



Peace Corps Office of Inspector General



Vanua Levu, Fiji



Flag of Fiji

Final Audit Report

Peace Corps/Fiji

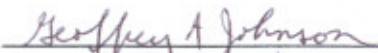
January 2008



FINAL AUDIT REPORT

Peace Corps/Fiji

IG-08-04-A



Geoffrey A. Johnson, Acting Inspector General

January 2008

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EXECUTIVE SUMMARY

OUR MISSION

“TO PROMOTE AND PRESERVE THE EFFECTIVENESS, INTEGRITY, AND EFFICIENCY OF THE PEACE CORPS”

The Office of Inspector General conducts regular audits of Peace Corps operations at the agency’s headquarters, regional recruitment offices, and overseas posts.

We found that, in general, Peace Corps/Fiji’s financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. We also found that the post had a very inclusive and effective budgeting process. However, there were several areas in need of improvement. Some of the more important findings are summarized below.

Medical Confidentiality – Some administrative documents contained Volunteer confidential medical information.

Accounting for Obligations – Appropriated funds were used for counterpart participation in training.

Billings and Collections – The post did not use a billing log.

Host Country Contributions – The value of Host Country Contributions reported by the post was not accurate or consistent.

Medical Supplies – The country director or designee did not inventory medical supplies monthly.

The section “Post Staffing” includes a summary of comments made by post staff whom we interviewed.

Our report contains 26 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

INTRODUCTION

GENERAL

The Office of Inspector General conducted an audit of Peace Corps/Fiji April 11 - May 4, 2007. There has been no previous audit of this post.

BACKGROUND

The Peace Corps began its program in Fiji in 1968. It was closed in 1998 but reopened in 2003. At the time of our visit, 49 Volunteers were working in two projects: Integrated Environmental Resource Management and Community Health Promotion.

OBJECTIVE

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

AUDIT RESULTS

Peace Corps/Fiji's financial and administrative operations, in general, were functioning effectively and complied with Peace Corps policies and federal regulations. However, we found that:

- Some administrative documents contained Volunteer confidential medical information.
- Appropriated funds were used for counterpart participation in training.
- The post did not use a billing log.
- The value of Host Country Contributions reported by the post was not accurate or consistent.
- A medical inventory was not performed monthly by the country director or designee.

MEDICAL CONFIDENTIALITY

MEDICAL CONFIDENTIAL INFORMATION

Some financial documents contained confidential medical information and Volunteers' identifier information.

Volunteer medical information is protected by the Privacy Act. Peace Corps Medical Technical Guideline 150.4 defines medically confidential information as "...directly relating to the...condition, care or treatment of a Volunteer contained in the Volunteer's Peace Corps health record or provided by the Volunteer to...a PCMO..."

According to Technical Guideline 150.6, when non-medical staff are required to be made aware of medically confidential information, the person disclosing the information is responsible for informing the recipient that he or she is to keep the medical information confidential. Technical Guideline 150.6 provides examples of information that may be shared with non-medical staff on a "need to know" basis; however, information related to doctors' visits or treatments for billing purposes are not included in this list.

The following financial documents that we reviewed contained the full names of Volunteers along with information regarding their medical treatment (e.g., doctor name, treatments): two of eight FY 2005 obligating documents; three out of ten FY 2006 cashier vouchers; and one out of eight FY 2007 cashier vouchers. This is a violation of medical confidentiality; the administrative staff should not be privy to personal medical information unless absolutely

RECOMMENDATION

necessary.

Although the post had begun redacting Volunteer names from medical obligations and replacing them with the last four digits of the Volunteers' social security numbers, there did not appear to be a procedure in place to ensure that this was consistently done.

We recommend:

- 1. That the post establish a procedure to redact Volunteer identifier information from administrative documents that contain confidential medical information and replace it with the last four digits of the Volunteer's social security number.**

ACCOUNTING FOR OBLIGATIONS

USE OF APPROPRIATED FUNDS

PC/Fiji provided transportation and per diem for Volunteer counterparts from appropriated funds.

OFMH section 46.7¹ prohibits the use of appropriated funds provided in the post's budget for counterpart training costs because Peace Corps does not have legislative authority for such expenditures. The use of reimbursable funds would be appropriate.

OFMH section 46.7 states:

- ...counterparts (or other HCNs) may participate in Volunteer training activities:
- if no additional cost is involved;
 - if they serve as trainers;
 - if their presence does not increase the cost of training to the Peace Corps and does not disrupt or dilute unduly the training of the Volunteers; or
 - in any other circumstance in which, in the judgment of the Peace Corps, their participation enhances the training of the Volunteers.

¹ The Overseas Financial Management Handbook (OFMH) issued in January 2007 was used during this audit. All OFMH references used in this report are from this version.

We found that the post provided transportation and per diem to Volunteer counterparts to attend a portion of the Trainees' pre-service training.

The post provided us with the agenda for fiscal years 2004, 2005, and 2006. Sessions which included counterparts' attendance may have enhanced the training of Volunteers. However, that was not clearly documented.

Following our audit, the country director issued a memo on June 1, 2007, intended to retroactively justify the use of appropriated funds for each of the three fiscal years, including one year that he was not present at the post. His justification did not address how the counterparts would enhance the pre-service training or if the counterparts were acting as trainers. Therefore, the documentation did not sufficiently support the use of appropriated funds for this activity as described in OFMH section 46.7.

RECOMMENDATIONS

We recommend:

- 2. That the post prepare a written justification each time appropriated funds will be used for counterparts costs before the costs are incurred.**
- 3. That the Office of Global Accounts Payable implement review procedures to ensure that the use of appropriated funds for counterpart expenses is properly justified.**
- 4. That the Office of Global Accounts Payable issue guidance to all posts that defines the type(s) of documentation acceptable to justify the use of appropriated funds for counterpart training.**

BILLINGS AND COLLECTIONS

BILLING OFFICER DUTIES AND RESPONSIBILITIES

PC/Fiji did not maintain a billing log in accordance with Peace Corps policy.

