



Peace Corps Office of Inspector General

FINAL AUDIT REPORT

Peace Corps/Kyrgyz Republic

IG-07-05-A


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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/Kyrgyz Republic’s financial and administrative operations were functioning effectively and complied with agency policies and federal regulations, but required improvement in a number of areas. Some of the more important findings are summarized below.

Imprest fund management – The cashier did not personally set the imprest fund safe’s combination and change it at least annually. These deficiencies were previously noted during our inspection of the post in fiscal year 2000, and management concurred with our resulting recommendations. However, we confirmed that they were not implemented. Also, the country director did not perform an imprest fund verification during one quarter of fiscal year 2005.

Volunteer allowances – The post did not conduct an independent living allowance survey and did not give consideration to the cost of living difference between cities and rural areas.

Billings and collections – The date of collection was not included on the billing log, and the value added tax reimbursement was not posted until it was collected.

Records management – The post had outdated administrative files, some up to 10 years old, in its storeroom.

Vehicle management – The post placed the proceeds from a FY 2005 vehicle sale in the imprest fund rather than the U.S. Disbursing Officer account.

Travel management – Staff did not sign their travel authorizations. Further, the post’s in-country per diem rate for staff travel has not been reviewed in at least three years; several post staff told us during interviews that the present rate is inadequate.

Personnel management – Supervisors did not review PC-57 forms as required, and the timekeeper did not conduct a leave audit annually.

Procurement – The post did not have security clearances on file for all its personal services contractors (PSCs), nor did it

have on file intelligence background information certifications. These deficiencies were previously noted during our inspection of the post in fiscal year 2000, and management concurred with our resulting recommendations. The post obtained the intelligence background information certifications from its PSCs during the course of the audit.

Property management – The person who maintained the inventory records also performed the physical inventory. The inventory listing contained discrepancies, and the storeroom contained unusable items which were shown on the listing as “in use.”

Medical supplies – The medical unit had not destroyed expired medical supplies in a timely manner. Further, it did not properly monitor and control drugs held by Volunteer wardens.

IT security – There was no documentation on file to substantiate that all employees had received the required IT security training.

The section “Post Staffing” includes the comments of post staff interviewed by us.

Our report contains 32 recommendations, which, if rigorously 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/Kyrgyz Republic October 30 - November 16, 2006. We previously performed an inspection of the post in fiscal year 2000.

BACKGROUND

The Peace Corps began its program in Kyrgyz Republic in 1993. The program was suspended following the events of September 11, 2001 and re-opened in 2002. At the time of our visit, 113 Volunteers, including seven who were completing their service, were working in three projects: English language instruction, Sustainable Organizational and Community Development, and 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 full description of our audit objective, scope, and methodology.

AUDIT RESULTS

Peace Corps/Kyrgyz Republic's financial and administrative operations, in general, were functioning effectively and complied with Peace Corps policies and federal regulations. However, we found that the post did not:

- Require the cashier to change the combination to the imprest fund safe.
- Conduct an independent survey to evaluate the Volunteer living allowance.
- Obtain intelligence background information certifications and security clearances for all PSCs.
- Request staff to sign their travel authorizations.
- Properly monitor and control medical supplies in the custody of Volunteer wardens.

IMPREST FUND MANAGEMENT

IMPREST FUND SECURITY

The cashier did not personally set the combination to the imprest fund safe and change the combination at least annually.

Peace Corps Manual (PCM) section 760.9.4 and Overseas Financial Management Handbook (OFMH) section 8.5.1 require that the cashier personally set the combination and change it at least annually. The policy specifically prohibits the embassy's Regional Security Officer or technician from setting or knowing the combination.

Despite this requirement, the post relied on a technician from the U.S. embassy in Kazakhstan to change the combination during periodic visits to the Kyrgyz Republic. The cashier stated that on the technician's last visit to the post, which occurred over a year prior to our visit, the technician installed a new combination lock and that the prior lock's combination was not changeable. She further stated that she believed, but was not certain, that the new combination lock was changeable.

According to OFMH section 8.3, "The Country Director, as the Post Manager, has responsibility for imprest management" which includes "ensuring that equipment and facilities are adequate and secure."

Having the cashier as the sole person who sets the combination and changes it at least annually reflects the

cashier's responsibility for safeguarding the imprest fund and personal accountability for its contents.

