed.**

3. **That the director of programming and training and the billing officer develop a reconciliation process with respective headquarter offices to close and account for the $65,415USDE related to the 33 grant projects that remained open after the Volunteers' completion of service.**

4. **That the director of programming and training and the billing officer develop a process to inform headquarter offices if a Volunteer leaves the post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer's re-adjustment allowance.**

BILLS OF COLLECTION

The post did not create or issue BOCs in a timely manner.

The former billing officer did not consistently create BOCs for cancelled and unused grant funds. For certain transactions, BOCs were not recorded until after the cashier had already collected the funds. Peace Corps policy specifies that BOCs are entered as soon as it is known that the Peace Corps will be receiving funds, even if the amount expected is unknown (OFMH 7.2.1).

Un-Issued BOCs. The former billing officer was responsible for issuing BOCs to Volunteers for unused grant funds. However, the former billing officer collected funds from Volunteers without creating the BOCs. According to an April 2014 OIG investigation a Volunteer cancelled a SPA grant because of an unanticipated site change. The Volunteer informed the former billing officer that the project was cancelled. Instead of creating the BOC for the unused funds and instructing the Volunteer to return the money to the cashier, the Volunteer was told to withdraw the $4,995 USDE of unused grant funds and return it to the former billing officer. Ultimately, the former billing officer admitted stealing the SPA grant and grant funds from other projects. We identified four additional instances for approximately $7,583 USDE, where the former billing officer did not issue BOCs for un-used grant funds. As a result of not creating the BOCs, the former billing officer was able to retain funds without the post's knowledge.

Delayed BOCs. We identified three other instances where BOCs were created after the debt was collected. The post delayed issuing BOCs for one to two months because the director of management operations (DMO) did not inform the former billing officer of the debt at the time it was identified. The DMO only notified the cashier of the debt. Once the funds were received by the cashier, the cashier instructed the former billing officer to create a BOC. When BOCs are not issued before collections, the billing officer cannot accurately track BOCs to ensure timely collection. Processing the BOCs in a timely manner is necessary to ensure that government funds can be put to better use and prevent staff from misusing government resources.

We recommend:

5. **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, even if the exact amount is unknown.**

The post had long outstanding BOCs, which exceeded 30 days.

The former billing officer did not conduct monthly reviews of outstanding BOCs or initiate their collection in a timely manner. Peace Corps policy specifies that the billing officer must conduct a monthly BOC review of outstanding BOCs over 30 days. The billing officer and DMO should perform the following tasks if the debtor is a staff member (OFMH 7.2.2):

- After 30 days — Prepare a letter to be signed by DMO, stating that the bill is now overdue….
- After 60 days — Notify the debtor's supervisor (only for staff). Prepare a stronger letter to be signed by CD….
- After 90 days — The Billing Officer and DMO should review. If Post determines that they should keep the debt longer, they should contact their GAP FMO, providing details and estimated time needed to collect.

From FY 2011 to 2013, the post did not initiate a timely collection for 53 BOCs relating to communication expenses, staff travel, training and conferences. At the time of the audit, the post had six BOCs that were six to seven months outstanding. By conducting monthly reviews and following-up on outstanding BOCs, the post is better able to manage its debt. According to the DMO, the former billing officer's contract was not renewed because of poor performance. That same former billing officer admitted to taking and retaining funds from grant projects for his own use. As a result of not having a billing officer, the cashier was given the responsibility of maintaining BOC files and following-up on collections. However, Peace Corps policy states that the billing officer must maintain the billing files while they are outstanding (OFMH 7.2.2). Keeping the records with the billing officer strengthens the post's internal controls.

We recommend:

6. **That the director of management and operations comply with Peace Corps policy by assigning an administrative staff member to assume the responsibilities of a billing officer to maintain the outstanding BOCs and follow OFMH guidelines for BOCs that exceed 30 days.**

MEDICAL SUPPLIES

The post was not authorized to return nearly expired medical supplies to vendors.

Peace Corps policy states “Transfer or exchange of excess medical shelf life items, including controlled substances, is authorized from a Peace Corps post to other posts or the U.S. Embassy. If a post cannot transfer the items, then the items must be destroyed.” (*Peace Corps Manual* section (MS) 734.9.2). We believe this policy reflects Peace Corps’ careful consideration for preventing the misuse of medical supplies. The post had a process to return excess inventoried nearly expired non-controlled medical supplies back to the local pharmacies for a cost refund. A pharmaceutical representative retrieved the excess medical supplies from the Peace Corps office and provided the post with a confirmation receipt of the transaction. When we brought this practice to the attention of the agency, they noted that there was a need for a policy and internal controls. Post was instructed to require the Receiving Officer to validate items and costs on the credit receipt, submit a copy to the Collection Officer for creation of a BOC, and submit original documentation to the Medical Supply Inventory Control Clerk.

We recommend:

7. **That the agency reviews the policy and revises it to address the appropriate control of nearly expired medical supplies and establish necessary procedures.**

8. **That the post applies headquarters approved temporary internal controls until formal policy is in place.**

The post did not develop a process to effectively use the medical vendor credits.