PCM section 777.5.0 provides agency policy and procedures for the control of billings and settlement transactions as follows:

For activities where the initial entry and accounting control is by manual means a Register of Billing and/or Collection Transactions, Peace Corps Form No. PC-1565 [a.k.a. “billing log”] (Attachment E) will be used. Each billing will be listed on the register to identify the transaction and its disposition. ...The control registers will serve as source documents for periodic reports, required reviews, and reconciliation or in support of subsidiary records used for accounting purposes.

The billing officer did not keep a billing log but instead assigned billing numbers by checking the previously-assigned numbers of bills of collection (BOCs) saved on his computer. This is neither a secure nor a reliable method for assigning sequential numbers. The use of a billing log allows the billing officer to track the sequential use of numbers assigned to BOCs to ensure that all BOCs are accountable.

The administrative officer stated that he felt that a billing log was unnecessary because the cashier, administrative assistant, and the administrative officer track all outstanding BOCs. He also stated that he felt that a manual billing log was redundant because of the cashier’s functions within FORPost. In addition, the billing officer and cashier did not jointly verify the status of BOCs on a monthly basis.

The billing log is an integral internal control of the billings and collections cycle. It allows the billing officer to maintain his information separately from that of the collections officer and therefore ensure that bills that are issued are being appropriately collected. As the cashier has the ability in FORPost to void BOCs, it is essential that the billing officer track all bills issued through to disposition.

During the course of the audit, the post created a billing and collections log for FY 2007; however, this log did not contain the date of collection. As a result, more improvement is needed.

The post did not have adequate separation of duties between billings and collections.

OFMH section 9.1 requires posts to maintain separation of responsibilities in the performance of billing and collection functions to ensure that adequate internal controls are in place.

OFMH section 9.2.1 specifies that it is the billing officer who “sends one reminder each month for any previous billings that are still outstanding.”

The post reported that the cashier is mainly responsible for reminding debtors to pay their outstanding bills.

This is a violation of the segregation of duties. Follow-up billings are part of the billing function and should not be a responsibility of the collections officer (cashier). According to OFMH section 9.2.1, the billing officer should track outstanding BOCs and should be the one responsible for sending monthly follow-up bills in writing.

Billings for communications were not issued timely or consistently.

PCM section 834.4.2 states:

Country Directors have the discretion to set up a call collection system for unauthorized calls if it is cost-effective to do so. Any monies collected should be credited to the obligation used to pay the telephone bill.

OFMH section 9.2 specifies that BOCs are to be prepared “when a reimbursement or other payment is due to Peace Corps.”

The BOCs were not issued monthly and often included several months’ worth of charges at a time. This is due to the inconsistency and delay in producing reports which lists calls by a staff member’s individual telephone extension. In addition, the time periods for which the reports were run were

not consistent for all staff, which then led to BOCs being issued to staff for inconsistent periods.

We also found that some BOCs for personal use of post phones were issued months after the post incurred the expense. According to the billing officer, this was due to the excessive time the staff members were taking to return the list of personal calls to the billing officer.

A long delay in the reporting of personal calls and the issuance of BOCs could lead to disputed charges as staff may forget which calls were personal. Additionally, the inconsistency of the timing of BOCs allows for errors, including calls going unbilled.

RECOMMENDATIONS

We recommend:

5. That the billing officer update the manual billing log to include the date of collection for all BOCs; the log must be maintained separately from FORPost.
6. That the billing officer issue follow-up bills for unpaid BOCs older than 30 days in accordance with OFMH section 9.2.1.
7. That the billing officer and cashier meet monthly to review their records to ensure consistency and accuracy.
8. That the post establish a procedure that ensures that personal calls are billed on a regular and cost-effective basis.

HOST COUNTRY CONTRIBUTIONS

DOCUMENTED VALUATION OF HOST COUNTRY CONTRIBUTIONS

PC/Fiji's current valuation of Host Country Contributions was neither reasonably accurate nor consistent with prior years.

According to PCM section 722.7.2.1:

The recorded value of in-kind contributions shall be based on a rational estimate of the cost

of the contributed supplies or services to the Peace Corps. The following are acceptable bases for making estimates:

- The actual cost to the Peace Corps of purchasing similar supplies or services in the same time period;
- The documented cost to other organizations (Embassy, USAID, PVOs) of purchasing similar supplies or services in the same time period; and
- A survey of the local offering price for similar supplies or services. Such a survey may be made informally, but should be documented at the time.

Accurate presentation of the existence (or absence) of HCCs (both cash and in-kind) provides PC/Washington with assurance that the post has evaluated and included all aspects of the annual budget. In-kind contributions must be presented as a valid addition to the post's appropriated budget.

We found no support for the estimated values placed on the housing for the three years in the audit scope. Because of this, the FY 2005, FY 2006, and FY 2007 HCCs for Volunteer housing were not consistently valued in the post's budget documents.

We also found that the value assigned to host country contributions for Volunteer housing was not properly documented in the post's Operations Plan for FY 2007; a formula error resulted in only one month of housing costs being recorded.

The result was that the post's budget for Volunteer housing was incorrect. If the post were to pay for Volunteers' housing leases, there would be a significant variance between the budgeted and actual cost using the amount included in the post's FY 2005 - FY 2007 Operations Plans.

The post attempted to correct the lack of documentation for housing valuation in FY 2007. However, the valuation documented was not the same as the value used in the post's FY 2007 Operations Plan.