This issue was previously reported in our "Final Report on the Inspection of Peace Corps/Kyrgyz Republic" (IG-99-15-2) dated July 2000 (hereafter referred to as the "FY 2000 inspection report"). In that report, we stated: "The cashier did not personally change the combination lock on the imprest fund safe nor has the combination been changed annually during her tenure at the position."

The region and the post concurred with our previous recommendations to correct these deficiencies and set an estimated date for completion of May 30, 2000; however, the post did not correct them. Accordingly, we are again making recommendations that address these deficiencies.

ADVANCE RECEIPT FORMS

The cashier did not return interim advance receipt forms to debtors upon settlement.

The cashier marked the interim advance receipt forms "paid" at the time of settlement but did not return them to debtors as required by PCM section 760.7.1.3.

The cashier stated that she did not realize that the form was required to be returned to the debtor upon settlement of the advance. Returning the advance receipt forms provides the debtors with documentation substantiating the clearing of their advances. Additionally, providing a receipt to the debtor adds additional controls to strengthen accountability over advances and minimizes the risk that repaid advances are not being properly handled.

IMPREST FUND VERIFICATION

The country director did not perform a verification of the imprest fund during the fourth quarter of FY 2005.

The country director did not perform an imprest fund verification during the fourth quarter of FY 2005. OFMH section 8.3 requires that country directors perform quarterly verifications.

Periodic verifications provide important managerial oversight over the imprest fund. For example, the country director identified a local currency shortage, equivalent to \$23, during his July 2006 imprest fund verification and reported it in accordance with OFMH section 8.5.2. He determined that

bills were missing from several bill packets. The cashier stated that she had not verified the completeness of the bill packets when she received them from the bank. The cashier reimbursed the imprest fund for the loss and stated that she is now verifying all packets of bills obtained from the bank.

RECOMMENDATIONS

We recommend:

1. That the country director ensure that the combination lock on the imprest fund safe meets agency requirements.
2. That the country director ensure that the cashier be trained so that she is able to change the imprest fund safe combination.
3. That the cashier change the combination to the imprest fund safe at least annually.
4. That the cashier return interim advance receipt forms to debtors upon settlement.
5. That the country director conduct an imprest fund verification quarterly.

VOLUNTEER ALLOWANCES

INDEPENDENT LIVING ALLOWANCE SURVEYS

The post did not conduct independent living allowance surveys.

The post conducted Volunteer living allowance surveys for fiscal years 2005 and 2006. However, it did not conduct an independent survey for these years to verify the results of the Volunteer surveys as required by PCM section 221.5.5.2.

The post collected market basket information as part of the independent survey but failed to compile and analyze the information. The administrative officer stated that he had asked for guidance at the 2006 Regional Administrative Officer's Conference on how to perform the compilation. He was incorrectly informed that a 75% or greater Volunteer living

LIVING ALLOWANCE IN CITIES

allowance survey response rate was required to support any living allowance increase. Because the Volunteers' response rate was below 75%, the administrative officer terminated the living allowance review process and did not complete the independent survey.

However, PCM section 221.5.5.3 states that a 75% or higher response rate is only required to support living allowance increases greater than 10% and further that "no increase shall be approved based on the Volunteer survey alone."

An independent market basket survey helps the post ensure that the living allowance is adequate.

Volunteer surveys indicated that the living allowance in cities was inadequate, but no increase was considered.

While the results of the Volunteer living allowance surveys indicated that the allowance was, on a country-wide basis, adequate, the survey results showed that the allowance was inadequate for Volunteers living in the two largest cities of Bishkek and Osh. This was corroborated by interviews with Volunteers living in those cities, several of whom told us they occasionally needed to supplement their allowance with personal funds.

The administrative officer indicated that he did not know that a variation in the living allowance within the country was possible and, since the Volunteer allowance was, on an overall basis, adequate, he halted further consideration. PCM section 221.5.1 states: "Living allowances should be based on local living standards and costs and will thus vary among, and sometimes within, countries."

An adequate living allowance is an essential element for maintaining Volunteers' health and well-being.

SETTLING-IN ALLOWANCE SURVEYS

The post requested Volunteers to complete the settling-in allowance survey within five months after swearing-in.