When the post returned excess medical supplies to the vendor, the vendor applied credits to Peace Corps’ account and notified the post about the credits. Because the post did not develop a process to track or apply credits from vendors, the post continued to pay the invoices without using the credits. In order resolve the credit issue, the post issued a BOC to the vendor for the amount of the credit. Since post was unable to apply the credits to offset the vendor payments, it is essential that BOCs are created as soon as the medical supplies are returned to ensure that the post can effectively track the funds that are due.

We recommend:

9. **That the director of management and operations track the incoming credits from medical supply returns and issue BOCs when the debt is known.**

OBLIGATIONS

The post did not review open obligations and de-obligate funds in a timely manner

Peace Corps policy specifies that unliquidated (outstanding) obligations should be reviewed at least quarterly and as of September 30th to determine if obligations need to be adjusted for contract modifications, to reduce the amounts for unbilled obligations based on previous payments, or to de-obligate funds that have completed payments (MS 753.8.2). Policy further states "…Obligations outstanding at the end of a fiscal year should be settled within a relatively short period after September 30th and final adjustments made (MS 753.8.3)." Three times a year, headquarters' budget analyst reviews the open obligation summary report and requests the post to provide projected closure dates for the open obligations and an explanation as to why the obligations are open.

We reviewed the February and March 2014 open obligation summary reports and determined that the post did not take timely action to de-obligate funds totaling $14,500 USDE for Volunteer medical services, staff travel, and other miscellaneous obligations. It is important that the DMO de-obligates funds so that the agency's liability is reduced. Reviewing, adjusting and liquidating obligations are necessary in order to create efficiency and effectively manage agency funds.

Volunteer Medical Services. The post created obligations for Volunteer medical services without knowing the cost of the service and did not liquidate the obligations totaling $9,427 USDE in a timely manner. Per the DMO, outside clinics do not timely invoice medical claims. The medical unit contacts clinics requesting information for unbilled claims. As a result, the post continued to keep obligations open until all of the outstanding invoices were processed. Per OFMH 32.9.2, "If the cost or the vendor is not known at the time the medical service is authorized, posts should not record an obligation in FOR Post until the invoice is received... using the funds current at the time the invoice is received (treating it as a "claim") rather than the date the medical service was authorized/performed." In the post's February correspondence with headquarters' budget analyst, the DMO explained that the medical services obligations were already de-obligated, however that statement proved incorrect because the medical service obligations were still open as of March 2014.

Staff Travel. We noted that the post had 15 open obligations for staff travel listed under the prior year's fund. Since travel is authorized on a yearly basis, the post should not charge the current year's travel to the prior year obligations. Therefore, the prior year's obligation for travel funds should be de-obligated and new travel billed to the current year's fund. Per OFMH 32.9.6 and 32.9.7, "Domestic, in-country and international travel that begins by October 31st may be funded using the previous year's budget authority (if available)…Travel that begins after October 31st shall be funded using the following year's budget authority."

Miscellaneous Obligations. The post had open obligations for FY 2013 expenses totaling $3,845 USDE, which consisted of communication expenses and lodging for a Volunteer. The post did not de-obligate the prior period fund obligation. Costs incurred for current year communication expenses and lodging should be allocated to current year funds.

We recommend:

10. **That the director of management and operations comply with policy to conduct quarterly reviews of open obligations and regularly adjust and liquidate obligations when payment is complete.**

The cashier did not record cash disbursements into the post's accounting system (FOR Post) when payments were made.

OFMH chapter 13.11 states:

> It is essential that cashiers operate in "real time", i.e., that the transaction has been entered in FOR Post prior to the cashier taking any action. Not operating "real time" presents several internal control problems, including the risk of not balancing during cash counts/verifications, deficiency (because payment would be made before verification of funds availability), and misrepresentation of the status of funds.

Contrary to Peace Corps policy, the cashier did not enter cash disbursements into For Post in a timely manner. In March 2014, we conducted an imprest reconciliation with the cashier and noted that the cashier did not record 21 cash disbursements into FOR Post totaling $1,946 USDE. According to the Office of Global Accounts Payable, the post was advised to submit vouchers every week regardless of size or quantity. The DMO and the cashier misinterpreted instructions from headquarters advising the post to include a maximum of 35 disbursements per voucher. Therefore, the cashier created one voucher with 35 disbursements. The remaining 21 disbursements were recorded as interim receipts on the reconciliation report. We notified headquarters of this issue and explained the correct procedure to the cashier and DMO. At headquarters, the cashier liaisons review the monthly imprest reconciliation reports submitted by the post and are instructed to inquire about any discrepancies or unusual transactions. However, we identified three additional occurrences from September 2013, October 2013, and February 2014, in which the cashier classified the un-recorded cash disbursements as interim receipts but headquarters did not follow-up with post concerning the unusual transactions. When transactions are not entered into the accounting system on a timely basis, it misrepresents the status of the fund and increases the risk of overstating the cash amount on hand.

We recommend:

11. **That the director of management and operations comply with agency policy to record cash disbursements in For Post when the payment is rendered.**

12. **That the director of management and operations ensure that the cashier reviews the transactions for interim receipts and resolve unusual transactions.**

The post did not cash replenishment checks in a timely manner.

Replenishment is a method of replacing the cashier's extended funds that are used to making payments and processing accommodation exchange transactions. The Department of State's *Cashier User Guide* states that "if replenishment checks are kept un-cashed for longer than 2 weeks, it may mean the cashier does not really need the replenishment and, that therefore, the advance levels should be reviewed since they may be higher than necessary." It further states, "Good cash management principles dictate that these checks should not be too great in number."