RECOMMENDATIONS

We recommend:

9. That the post accurately record the value of in-kind HCCs in its budget.
10. That the post document the basis for host country contributions for Volunteer housing and include this in a HCC file. The calculation should include Volunteer-years for greater accuracy.
11. That the Office of the Chief Financial Officer ensure that the values for in-kind HCCs submitted in the Operations Plan are reasonable and are consistent with prior years' valuations.

PROPERTY MANAGEMENT

INVENTORY RECORDS

The post's inventory listing did not contain the location of inventoried items.

PCM section 511.5.2 states that "each office must take an inventory at least once a year, physically counting each item to verify that all property is on hand and properly recorded in the property management database." This cannot be accomplished without the documented locations of items to be inventoried. Any person should be able to identify with ease the location of any item based on the inventory listing. Also, the inclusion of location on an inventory list helps to distinguish between several similar items on the list.

PC/Fiji was using a spreadsheet similar to the one provided by the Facilities Management Division (FMD) for the annual Personal Property Inventory Report. FMD's spreadsheet was sent via email to all overseas administrative officers and the three regional chief administrative officers at headquarters on October 5, 2006 for the annual conduct of the Personal Property Inventory Report. FMD's spreadsheet did not include a column for location of the items inventoried.

Following our audit, we received documentation that the post had updated their inventory listing and included locations for all items.

RECOMMENDATIONS

We recommend:

12. That the post include the current location for each item on future inventory control listings.
13. That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.

MEDICAL SUPPLIES

INVENTORY OF MEDICAL SUPPLIES

Medical inventory was not being conducted in accordance with agency policy.

According to PCM section 734.2.1.6:

The PCMO is responsible for establishing the accuracy of inventories... a general inventory of supplies must be taken at least every month by the Country Director or designee. The PCMO/PCMC must inventory controlled medical substances monthly.

The country director's designee must be independent of the inventory distribution and recording process.

The country director conducted the inventory of the controlled substances monthly; however, neither the country director nor a designee regularly inventoried supplies and medicines. We found that the PCMOs conducted an inventory of supplies and medicines every two to three months. Both PCMOs also maintained the inventory records.

There was inadequate separation of duties between the staff who ordered, received, and tracked the inventory and those who performed the periodic inventory counts.

Timely inventories are essential in ensuring that the medical supplies inventory records are accurate.

New inventory was not combined with existing inventory in a timely manner.

PCM section 734.2.1.6 states:

The PCMO is responsible for establishing the accuracy of inventories, maintaining appropriate controls, and ensuring the proper usage of all medical supplies and equipment.

We found that some medical inventory that had been received was physically separated from the rest of the medical supplies kept in the inventory closet and was not included timely in the inventory listing. The PCMOs stated that this was due to lack of time to complete all administrative tasks.

As a result, the post's medical inventory listing was inaccurate.

Once received, supplies should be included with the current inventory both physically and in the inventory listing. Excluding newly-arrived shipments from the inventory list creates an inaccurate inventory listing and may cause confusion when ordering new shipments or when distributing the supplies to Volunteers.

RECOMMENDATIONS

We recommend:

- 14. That the country director assign a staff person to conduct the monthly inventory counts of medical supplies as required in the PCM.**
- 15. That the PCMOs incorporate new medical inventory into existing medical inventory in a timely manner.**
- 16. That the PCMOs update the inventory tracking spreadsheet promptly upon receipt of shipments.**

LEASES

LEASE DOCUMENTATION

Lease files were missing required information.

PCM section 733.4.2 requires that "an estimate of the square footage and/or acreage" be included in a lease agreement.

A review of the post's ten long-term and short-term lease files disclosed that six leases did not include square footage.

Authorizations for two leases greater than \$50,000 were missing.

OFMH section 30.1 states that country directors are responsible for negotiating leases under their personal procurement authority and obtaining additional procurement authority from the Director, Office of Acquisitions and Contract Management, if the total lease value including options exceeds \$50,000.00.²

During the audit, the administrative officer provided the authorization for a contract greater than \$50,000.

The post did not conduct a market survey for three leases.

PCM section 733.4.2 requires that a market survey be conducted before awarding a lease.

We found that three lease files, including for the Peace Corps office, did not contain documentation that a market survey was conducted prior to awarding the lease.

RECOMMENDATION

We recommend that:

- 17. That the post ensure that all lease agreements are executed in accordance with Peace Corps policy.**
- 18. That the post obtain authorization when entering into future leases in excess of the post's authorized funding level.**
- 19. That the post conduct and document a market survey for new leases awarded.**

² Following our audit, OFMH section 30.1 was revised and country directors' authority was increased to \$100,000.

CONTRACTS

INTELLIGENCE CERTIFICATIONS

Personal services contractor files did not contain intelligence background information certification forms.

PCM section 743.8.1 requires that, “Prospective PSCs are required to complete the Intelligence Background form...” Personal services contractors are subject to the policy and eligibility standards set forth in the Peace Corps Manual concerning eligibility of applicants with intelligence backgrounds. Prospective PSCs are required to complete the Intelligence Background form provided as Attachment A to PCM section 611.

None of the PSC files reviewed contained completed intelligence background certification forms.

However, during the course of the audit, the post completed and provided the Intelligence Background Information Certification forms to be in compliance. The administrative officer was previously unaware of this requirement. Forms were signed by all staff present at the time of our visit.

COMPETITIVE CONTRACT AWARDS

Several PSC files did not contain evidence that the contracts were competitively awarded.

PCM section 743.9.2.1 states:

...offers are to be requested from at least three potentially qualified candidates. If three qualified candidates cannot be identified without advertising, the contract must be advertised locally in accordance with Embassy/Post practice for direct-hire employees or PSCs (e.g., Post/Embassy bulletin board or website, in a general circulation newspaper) or using some other method that would reasonably be expected to produce at least three potentially qualified candidates.