The post requested Volunteers who had sworn-in September 21, 2006 to complete the settling-in allowance survey by February 28, 2007. PCM section 221.4.2 requires Volunteers to complete the survey "within three months after their swearing-in date."

The administrative officer told us that since a number of Volunteers may choose to relocate from their host families to apartments after the initial three months, he had used an extended period in order to obtain more realistic results. The post did not clear this departure from policy with headquarters. A post's adherence to the Peace Corps Manual permits a consistent application of agency policy.

RECOMMENDATIONS

We recommend:

- 6. That the post conduct an independent living allowance survey and use the results to verify the results of the Volunteer living allowance survey.**
- 7. That the post review the adequacy of the living allowance for Volunteers in cities and adjust it as required.**
- 8. That the post comply with agency policy to complete the Volunteer settling-in allowance survey within the prescribed period.**

BILLINGS AND COLLECTIONS

BILLING LOG

The billing log contained deficiencies.

The post's billing log was up-to-date, and collections were current. However, the log contained several departures from PCM section 777 and OFMH section 5 policy and procedure:

- The log did not include the date collected.
- Value added tax (VAT) was not posted to the billing log, and the bill of collection was not prepared, until the VAT was collected.
- A billing log description for VAT reimbursement was incorrectly noted as "In country travel."
- A "voided" billing was not noted as such on the log.

The financial assistant, who maintained the billing log, stated

that she did not record the VAT when billed because of the often extended period between billing and collection dates. As a result, the billing was “off [the] books” and not subject to the periodic review of the billing log by the administrative officer.

RECOMMENDATIONS

We recommend:

- 9. That the post include on the billing log the date collected.**
- 10. That the post record VAT on the billing log and prepare the bill of collection when VAT is billed.**

OBLIGATIONS AND LIQUIDATIONS

OUTSTANDING OBLIGATIONS

The status of obligations report for FY 2006 contained balances that are no longer required.

The post’s status of obligations report showed open balances for fiscal year 2006. The financial assistant identified for us a number of obligations which were no longer required, but she had not performed an obligation-by-obligation review. She indicated that she intended to perform this detailed review, but had not had the time.

PCM section 753.8.2 and OFMH section 20.2 require that a review to adjust obligations, which is intended to match, as closely as possible, final expected liquidation levels be conducted at least quarterly. The review ensures that the post’s records reflect only valid obligations.

RECOMMENDATIONS

We recommend:

- 11. That the post perform a review of open obligations for fiscal year 2006 and adjust them based upon final expected liquidation amounts.**
- 12. That the post perform a review of open obligations at least quarterly.**

RECORDS MANAGEMENT

OUTDATED FILES

The post did not destroy outdated administrative files.

The post had outdated administrative files, some up to 10 years old, in boxes in its storeroom. The administrative officer was aware of the old files and indicated that because there was sufficient space in the storeroom, he and prior administrative officers had delayed the disposal of the outdated files.

PCM section 894.2.6 states that “systematic records retirement is essential for proper file maintenance.” Furthermore, continuing to delay the disposal of the outdated records may result in a large number of unmanageable files in the future.

According to the Records Management Handbook, the Records Officer coordinates the agency’s disposition program. During the course of the audit, the administrative officer contacted the Records Officer to obtain guidance on the disposal of the outdated files.

RECOMMENDATIONS

We recommend:

- 13. That the post dispose of the old administrative files.**
- 14. That the post establish and implement a procedure for regular records retirement and disposal in line with agency records management policy.**

HOST COUNTRY CONTRIBUTIONS

VALUE ADDED TAX REIMBURSEMENTS

The post did not reflect VAT reimbursements as a host country contribution in its operating plan.

The government of the Kyrgyz Republic reimbursed the post for VAT paid. However, reimbursements were not reflected as a host country contribution in the post’s operating plan.

According to the cashier, the post received VAT reimbursements equivalent to \$30,000 in both FY 2005 and FY 2006.

PCM section 722.5.1 lists “exemption from taxes and fees” as an example of a host country contribution that should be reflected in the post’s operating plan.

The administrative officer stated that he had not given consideration to listing VAT reimbursements as a host country contribution in the operating plan. By including VAT reimbursements in the operating plan, the host government’s contribution to post operations is properly reflected.