Because of banking impositions, the post does not maintain a bank account and was unable to receive electronic transfer to replenish the imprest fund. As a result, headquarters mailed replenishment checks to the post. At the time of the audit, the post had five replenishment checks on hand totaling $11,471 USDE. Three of the checks were over a month old. According to the cashier, the checks are requested in case of an emergency. If the money is not needed, the checks would be returned to headquarters. The cashier also believed it was safer to have the checks instead of physical cash on hand. Per the *Cashier User Guide*, "The cashier must have sufficient cash on hand to meet daily requirements, but is not allowed to store excess amounts. The advance should be limited to one week's transactions plus replenishment time."

The post increases the chance of the funds expiring by not cashing the checks in a timely manner. In addition, having excess cash raises the cashier's accountability. When funds exceed the needs of the post's cashiering operation, the excess cash should be deposited to decrease the risk for fraud and the misuse of funds. During the audit, the post stated that the checks would be cashed because of the projected increase in expenses resulting from the Volunteer pre-service training.

We recommend:

13. That the director of management and operations monitor replenishments based on cash needs.

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

According to the post staff, interim advances were not liquidated within three days because the conferences and trainings are a week-long and staff did not submit the receipts to the cashier in a timely manner.

OFMH 13.18.2 states, "It is the responsibility of the cashier to monitor the clearance of interim advances and to notify the Director of Management and Operations if advances are not cleared within 3 days for direct follow-up action." OFMH 57.3 further states, "For in-country travel where the advance will be issued and cleared within 3 days, Post should issue an interim advance. For longer in-country travel, Posts should book an in-country travel advance. Post--review the current advances held to ensure that previous advances have been cleared. Only one advance should be outstanding at any one time."

Per Peace Corps policy, when staff travel is expected to exceed three days, posts should book an in-country travel advance instead of issuing an interim advance. From September 2013 through March 2014, the post processed 82 interim advances in which 32 were not completed in a timely manner. The delays spanned between six to 58 days with average delay of 20 days. Contrary to Peace Corps policy, a driver received multiple interim advances in December 2013, without liquidating the previous advances. Policy states that only one advance should be outstanding at any one time. 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 recommend:

> **14. That the director of management and operations follow-up with staff to ensure that interim advances are liquidated within three days, track advances so that only one advance is outstanding at a time, and book in-country travel advances for travel expected to exceed three days.**

The Cashier did not perform daily imprest reconciliations.

Peace Corps policy states that the cashier is responsible for performing daily imprest reconciliation (MS 760.7.2). The reconciliation process consists of counting the cash, and reviewing the on-hand transactions and other documents that make up the cashier's accountability. Despite the policy, the post did not allot enough time for the cashier to conduct the daily reconciliations. Instead, the cashier performed the reconciliation on a weekly basis. Conducting daily imprest reconciliation allows the cashier to detect and resolve cash discrepancies and ensure that the cashier's funds and records are accurately maintained.

We recommend:

> **15. That the director of management and operation comply with Peace Corps policy and ensure that the cashier performs daily imprest reconciliation.**

The post routinely performed imprest verifications at the end of the month.

According to Peace Corps policy, imprest verifications must be unannounced and performed at different times in the month (OFMH section 13.24.2). The CD is required to perform quarterly verifications; however, the remaining monthly verifications may be delegated to the DMO (OFMH section 13.24.1). The DMO and former CD failed to stagger the unannounced imprest verifications as required by Peace Corps policy. The verifications from September 2013 to February 2014 were completed at the end of each month. Consistently conducting imprest verifications at the same time for each month weakens the internal controls to detect and prevent fraud because the cashier can anticipate when the verification will occur.

We recommend:

> **16. That the county director comply with Peace Corps policy to conduct imprest verification at different times each month.**

PROPERTY MANAGEMENT

The post did not properly separate duties over property management as required by the Personal Property Management Handbook.

According to GAO's Internal Control Management and Evaluation Tool, "Key duties and responsibilities are divided among different people to reduce the risk of error, waste or fraud." In addition, Peace Corps policy specifies that property management duties for purchasing an item, entering it into the database, and conducting inventory should be separated. One person should be assigned the task of updating the database as new property is received and excess property is disposed of. The same person maintaining the database should not be conducting the annual inventory (*Personal Property Management Handbook*). Despite Peace Corps policy, the DMO assigned the general service officer (GSO) to record property into BarTracks, the post's property management system, and conduct the annual physical count. In addition, the information technology (IT) specialist was allowed to use the GSO's computer to update BarTracks for items related to IT. By maintaining the official property records and conducting the annual count, the GSO had the ability to remove an item from the records and cover up the loss by scanning the detached bar code. In addition, allowing the IT specialist to access BarTracks increases the risk of errors and fraud. Although we did not identify any improper actions, this concentration of duties to the GSO and IT specialist is contrary to the agency's policy and exposed the agency to unnecessary risks.

We recommend:

17. That the director of management and operations follow agency guidance and assign only one person to update BarTracks and separate the responsibilities of Bar Tracks database maintenance from conducting inventories.

Other Areas of Concern

Volunteers received funds for grants that were not overseen by the agency.