A review of nine of 13 PSC files disclosed that five PSC files did not contain evidence of competition. The post subsequently provided evidence for one PSC. However, because of the absence of documentation for the remaining four, there is no evidence that the contracts were awarded in

INCOMPLETE PSC EVALUATIONS

accordance with Peace Corps policy requiring fair and open competition.

Some PSC performance evaluations were not completed and filed in accordance with Peace Corps policy.

PCM section 743.19 states:

It is U.S. Government policy that a PSC's performance be evaluated during and at the completion of each contract. Only complete and objective written performance evaluations may be utilized in the acquisition process to assess the PSC's past performance and in considering the contractor for future awards.

All PSCs will be evaluated by the country director, or another Peace Corps employee designated by the country director, during and at the completion of their in-country work.

OFMH section 22.4 states that performance appraisals should be included in a Foreign Personnel file.

Our review of nine out of 13 PSC contracts showed that five were missing evidence of recent evaluations. During the audit the post produced three completed evaluations. Evaluations should be performed upon the completion of each contract period and included in the PSC's file.

RECOMMENDATIONS

We recommend:

- 20. That the post ensure that all employees have completed Intelligence Background Information Certification forms in accordance with Peace Corps policy.**
- 21. That the post obtain offers from at least three candidates for all new personal services contracts.**
- 22. That the post complete performance evaluations in a timely manner in accordance with Peace Corps policy.**

NON-PERSONAL SERVICES CONTRACTS

Non-personal services contract files were not complete.

PCM section 732.6.3.6 states that, “the Contracting officer shall solicit three bids from qualified suppliers...” PCM section 732.6.3.8 continues to require that “the Contracting officer shall establish a list of sources used in soliciting quotations. This should appear in the file.”

PCM section 732.6.3.8 requires that, “the reason(s) for accepting a bid that is higher than the lowest quotation shall be entered in the procurement file [and] ...the procurement file must include written acknowledgement that goods or services were received.”

A review of the post’s 15 non-PSCs disclosed the following deviations from Peace Corps policy:

- No evidence of verbal quotes for three contracts between \$3,000 and \$10,000.
- Basis for award not documented for two contracts.
- Receipt of Good and Services not acknowledged for five contracts.

Although the administrative officer provided documentation supporting the basis for awarding two contracts, the files still needed improvement. As the post’s contract files were incomplete, there is no documentation that the post followed Peace Corps policy in the award of contracts and that the government received the goods or services.

RECOMMENDATION

We recommend:

- 23. That the post ensure that all necessary documents are included its contract files as required by Peace Corps policy.**

PURCHASE CARD

PURCHASE CARD LOG

The date of receipt of goods and services was not recorded on the purchase card log.

PCM section 731, Attachment H provides an example of a purchase card log template which includes the date of receipt.

The post's purchase cardholder maintained a detailed record of purchases made including the log and the required receipts and invoices; however, we found that the purchase cardholder was not regularly recording dates of receipt of goods or services in the purchase card log.

In order to have a complete record of purchase card transactions, the date of receipt of goods or services must be recorded. As the purchasing and receiving duties are segregated, the purchaser should ensure that goods ordered have indeed been received. This check ensures the effectiveness of the control over the segregation of duties.

RECOMMENDATION

We recommend:

24. That the purchase card holder include the recording of the date of receipt of goods or services in the purchase card log.

TIME KEEPING

TIME AND ATTENDANCE RECORDING AND REVIEW

Some staff members' time and attendance records were not maintained in accordance with the post's policy.

Post-specific time and attendance policies from the staff handbook include:

- Staff is entitled to a one hour lunch break. Staff may not shorten their work day by shortening their lunch break.
- PST contract compensation rates are set with the expectation of longer workdays.
- A staff member may accrue up to 24 hours of compensatory time. During PST additional hours may

be accrued up to a maximum of 60, subject to the authorization of the country director.

- Supervisors must ensure that compensatory time accrued by their staff is taken within four pay periods from when it is earned.
- Compensatory time may be accrued in ½ hour increments with a minimum of two hours per “event.” It must also be used in blocks of at least two hours.
- The maximum compensatory time that may be earned in one day is eight hours.

For 14 PSCs, we reviewed a total of 36 biweekly time sheets. The discrepancies with the post policy that we noted in the timesheets are as follows:

- Compensatory time and leave were not pre-approved in five out of eight cases.
- Compensatory time was earned in excess of the maximum hours allowed.
- Compensatory hours were earned and taken in increments not in line with post policy.
- Exact time of absences was not recorded; in at least four cases the work day was shortened.
- The supervisor and the timekeeper did not initial changes to multiple pay periods for one person.

The post guidance is in place to ensure that staff members are paid on time and correctly. Compensatory time policy exists to reward those who work in excess of the expected hours. Thorough supervisory approval and review of compensatory time hours is necessary to maintain this distinction.

The post corrected those errors from FY 2007 that could be corrected, including submitting retroactive Request for Leave forms signed by supervisors and recalculating compensatory time to be at or below the maximum.

During the audit, the administrative officer presented additional training to better explain the timekeeping process to the staff, including submitting leave or compensatory time forms for pre-approval.

Supervisors did not review PC-57s semiannually.

PCM section 742.6.1 states:

Each leave record (PC-57) shall be routinely reviewed for accuracy by the supervisor as of June 15th and December 15th of each leave year and audited by the timekeeper at the end of each leave year or upon an employee's termination or transfer.

The post did not conduct a semiannual review of PC-57s.

A semiannual review provides the supervisors an opportunity to review all time sheets within the six-month period for consistency and accuracy.

During the audit, the administrative officer presented additional training to better explain the timekeeping process to the staff, including a step in which supervisors will review staff PC-57s every six months.

RECOMMENDATIONS

We recommend:

25. That the post ensure that staff and supervisors follow the post's written policies regarding timekeeping.

26. That supervisors review staff PC-57s every six months in accordance with Peace Corps policy.

LIST OF RECOMMENDATIONS

WE RECOMMEND:

1. That the post establish a procedure to redact Volunteer identifier information from administrative documents that contain confidential medical information and replace it with the last four digits of the Volunteer's social security number.
2. That the post prepare a written justification each time appropriated funds will be used for counterparts costs before the costs are incurred.
3. That the Office of Global Accounts Payable implement review procedures to ensure that the use of appropriated funds for counterpart expenses is properly justified.
4. That the Office of Global Accounts Payable issue guidance to all posts that defines the type(s) of documentation acceptable to justify the use of appropriated funds for counterpart training.
5. That the billing officer update the manual billing log to include the date of collection for all BOCs; the log must be maintained separately from FORPost.
6. That the billing officer issue follow-up bills for unpaid BOCs older than 30 days in accordance with OFMH section 9.2.1.
7. That the billing officer and cashier meet monthly to review their records to ensure consistency and accuracy.
8. That the post establish a procedure that ensures that personal calls are billed on a regular and cost-effective basis.
9. That the post accurately record the value of in-kind HCCs in its budget.
10. That the post document the basis for host country contributions for Volunteer housing and include this in a HCC file. The calculation should include Volunteer-years for greater accuracy.
11. That the Office of the Chief Financial Officer ensure that the values for in-kind HCCs submitted in the Operations Plan are reasonable and are consistent with prior years' valuations.
12. That the post include the current location for each item on future inventory control listings.

13. That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.
14. That the country director assign a staff person to conduct the monthly inventory counts of medical supplies as required in the PCM.
15. That the PCMOs incorporate new medical inventory into existing medical inventory in a timely manner.
16. That the PCMOs update the inventory tracking spreadsheet promptly upon receipt of shipments.
17. That the post ensure that all lease agreements are executed in accordance with Peace Corps policy.
18. That the post obtain authorization when entering into future leases in excess of the post's authorized funding level.
19. That the post conduct and document a market survey for new leases awarded.
20. That the post ensure that all employee have completed Intelligence Background Information Certification forms in accordance with Peace Corps policy.
21. That the post obtain offers from at least three candidates that for all new personal service contracts.
22. That the post complete performance evaluations in a timely manner in accordance with Peace Corps policy.
23. That the post ensure that all necessary documents are included its contract files as required by Peace Corps policy.
24. That the purchase card holder include the recording of the date of receipt of goods or services in the purchase card log.
25. That the post ensure that staff and supervisors follow the post's written policies regarding timekeeping.
26. That supervisors review staff PC-57s every six months in accordance with Peace Corps policy.

POST STAFFING

At the time of our visit, the post had seventeen staff positions (excluding two unfilled positions: IT Specialist and Program Manager/ Environment). The positions included three U.S. direct hire employees (USDH), two foreign service nationals, twelve personal services contractors. In addition, a Peace Corps Safety and Security Officer is based in Fiji.

We interviewed eight staff (including three USDHs and one PCMO), who all stated that they very much enjoyed working for the Peace Corps. Many cited, in particular, the improvements that have been seen in the office regarding teamwork and communication since the opening just a few years ago. Volunteers we interviewed did not depend on the office staff for project support but did comment that they received the medical and administrative support that they required. They also noted an improvement since the arrival of the current administrative officer and the current programming and training officer.

PC/Fiji Positions

Position	Status
Country Director	USDH
Executive Assistant	PSC
Administrative Officer	USDH
Program and Training Officer	USDH
Program Manager/Health Promotion	PSC
Training Manager	PSC
Training Assistant	PSC
Program Assistant/ Health Promotion	PSC
Program Assistant/ Environment	PSC
Peace Corps Medical Officer	PSC
Peace Corps Medical Officer	PSC
Safety and Security Coordinator	PSC
Cashier	FSN
Financial Assistant	FSN
General Services Manager	PSC
General Services Assistant/ Driver	PSC
Admin Assistant/ Receptionist	PSC

APPENDIX A

OTHER MATTERS

During the audit, we observed that PC/Fiji performs supplementary duties on behalf of PC/Solomon Islands. Although PC/Solomon Islands operations are not supervised by PC/Fiji, the imprest fund information of PC/Solomon Islands is relayed to PC/Fiji for transmittal to PC/Washington. PC/Fiji's role is strictly inputting the information into FORPost and transmitting the required monthly reports to PC/Washington on behalf of PC/Solomon Islands.

In discussions with PC/Fiji regarding these supplementary duties, we noted that PC/Solomon Island has not been consistent in providing their imprest fund information to PC/Fiji for transmittal to PC/Washington. Additionally, a discrepancy in the PC/Solomon Island imprest fund accountability has been reported to our office and was being investigated by PC/Fiji.

Since this matter was not within the scope of this audit, no additional audit work was performed related to the PC/Solomon Island imprest fund. However, we will continue to monitor the status of the fund to determine if further audit work may be required to assist in the resolution of the discrepancy.

APPENDIX B

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing overseas posts is to determine whether the financial and administrative operations are functioning effectively and comply with Peace Corps policies and federal regulations. Our audit conclusions are based on information from three sources: (1) document and data analysis, (2) interviews, and (3) direct observation. Our audits are conducted in accordance with the government auditing standards prescribed by the Comptroller General of the United States.