MS 720.3.3, "Peace Corps Partnership Program" specifies that only the Office of Gifts and Grants Management and CDs may accept funds on behalf of Peace Corps and that, "PCVs [Peace Corps Volunteers] are not authorized to accept donations on behalf of the Peace Corps."

Volunteers and their communities received outside grants that were not overseen by the post from non-governmental organizations. Post staff and Volunteers reported that Volunteers were applying for outside grants and directly receiving and managing cash to implement projects. We identified three instances in which Volunteers were provided funds for approximately $7,500 USDE. Without adequate oversight, Volunteers may become personally liable for outside funds and may form inappropriate associations that the agency would not approve. We noted this issue in our report IG-13-04-A *Review of the Peace Corps' Management of Grants for Volunteer Projects* (March 2013). Accordingly, we are not issuing a separate recommendation in this report because the recommendations for the *Review of Peace Corps' Management of Grants for Volunteer Projects* report remain open. However, we urge headquarters to continue to actively pursue a resolution for this issue.

LIST OF RECOMMENDATIONS

We recommend:

1. That the director of management and operations reassign duties for reviewing the completion report and supporting documentation to an administrative staff member, and ensure cash collection is only performed by the cashier.

2. That the director of programming and training work with the billing officer to ensure that the status of all projects are updated in the tracking worksheets and follow-up with the Volunteers when completion reports are not submitted within 30 days of estimated completion dates to ensure that project completion reports are filed and projects are timely closed.

3. That the director of programming and training and the billing officer develop a reconciliation process with respective headquarter offices to close and account for the $65,415USDE related to the 33 grant projects that remained open after the Volunteers' completion of service.

4. That the director of programming and training and the billing officer develop a process to inform headquarter offices if a Volunteer leaves the post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer's re-adjustment allowance.

5. 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, even if the exact amount is unknown.

6. That the director of management and operations comply with Peace Corps policy by assigning an administrative staff member to assume the responsibilities of a billing officer to maintain the outstanding BOCs and follow OFMH guidelines for BOCs that exceed 30 days.

7. That the agency reviews the policy and revises it to address the appropriate control of nearly expired medical supplies and establish necessary procedures.

8. That the post applies headquarters approved temporary internal controls until formal policy is in place.

9. That the director of management and operations track the incoming credits from medical supply returns and issue BOCs when the debt is known.

10. That the director of management and operations comply with policy to conduct quarterly reviews of open obligations and regularly adjust and liquidate obligations when payment is complete.

11. That the director of management and operations comply with agency policy to record cash disbursements in For Post when the payment is rendered.

12. That the director of management and operations ensure that the cashier reviews the transactions for interim receipts and resolve unusual transactions.

13. That the director of management and operations monitor replenishments based on cash needs.

14. That the director of management and operations follow-up with staff to ensure that interim advances are liquidated within three days, track advances so that only one advance is outstanding at a time, and book in-country travel advances for travel expected to exceed three days.

15. That the director of management and operation comply with Peace Corps policy and ensure that the cashier performs daily imprest reconciliation.

16. That the county director comply with Peace Corps policy to conduct imprest verification at different times each month.

17. That the director of management and operations follow agency guidance and assign only one person to update BarTracks and separate the responsibilities of Bar Tracks database maintenance from conducting inventories.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

In 1989, OIG was established within the Peace Corps as an independent entity that reports to both the Director and Congress. The purpose of OIG is to prevent and detect fraud, waste, abuse, and mismanagement and to promote economy, effectiveness, and efficiency in government.

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. 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.

The audit of PC/Dominican Republic covered FYs 2011 to 2013 up to March 28, 2014. While at the post, we interviewed key staff including the CD, DMO, staff responsible for administrative support, and the lead Peace Corps medical officer. We communicated issues and areas of improvement to post senior staff and Peace Corps management at headquarters, and included significant issues noted during our audit in this report. We primarily reviewed the following processes and associated controls:

- BOCs
- Contracts and Leases
- Cash and Non-cash Payments
- Imprest Funds
- Credit Card Transactions
- Information Technology General Controls
- Medical Supplies
- Personal Property and Vehicles
- Personal Services Contracts
- Volunteer Payments
- Obligations
- Grants

Although we could not independently verify the reliability of all this information, we compared it with other available supporting documents to determine data consistency and reasonableness. We relied on the results of the annual Federal Information Security Management Act review, which did not identify significant deficiencies with data reliability that would impact our audit. Based on these efforts, we believe the information we obtained is sufficiently reliable for this report.

Our audit criteria were derived from the following sources: federal regulations, the *Peace Corps Manual*, *the Overseas Financial Management Handbook*, *Medical Technical Guidelines*, and other Peace Corps policies and initiatives.

APPENDIX B: LIST OF ACRONYMS

BOC	Bills of Collection
CD	Country Director
DMO	Director of Management and Operations
FY	Fiscal Year
GAO	Government Accountability Office
GSO	General Services Officer
IT	Information Technology
MS	Peace Corps Manual Section
OFMH	Overseas Financial Management Handbook
OIG	Office of Inspector General
PCPP	Peace Corps Partnership Project
SPA	Small Project Administration
USDE	United States Dollar Equivalent

Appendix C: Criteria Used to Support Issues in The Report

Peace Corps Requirements

THE PEACE CORPS MANUAL

MS 734, section 9.2, "Transfer of Medical Supplies" states

Transfer or exchange of excess medical shelf life items, including controlled substances, is authorized from a Peace Corps post to other posts or the U.S. Embassy. If a post cannot transfer the items, then the items must be destroyed. Prior to transferring or exchanging any excess medical items, post or PLS must agree to all terms and prices for the excess items. A signed inventory receipt from the receiving agency must document transfer of medical supplies and controlled substances to the Embassy. This document must be forwarded to D/OMS and the M/AS. A copy of the transfer documents must be provided to the MSICC. Under no circumstances must any medical supply be donated to organizations other than U.S. government agencies. .