The audit of Peace Corps/Fiji covered fiscal years 2005, 2006 and through March 31 of 2007. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and one of the two medical officers. We also interviewed at least twenty-seven Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them. At the end of our audit, we briefed the country director, administrative officer and administrative team. At headquarters, we conducted a general briefing for regional staff.

We relied on computer-processed data from the post's accounting system. While we did not test the system's controls, we believe the information generated by the system and used by us was sufficiently reliable for our audit objective.

Our audit criteria were derived from the following sources: the Peace Corps Manual, the Overseas Financial Management Handbook (January 2007), current Peace Corps initiatives and policies, and other federal regulations.

APPENDIX C

REGION'S RESPONSE TO THE PRELIMINARY REPORT

MEMORANDUM

To: David Kotz, Inspector General

From: Allene Zanger, Regional Director, Inter-America and Pacific

CC: David Liner, Chief of Staff/Operations
A. Courtney Santonicola, Deputy Chief of Staff/Operations
Oghale Oddo, Country Director
John Dimos, Chief Compliance Officer
Tyler Posey, General Counsel
George Schutter, Chief Financial Officer
Carey Fountain, Chief Acquisition Officer
Wilbert Bryant, Associate Director for Management

Date: December 7, 2007

Subject: Preliminary Report on the Audit of Peace Corps/Fiji

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

The Region concurs with 26 of 26 recommendations.

1. That the post establish a procedure to redact Volunteer identifier information from administrative documents that contain confidential medical information and replace it with the last four digits of the Volunteer's social security number.

Concur: All medical invoices are now received and opened by the Medical Officer. She reviews the invoices, redacts the Volunteer's identifying information and replaces it with the last four digits of the Volunteer's social security number. Invoices are then forwarded to the administrative unit for payment.

Date Implemented: Implemented November 26, 2007 and on-going

2. That the post prepare a written justification each time appropriated funds will be used for counterparts costs before the costs are incurred.

Concur: Post will ensure that counterparts are only utilized in Volunteer/trainee training events where their participation is compliant with the OFMH and other Peace Corps regulations. The Country Director will review the agenda in advance of the event and, if it is in compliance with Peace Corps regulations, will issue a memo to the file that certifies and clarifies how the counterparts' presence enhances the training event for the Volunteers or trainees.

Date Implemented: Implemented November 26, 2007 and on-going

3. That the Office of Global Accounts Payable implement review procedures to ensure that the use of appropriated funds for counterpart expenses is properly justified.

Action required by OGAP.

4. That the Office of Global Accounts Payable issue guidance to all posts that defines the type(s) of documentation acceptable to justify the use of appropriated funds for counterpart training.

Action required by OGAP.

5. That the billing officer update the manual billing log to include the date of collection for all BOCs; the log must be maintained separately from FORPost.

Concur: Concur: Post has developed a new billing and collection procedure to ensure that bills are issued and collected in a timely manner. The enhancement of FORPost in November, 2007 has eliminated the need for separate, manual BOC logs. Post now utilizes this new BOC log functionality to ensure that the date of collection is included on the billing log.

Date Implemented: Implemented November 26, 2007 and on-going

6. That the billing officer issue follow-up bills for unpaid BOCs older than 30 days in accordance with OFMH section 9.2.1.

Concur: Post has developed a new billing and collection procedure to ensure that bills are issued and collected in a timely manner. The billing officer now sends follow-up bills of collection to the debtor, with a copy to his/her supervisor, 7 days after the initial bill of collection is sent.

Date Implemented: Implemented November 26, 2007 and on-going

7. That the billing officer and cashier meet monthly to review their records to ensure consistency and accuracy.

Concur: Post has developed a new billing and collection procedure to ensure that bills are issued and collected in a timely manner. The billing officer and the collections officer (cashier) meet monthly to review their records and ensure consistency and accuracy. This serves as an internal control for the collection process. In addition, the new functionality of the bill of collection log in ForPost will highlight any Bills of Collection that are voided by the cashier.

Date Implemented: Implemented November 26, 2007 and on-going

8. That the post establish a procedure that ensures that personal calls are billed on a regular and cost-effective basis.

Concur: Post has developed a new billing and collection procedure to ensure that bills are issued and collected in a timely manner. Staff now have two days to review phone bills and highlight the personal calls made from their extension or mobile phone. If the staff member does not respond within two days, all the disputed calls will be assumed to be personal and will be billed to the staff person. If the bill is not paid in a timely manner the staff person, at the Country Director's discretion, may lose the privilege to use Peace Corps telephones and will have to use their personal phone and submit specific calls for reimbursement.

Date Implemented: Implemented November 26, 2007 and on-going

9. That the post accurately record the value of in-kind HCCs in its budget.

Concur: In the fiscal year 2008 operating plan, the value of the housing provided by hosting organizations is fairly represented. The amount of F\$250.00 (US\$142.86) per v-month was used and is based on the amount that is currently paid for Volunteer housing for which post is responsible. It is also not more than a recent volunteer sending organization survey indicated other organizations are paying.

Date Implemented: Implemented August 6, 2007 and on-going

10. That the post document the basis for host country contributions for Volunteer housing and include this in a HCC file. The calculation should include Volunteer-years for greater accuracy.

Concur: Post has included in its host country contribution file the basis for the fiscal year 2008 host country contribution value, including a recent Volunteer sending organization survey on housing and allowance, as well as the mathematical

calculations used in the operating plan. Post will update this file as underlying assumptions change.

Date Implemented: Implemented August 6, 2007 and on-going

11. That the Office of the Chief Financial Officer ensure that the values for in-kind HCCs submitted in the Operations Plan are reasonable and are consistent with prior years' valuations.

Action required by OCFO.

12. That the post include the current location for each item on future inventory control listings.

Concur: The spreadsheet used for tracking inventory currently has and will continue to have the location of each inventory item.

Date Implemented: Implemented June 6, 2007 and on-going

13. That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.

Action required by Facilities Management Division.

14. That the country director assign a staff person to conduct the monthly inventory counts of medical supplies as required in the PCM.

Concur: The Country Director has designated the General Services Officer to perform monthly inventory counts of medical supplies. The General Services Officer is also to conduct an inventory review three to five days after a new shipment of medical supplies arrives, in order to ensure that the supplies have been incorporated into the inventory as well as on the inventory tracking sheet.

Date Implemented: Implemented November 26, 2007 and on-going

15. That the PCMOs incorporate new medical inventory into existing medical inventory in a timely manner.

Concur: Post's Medical Officers' statements of work have been augmented to clarify that they are responsible to incorporate new medical inventory into the existing medical inventory within two business days of receipt of the supplies. Furthermore, the GSO has been designated by the Country Director to check that new inventory and supplies have been incorporated into the existing inventory and updated in the inventory tracking spreadsheet three to five days after a shipment has arrived.

Date Implemented: Implemented November 26, 2007 and on-going

16. That the PCMOs update the inventory tracking spreadsheet promptly upon receipt of shipments.

Concur: Post's Medical Officers' statements of work have been augmented to clarify that they are responsible to incorporate new medical inventory into the inventory tracking spreadsheet within two days of the receipt of new shipments. Furthermore, the GSO has been designated by the Country Director to check that new inventory and supplies have been incorporated into the existing inventory and updated in the inventory tracking spreadsheet three to five days after a shipment has arrived.

Date Implemented: Implemented November 26, 2007 and on-going

17. That the post ensure that all lease agreements are executed in accordance with Peace Corps policy.

Concur: Post has developed a checklist for lease agreement files that serves as a guide to ensure that all proper documentation is obtained and included in the lease file, including approval for additional procurement authority and estimates of square footage and/or acreage.

Date Implemented: Implemented November 26, 2007 and on-going

18. That the post obtain authorization when entering into future leases in excess of the post's authorized funding level.

Concur: Post has obtained authorization for all of its current leases and has incorporated the documentation into the lease files. To ensure that this practice continues in the future, post has developed a checklist for lease agreement files that serves as a guide to ensure that all proper documentation is obtained and included in the lease file, including approval for additional procurement authority.

Date Implemented: Implemented November 26, 2007 and on-going

19. That the post conduct and document a market survey for new leases awarded.

Concur: Post will ensure that a market survey is conducted each time a new lease is entered and has included this requirement in its newly developed lease file checklist to ensure compliance with all lease agreement requirements.

Date Implemented: Implemented November 26, 2007 and on-going

20. That the post ensure that all employees have completed Intelligence Background Information Certification forms in accordance with Peace Corps policy.

Concur: Post has developed a checklist to ensure that all new staff members' files include the Intelligence Background Information Certification.

Date Implemented: Implemented November 26, 2007 and on-going

21. That the post obtain offers from at least three candidates for all new personal service contracts.

Concur: Post has developed a checklist to ensure that all new staff members' files include evidence of competition from three candidates for the position.

Date Implemented: Implemented November 26, 2007 and on-going

22. That the post complete performance evaluations in a timely manner in accordance with Peace Corps policy.

Concur: Post has a policy that formal performance reviews are conducted once a year in December, with the exception of the two Foreign Service Nationals that have their reviews on their anniversary as required by the embassy. In addition supervisors conduct a documented performance evaluation half-way through the year to gauge progress on goals that were set during the prior annual evaluation. Staff members know that if their supervisor does not initiate these performance reviews, they can ask for them or escalate the matter to the Country Director. Supervisors' statements of work have been amended to clarify this specific responsibility.

Date Implemented: Implemented November 26, 2007 and on-going

23. That the post ensure that all necessary documents are included in its contract files as required by Peace Corps policy.

Concur: Post has developed a new, non-PSC contract checklist to ensure that all necessary documentation is included in the file, including evidence of competition, the basis of award and the receipt of the goods or services.

Date Implemented: Implemented November 26, 2007 and on-going

24. That the purchase card holder include the recording of the date of receipt of goods or services in the purchase card log.

Concur: Post has developed a new set of procedures to ensure that all necessary documentation, approvals and logs are maintained in order to ensure compliance with Peace Corps regulations but also to improve the efficiency of using the centrally billed travel and purchase cards. This includes recording the date of receipt for goods and services acquired.

Date Implemented: Implemented November 26, 2007 and on-going

25. That the post ensure that staff and supervisors follow the post's written policies regarding timekeeping.

Concur: Post has amended the statements of work for staff with supervisory responsibility to clarify and ensure responsibility and compliance with post's written policies regarding timekeeping.

Date Implemented: Implemented November 26, 2007 and on-going

26. That supervisors review staff PC-57s every six months in accordance with Peace Corps policy.


Concur: Post has amended the statements of work for its direct hire staff to clarify and ensure responsibility and compliance with post's written policies regarding timekeeping, including the preparation of fortnightly time and attendance sheets. PC-

57s for US direct hire staff will be reviewed for accuracy by the supervisor as of June 15th and December 15th of each leave year and audited by the timekeeper at the end of each leave year or upon an employee's termination or transfer (per MS 742).

Date Implemented: Implemented November 26, 2007 and on-going



**Peace
Corps**

TO: David Kotz, Inspector General
FROM:  George Schutter, Chief Financial Officer
DATE: December 14, 2007
SUBJECT: Response to the October 26, 2007 IG Preliminary Audit Report for Peace Corps/Fiji

Below is the Office of the Chief Financial Officer (OCFO) response to the IG Preliminary Audit Report for Peace Corps/Fiji.