MS 753.8.2, "Nature of Review" states

> Unliquidated (outstanding) obligations should be reviewed at least quarterly, particularly for the 3rd quarter budget review and as of September 30 to determine whether:
>
> - payments have been completed and, therefore, any outstanding balance should be de-obligated;
> - in the case where payments have not been completed, an adjustment in the obligation should be made on the basis of previous payments plus payments expected to be made;
> - other information indicates that the recorded obligation should be adjusted by amending documentation in the case of contracts, purchase orders, etc.;
> - and they are appropriately recorded.

MS 753.8.3, "Prior Year Funds" states, "Normally, obligations outstanding at the end of a fiscal year should be settled within a relatively short period after September 30 and final adjustments made. Further reporting may then be discontinued in accordance with the following paragraph."

MS 760.7.2, "Cashier" states

> The cashier is personally responsible for the safeguarding, control, disbursement, and accountability of imprest funds. Specific responsibilities include:
>
> - Disbursing funds consistent with federal and agency requirements;
> - Ensuring that all payments are properly documented;
> - Performing daily imprest reconciliation; and
> - Monitoring the level and adequacy of the fund.

MS 720.3.3, "Peace Corps Partnership Program" states, "GGM is the only Peace Corps office authorized to generate support and accept donations for a Partnership project. PCVs [Peace Corps Volunteers] are not authorized to accept donations on behalf of the Peace Corps."

THE OVERSEAS FINANCIAL MANAGEMENT HANDBOOK

Section 7.1, "Billings, Collections and Deposits- General Information" states, "The same individual who performs the collection activities may not perform billing activities."

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 7.2.2, "Bill of Collection Review" states

- The Billing Officer must maintain the billing files while they are outstanding. Posts may choose to then move billing files to a central location when they are closed.

- Monthly, the Billing Officer must: Review and follow-up on outstanding BOCs. Run the FOR Post "Outstanding Collections" report. Follow the steps below for BOCs outstanding 30, 60, or 90 days.

- After 30 days - Prepare a letter to be signed by DMO, stating that the bill is now overdue. If the debtor is staff, also state that if it is not cleared in another 30 days, the debtor's supervisor will be notified. Debtor may not receive new interim or travel advances...

- After 60 days - Notify the debtor's supervisor (only for staff). Prepare a stronger letter to be signed by CD saying that if it is not cleared in another 30 days, the Billing Officer and Director of Management and Operations will contact PC/HQ for further steps. ..

- After 90 days – The Billing Officer and DMO should review. If Post determines that they should keep the debt longer, they should contact their GAP FMO, providing details and estimated time needed to collect. If Post determines that they will not be able to collect the debt, they should:
  - Complete the <u>Accounts Receivable Referral Coversheet</u>, attaching all relevant documentation that supports the debt and the attempts to collect…..
  - If HQ accepts the debt, the DMO will instruct the Cashier to void the Bill of Collection in FOR Post…
  - If HQ does not accept the debt, it will be referred back to Post and the FMO will provide guidance on Post action.

Section 32.9.2, "Medical Services—Volunteers" states

> If the cost or the vendor is not known at the time the medical service is authorized, posts should not record an obligation in FOR Post until the invoice is received. Posts should then establish an obligation using the funds current at the time the invoice is received (treating it as a "claim") rather than the date the medical service was authorized/ performed. Therefore, if the invoice is received before October 1st, post should establish an obligation using the current year's funds.

Sections 32.9.6, "Travel In-Country" and 32.9.7, "Travel International" states, "Domestic, In-Country and [International] travel, that begins by October 31st may be funded using the previous year's budget authority (if available)...Travel that begins after October 31st shall be funded using the following year's budget authority. This applies to staff…."

Section 13.11, “Disbursements” states

> It is essential that cashiers operate in "real time", i.e., that the transaction has been entered in FOR Post prior to the cashier taking any action. Not operating “real time” presents several internal control problems, including the risk of not balancing during cash counts/verifications, deficiency (because payment would be made before verification of funds availability), and misrepresentation of the status of funds.

Section 13.18.2 “Interim Advances” states

> 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… It is the responsibility of the cashier to monitor the clearance of interim advances and to notify the Director of Management and Operations if advances are not cleared within 3 days for direct follow-up action.

Section 57.3, “Travel Advances: In-Country” states, “For in-country travel where the advance will be issued and cleared within 3 days, Post should issue an interim advance. For longer in-country travel, Posts should book an in-country travel advance.”

Section 13.24.1, “Responsibility for Verification and Required Frequency” states, “Imprest verification is required on a monthly basis. Monthly verifications may be delegated, by the Country Director, to the US citizen Director of Management and Operations or to the non-US citizen Director of Management and Operations….”