Preliminary Report Recommendation # 3:

That the Office of Global Accounts Payable implement review procedures to ensure that the use of appropriated funds for counterpart expenses is properly justified.

Response to Recommendation #3:

Do not concur.

Consistent with the guidance provided posts in Chapter 46.7 of the Overseas Financial Management Handbook, it is the post's responsibility to determine if appropriated funds should be used for counterpart expenses. It is in the best interest of the Government to ensure that those in the best position to determine whether an expense is valid and reasonable should make that determination. A Country Director in regards to counterpart expenses is clearly in that position. The OCFO will continue to follow the established procedure of validating that the Country Director has signed any voucher request for payment of counterpart expenses. The Country Director's signature serves as OCFO's support that the Country Director made the determination that the use of appropriated funds for counterpart expenses is appropriate.

No additional review procedures are necessary.

Preliminary Report Recommendation #4:

That the Office of Global Accounts Payable issue guidance to all posts that defines the type(s) of documentation acceptable to justify the use of appropriated funds for counterpart training.

Response to Recommendation #4:

Concur.

The OCFO published an obligation matrix that was sent to all posts in March 2007. The matrix includes documentation requirements for all categories of expenses that posts submit for payment.

Preliminary Report Recommendation #11:

That the Office of the Chief Financial Officer ensure that the values for in-kind HCCs submitted in the Operations Plan are reasonable and are consistent with prior year's valuations.

Response to Recommendation #11:

Concur.

The OCFO will require that posts provide reasonable and consistent estimates for in kind HHC values in their annual Operating Plan and Budget and monitor the accuracy of these values on a quarterly basis.

cc: David Liner, Chief of Staff/Operations
Allene Zanger, Regional Director, IAP
Will Bryant, Associate Director for Management
John Dimos, Chief Compliance Officer
Carey Fountain, Chief Acquisition Officer
Oghale Oddo, Country Director



Since 1961.

MEMORANDUM

TO: David Kotz, Inspector General
FROM: Wilbert Bryant, Associate Director for Management *WBryant*
DATE: November 1, 2007
SUBJECT: Preliminary Audit Report on Peace Corps/Fiji

Thank you for your recommendation to the Office of Management in subject report. Below is our response.

Recommendation # 13:

That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.

Management Response to Recommendation # 13:

Concur. The Office of Management updated the sample spreadsheet to include a column for location of inventory items for the Fiscal Year 2007 Annual Personal Property Inventory Report. The new spreadsheet, at attachment 1, was disseminated to posts in September 2007.

If you have questions or need additional information, please contact Garry Stanberry at (202) 692-1195.

Attachment – as stated

cc: Allene Zanger, Regional Director, IAP
David Liner, Chief of Staff/Operations
A. Courtney Santonicola, Deputy Chief of Staff/Operations
John Dimos, Chief Compliance Officer
Oghale Oddo, Country Director
Tyler Posey, General Counsel
George Schutter, Chief Financial Officer
Carey Fountain, Chief Acquisition Officer

APPENDIX D

OIG COMMENTS

The region concurred with all 22 of the recommendations addressed to the region. The Office of the Chief Financial Officer concurred with two recommendations and did not concur with one recommendation addressed to that office. The Office of Management concurred with the one recommendation addressed to that office. We closed recommendations numbers 3, 5, 8, 12, and 13. Recommendation numbers 1, 2, 4, 6, 7, 9 – 11, and 14 – 26 remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation number 1, a copy of a redacted recent medical invoice.
- For recommendation number 2, when another event has occurred, evidence of the country director's review of the agenda and a copy of his memo to file.
- For recommendation number 4, a copy of OGAP's written guidance regarding acceptable supporting documentation for the use of appropriated funds for counterpart training.
- For recommendation number 6, a copy of an original and related follow-up bill.
- For recommendation number 7, documentation that the billing officer and cashier are following the monthly review procedure as described in the region's response.
- For recommendation number 9, a copy of the 2008 operating plan showing properly-valued HCCs.
- For recommendation number 10, a copy of the basis for the FY08 HCC value and mathematical calculations used in the operating plan.
- For recommendation number 11, documentation showing that the OCFO has reviewed the post's calculations for in-kind host country contributions.
- For recommendation number 14, a copy of the Statement of Work of the person assigned to conduct the monthly medical supply inventory.
- For recommendation numbers 15 and 16, a copy of the PCMOs' updated Statement of Work.
- For recommendation number 17, a copy of the post-developed checklist to ensure that all proper documentation is obtained and included in the lease file.
- For recommendation number 18, a copy of the post-developed lease checklist, including items related to the post's authorized funding level.

APPENDIX D

- For recommendation number 19, a copy of the post-developed lease checklist, including items related to market surveys.
- For recommendation number 20, a copy of the post-developed staff file checklist, including items related to the Intelligence Background Information Certification.
- For recommendation number 21, a copy of post-developed staff file checklist, including the items related to competition for all new personal service contracts.
- For recommendation number 22, a copy of a supervisor's updated Statement of Work that reflects his/her responsibility to complete performance evaluations in a timely manner.
- For recommendation number 23, a copy of the post developed non-PSC checklist as described in the region's response.
- For recommendation number 24, a copy of the current credit card log.
- For recommendation number 25, a copy of a supervisor's updated Statement of Work that reflects the clarification of his/her responsibility regarding timekeeping.
- For recommendation number 26, a copy of certified completed PC-57s for all USDH staff members.

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

APPENDIX E

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

The audit was performed by auditor Elizabeth Palmer.

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Gerald P. Montoya, Assistant Inspector General for Audit, at gmontoya@peacecorps.gov, or call him at (202) 692-2907.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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