Section 13.24.2, “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…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.

MEDICAL TECHNICAL GUIDANCE

Medical Technical Guidance 240 (Attachment E) states, **“**Expired or excess drugs must be disposed of or transferred properly. The CD and PCMO must together dispose of controlled substances and any other medical supplies. The PCMO and CD document the disposal of expired drugs and items on this PC-7343E form.”

CASHIER USER GUIDE

Chapter 4, “Cashier Advances” states

- The advance must be sufficient to meet the daily requirements, but may not exceed the actual needs of the cashier operation. The general rule to establish an advance level is to calculate the amount of cash funds necessary to support one week’s activity plus the amount of time it takes to receive replenishment from the servicing USDO, called turnaround time….

- If replenishment checks are kept un-cashed for longer than 2 weeks, it may mean the cashier does not really need the replenishment and, that therefore, the advance levels should be reviewed since they may be higher than necessary.

PROPERTY MANAGEMENT HANDBOOK

The Peace Corps' *Property Management Handbook* states

> Duties must be assigned to separate people. 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… 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.

Other Guidance

The Government Accountability Office's *Internal Control Management and Evaluation Tool* states

> Key duties and responsibilities are divided or segregated among different people to reduce the risk of error, waste, or fraud.
> • No one individual is allowed to control all key aspects of a transaction or event.
> • Responsibilities and duties involving transactions and events are separated among different employees with respect to authorization, approval, processing and recording, making payments or receiving funds, review and auditing, and the custodial functions and handling of related assets.
> • Duties are assigned systematically to a number of individuals to ensure that effective checks and balances exist.
> • Where feasible, no one individual is allowed to work alone with cash, negotiable securities, or other highly venerable asset.

Appendix D: Questioned Costs and Funds to be Put to Better Use

We identified funds to be put to better use and questioned costs during the course of the audit.

Funds Put to Better Use

Recommendation Number	Description	Amount
9	Unliquidated obligations for Volunteers' medical services, staff travel, communication expenses, and staff housing	$14,500

Questioned Costs

Recommendation Number	Description	Amount
3	Unsupported Costs for 33 Grant Projects	$65,415
5	Unused Grant Funds	$ 12,578

The Inspector General Act defines funds put to better use and questioned costs as the following:

- Funds put to better use: funds that could be used more efficiently if management took actions to implement and complete the recommendation.

- Questioned costs: 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.

APPENDIX E: AGENCY'S RESPONSE TO THE PRELIMINARY REPORT

Since 1961.

MEMORANDUM

To: Kathy Buller, Inspector General

Through: Daljit K. Bains, Chief Compliance Officer

From: Nina Favor, Acting Regional Director, Inter-America & Pacific
Mary Latka, Country Director

Date: September 23, 2014

CC: Carrie Hessler-Radelet, Director
Laura Chambers, Chief of Staff
Joaquin Ferrao, Deputy Inspector General
Judy Leonhardt, Assistant IG for Audit
Carlos Torres, Associate Director, Global Operations
Emily Untermeyer, Chief of Operations Inter-America & Pacific
Diane Pard, DPT, Dominican Republic
Alejandro Rosa, DMO, Dominican Republic
Alissa Mayer, CDO, Dominican Republic
Patricia Barkle, Deputy Chief Compliance Officer
Renita Davis, Auditor

Subject: Agency Response to the Preliminary Report of the Audit of the Peace Corps/Dominican Republic (Project No. 14-AUD-03), August 4, 2014

Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/Dominican Republic, outlined in the Preliminary Report sent to the Agency on August 4, 2014.

The Region concurs with all 17 of the recommendations provided by the OIG in its Preliminary Audit Report. Peace Corps/Dominican Republic has addressed and provided supporting documentation for 7 of the 17 recommendations and will work to address the remaining recommendations by the set target dates.

1

The Region will continue to work with Post and the departments identified in the Preliminary Report to ensure closure of these recommendations by the dates included within for outstanding recommendations.

Recommendation 1

That the Director of Management and Operations reassign duties for reviewing the completion report and supporting documentation to an administrative staff member, and ensure cash collection is only performed by the cashier.

Concur.

Response: Post acknowledges the gap in process that led to the termination of the PSC contract that held the title of Grants Manager. Post has reinforced its procedural communication to all staff and is following a clear segregation of duties regarding creation of Bills of Collection and receipt of cash. ALL cash transactions are handled by only the cashier with a copy of the receipt maintained for records. Post is following the outlined procedures in the Small Grants Staff Handbook 2012, specifically pages 51 & 52, under "Verifying Budget and Receipts" and the "Returning Funds." Post has provided clear guidelines to volunteers at the 3 month IST that the cashier is the only staff member authorized to receive unused funds/cash.

Documents to be submitted:

- Communication to staff.
- Grants process guidelines for PCVs provided at 3 month IST.

Status and Timeline for Completion: In process, expected completion: October 31, 2014.

Recommendation 2

That the Director of Programming and Training work with the billing officer to ensure that the status of all projects are updated in the tracking worksheets and follow-up with the Volunteers when completion reports are not submitted within 30 days of estimated completion dates to ensure that project completion reports are filed and projects are timely closed.

Concur.

Response: Post acknowledges the lack of appropriate tracking of volunteer grants which hindered timely grant closure. Post hired a new Grants Manager who began on April 28, 2014. Post has put in place the following procedures to prevent this problem from happening again: The Grants Manager has updated the grant tracking spreadsheet so that it includes estimated grant completion date and volunteer completion of service dates, and lists the status of all open and closed grants for all volunteers currently in country. The Grant Manager tracks grant completion closely and reports monthly to the Grant Committee which includes the Country Director and Director of Programming and Training, who oversees this process.

Documents submitted: Updated grants tracking sheets used to monitor grant close out.

Completed: August 31, 2014

Recommendation 3
That the Director of Programming and Training and the billing officer develop a reconciliation process with respective headquarter offices to close and account for the $65,415 USDE related to the 33 grant projects that remained open after the Volunteers' completion of service.

Concur.

Response: Post has developed procedures (specified in responses 2 and 4) to prevent this problem from occurring anew. Post has contacted the Headquarters office of Office of Strategic Partnerships /Office of Gifts and Grants Management and has determined the reconciliation process for closing this matter is to contact all departed volunteers to obtain the status of the project (conducted or not), proof (if conducted), any available receipts and/or expense records, and to request any funds due back to Peace Corps. Post has started the process of contacting former volunteers and has already successfully reached 12.

Documents to be submitted: Tracking sheet of the 33 open grants.

Status and Timeline for Completion: In process, expected completion: November 31, 2014.

Recommendation 4
That the Director of Programming and Training and the billing officer develop a process to inform headquarter offices if a Volunteer leaves the post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer's re-adjustment allowance.

Concur.

Response: Post has developed and is following the following procedure: Once post learns of a volunteer termination in the US, the Executive Assistant at Post only approves the volunteer termination in VESI once the volunteer closes out the grant or transfers the grant to another volunteer at Post. VESI gives post the ability to withhold funds from the Readjustment Allowance should there be any outstanding balances from grants. This new procedure has been used in the two such cases that have occurred since the audit.

Additionally, post will create a revised COS checklist for PCVs that terminate their service while in the US. This checklist will include grants close-out procedures.

Documents to be submitted:
- Memo outlining new VESI approval procedure for volunteers terminating while in the US.
- COS checklist for PCVs that terminate service while in the US.

Status and Timeline for Completion: In process, expected completion: October 31, 2014.

Recommendation 5
That the Director of Management and Operations ensure compliance with policy to issue bills of collection (BOC) as soon as the amount is due to the Peace Corps, even if the exact amount is unknown.

Concur.

Response: Post agrees with the need to follow the procedures set forth by OFMH guidance, section 7.0. To ensure compliance, the Director of Management and Operations has assigned the Billing Officer to monitor BOCs. The Billing Officer will review BOCs with the DMO on a bi-weekly basis to ensure that the process is being followed. The cashier will print the BOC report and review with the DMO as part of the monthly cash count.

Documents to be submitted:

- BOC log for October 2014.
- Monthly cash count records for October and November, including signed BOC report.

Status and Timeline for Completion: In process, expected completion: November 30, 2014.

Recommendation 6

That the Director of Management and Operations comply with Peace Corps policy by assigning an administrative staff member to assume the responsibilities of a Billing Officer to maintain the outstanding BOCs and follow OFMH guidelines for BOCs that exceed 30 days.

Concur.

Response: Post acknowledges the delay in closing BOCs. Post is following OFMH Section 7.3.1 which will prevent this problem from occurring in the future. Post has assigned responsibility of the Billing Officer to the Financial Assistant (FA). The new procedure is that the FA maintains the master log and reviews all outstanding BOCs. The Cashier works with the FA and the DMO when a BOC is approaching 30 days to ensure that BOCs are collected in a timely matter.

Documents to be submitted:

- New Statement of Work for FA.
- Tracking sheet in compliance with OFMH Section 7.2.2 for BOCs that has been implemented and maintained by the FA.

Status and Timeline for Completion: In process, expected completion: November 30, 2014.

Recommendation 7

That the agency reviews the policy and revises it to address the appropriate control of nearly expired medical supplies and establish necessary procedures.

Concur.

Response: The Office of Health Services will work with the Senior Policy Committee to develop policies and procedures for the return of nearly expired and non-expired medical supplies.

Documents to be submitted:

- Revised Manual Section 734.

Status and Timeline for Completion: Subject to Senior Policy Committee.

<u>Recommendation 8</u>

That the post applies headquarters approved temporary internal controls until formal policy is in place.

Concur.

Response:

Post will follow a strict guidance that the Receiving Officer validate items and costs on the credit receipt, submit a copy to the Collection Officer for creation of the Bill of Collection, and submit original documentation to the Medical Supply Inventory Control Clerk. This process addresses the control components of the return until a formal policy has been developed.

Documents to be submitted:

- SOP on return process created by OHS (same as documentation for Recommendation 9).

Status and Timeline for Completion: In process, expected completion: October 31, 2014

<u>Recommendation 9</u>

That the Director of Management and Operations track the incoming credits from medical supply returns and issue BOCs when the debt is known.

Concur.

Response: Post acknowledges this gap which was due to a lack of communication between the Medical and Admin Units. To prevent this from happening again, a new procedure was put in place to track the incoming credits from medical supply returns. The Medical Unit now notifies the Admin Unit in advance of returning medical supplies. The Admin Unit (MSICC) then works directly with the vendor to quantify and detail the credit due to Peace Corps. The Admin Assistant (MSICC) now maintains a log of medical supply credits received and the date, and then ensures these credits are collected in a timely manner.

Documents to be submitted: SOP (created by OHS) for realizing credits from medical vendors.

Status and Timeline for Completion: In process, expected completion: October 31, 2014

<u>Recommendation 10</u>

That the Director of Management and Operations comply with policy to conduct quarterly reviews of open obligations and regularly adjust and liquidate obligations when payment is complete.

Concur.

Response: To ensure quarterly reviews, Post has assigned bi-monthly reviews of open obligations to the Financial Assistant (FA) who presents them to the DMO. The first review was conducted in July 2014.

Documents to be submitted:

- Position description for the FA.
- Open obligations reports conducted July 2014 and October 2014.

Status and Timeline for Completion: In process, expected completion: November 30, 2014.

<u>Recommendation 11</u>
That the Director of Management and Operations comply with agency policy to record cash disbursements in FORPOST when the payment is rendered.

Concur.

Response: Post's procedure for ensuring that disbursements occur in real time is to advise the Cashier of the policy and then monitor his work. The Cashier has been complying with the Agency policy since the audit in March 2104 as unannounced cash counts have revealed no unrecorded transactions in FORPOST.

Documents submitted: Signed 365 Report from September 2014 Cash Count.

Completed: September 2014

<u>Recommendation 12</u>
That the Director of Management and Operations ensure that the cashier review the transactions for interim receipts and resolve unusual transactions.

Concur.

Response: The DMO will closely review documents during unannounced cash counts to ensure all transactions are occurring in real time and are not listed as interim receipts.

Documents submitted: Signed 365 Report from September 2014 Cash Count.

Completed: September 2014

<u>Recommendation 13</u>
That the Director of Management and Operations monitor replenishments based on cash needs.

Concur.

Response: Post acknowledges the need to cash replenishment checks in a timely manner. The Cashier is cashing checks within a week of arrival at Post and is closely monitoring the advance levels and replenishment process. The DMO periodically reviews the ACDC report which shows outstanding items.

Documents submitted: ACDC Report from September 2014, signed by DMO.

Completed: September 2014

Recommendation 14
That the Director of Management and Operations follow-up with staff to ensure that interim advances are liquidated within three days, track advances so that only one advance is outstanding at a time, and book in-country travel advances for travel advances for travel expected to exceed three days.

Concur.

Response: Since the audit, Post has implemented an internal procedure where the Director of Management and Operations reviews the interim cash advances twice a week. The Director of Management and Operations trained all staff on this matter on April 29, 2014.

Documents submitted: Unannounced cash count interim advance reports from July 2014, August 2014, and September 2014.

Completed: September 2014

Recommendation 15
That the Director of Management and Operation (DMO) comply with Peace Corps policy and ensure that the cashier performs daily Imprest reconciliation.

Concur.

Response: As per OFMH guidance, daily Imprest fund reconciliations have been performed by the Cashier since August 2014, and the Cashier is keeping these files for a minimum of one year. These files are being reviewed by the DMO on a bi-weekly basis.

Documents to be submitted: Daily Imprest reconciliation (365 reports) for the month of September 2014.

Status and Timeline for Completion: In process, expected completion: October 10, 2014

Recommendation 16
That the County Director (CD) complies with Peace Corps policy to conduct Imprest verification at different times each month.

Concur.

Response: The policy is now being enacted as per Imprest fund verification dates as follows:
- July 24, 2014, DMO
- August 14, 2014, CD
- September 5, 2014 DMO

Documents submitted: Signed and dated 365 reports for cash counts from July 2014, August 2014, and September 2014.

Completed: September 2014

Recommendation 17

That the Director of Management and Operations follow agency guidance and assign only one person to update BarTracks and separate the responsibilities of Bar Tracks database maintenance from conducting inventories.

Concur.

Response: The General Services Assistant has been given the responsibilities for updating the BarTracks software. The Director of Management and Operations has identified a driver to conduct the inventory at the PC office and an Administrative Assistant to conduct inventory at the Training Center, thus achieving separation of duties. The driver and Admin Assistant will be trained on how to conduct inventory.

Documents submitted: Memo to all staff announcing this re-assignment.

Completed: September 2014

APPENDIX F: OIG COMMENTS

Management concurred with all 17 recommendations.[4] All 17 recommendations will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. In its 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, or 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.

[4] While the preliminary report contained 16 recommendations, we added one recommendation, recommendation number eight, to address the issue of transferring nearly expired medical supplies to vendors and revised recommendation number seven. All subsequent recommendation numbers were changed accordingly.

APPENDIX G: AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

This audit was conducted under the direction of former Assistant Inspector General for Audit Bradley Grubb by Auditor Renita Davis. Additional support was provided by Lead Auditor Hal Nanavati.

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 contact Assistant Inspector General for Audit Judy Leonhardt at jleonhardt@peacecorps.gov or 202.692.2914.

Help Promote the Integrity, Efficiency, and Effectiveness of the Peace Corps

Anyone knowing of wasteful practices, abuse, mismanagement, fraud, or unlawful activity involving Peace Corps programs or personnel should contact the Office of Inspector General. Reports or complaints can also be made anonymously.

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