RECOMMENDATION

We recommend:

15. That the post include VAT reimbursements as host country contributions in its operating plan.

VEHICLE MANAGEMENT

PROCEEDS FROM VEHICLE SALES

The post placed the proceeds from the sale of a Peace Corps vehicle in the imprest fund.

The post sold a Peace Corps vehicle in fiscal year 2005 and placed the proceeds in the imprest fund and used the funds for its operational expenses.

PCM section 511.8.5.1 states: “All proceeds of sale originating from overseas offices must be deposited in the Treasury Account.” This is supported by OFMH section 32.1, which states: “Funds from proceeds of sale of vehicles will be returned to the agency, for future purchase of vehicles. These funds are not returned to individual posts.”

However, the administrative officer told us that he had relied upon OFMH section 32.3 and OFMH section 5.3. OFMH section 32.3 states: “Collect the funds into your imprest fund using the FOR Post transactions ‘Prepare Vehicle Proceeds of Sale’ and ‘Collect Vehicle Proceeds of Sale.’” OFMH section

5.3 states: “Cash collections should be retained in the imprest fund and will reduce subsequent replenishment requests.” The director of the office of global accounts payable, in response to the administrative officer’s query during the audit as to the correct handling of proceeds from vehicle sales, replied: “We have discussed this issue with the Financial Service Center/Charleston and either method is perfectly appropriate, and we are (now) working with Administrative Services to revise the manual section so that it is consistent with federal and agency policy.”

RECOMMENDATION

We recommend:

- 16. That the Office of the Chief Financial Officer clarify and revise agency policies and procedures regarding the handling by posts of vehicle sale proceeds.**

TRAVEL MANAGEMENT

TRAVEL AUTHORIZATIONS

Staff did not sign their travel authorizations.

Agency staff are required to sign their travel authorizations (TAs) in the space indicated on form PC-1537. However, post management did not instruct staff to sign their TAs, and the staff did not sign them.

According to PCM section 812.18.1.1, the TA “constitutes the legal basis for performing official travel and incurring related expenses,” and signing the TA documents the traveler’s agreement with its provisions.

A traveler used an incorrect per diem rate for one international trip.

During our review of travel vouchers, we noted that a traveler used an incorrect per diem rate in determining the reimbursable amount on the travel voucher. The error was caught and corrected by the headquarters voucher reviewer.

OFMH section 42.5 states that the standardized rate established by the Department of State should be used and

confirmed at the time the travel voucher is prepared. Accurate completion of travel vouchers is essential in promoting voucher review efficiency and prompt turnaround.

The post's in-country per diem for staff travel has not been reviewed in at least three years.

We were informed that the in-country travel per diem rate has remained unchanged for at least three years. The country director and the administrative officer stated that they had not reviewed its adequacy since their arrival at post in fiscal years 2005 and 2003, respectively. Several staff members interviewed by the auditor specifically mentioned the rate's inadequacy due to ongoing cost increases in the country.

OFMH section 43.5 states that "CDs should establish . . . rates which reflect reasonable costs of travel." An adequate travel per diem rate permits travelers to conduct their business in an effective and professional manner.

RECOMMENDATIONS

We recommend:

- 17. That the post instruct its staff to sign travel authorizations.**
- 18. That the country director remind staff to exercise care in the use of correct international per diem rates on their travel vouchers.**
- 19. That the country director review the adequacy of the in-country travel per diem rate and adjust it as appropriate.**

PERSONNEL MANAGEMENT

TIME AND ATTENDANCE

Supervisors did not review Form PC-57 annual attendance records, and the timekeeper did not perform a leave audit annually.

Form PC-57, "Annual Attendance Record," was used by the post to record each employee's leave and attendance

information. Following PCM section 742.8.0, supervisors are required to review PC-57s as of June 15 and December 15 of each year, and the timekeeper is required to perform a leave audit annually. However, the supervisory reviews and timekeeper's audit were not done.

The administrative officer stated that he performed a year-end review of the PC-57 forms and did not realize that additional reviews and a leave audit were required. The review and audit of the post's official leave and attendance records verify their accuracy.

RECOMMENDATION

We recommend:

- 20. That supervisors review Form PC-57 attendance records as of June 15 and December 15 of each year and that the timekeeper perform a leave audit annually.**

PROCUREMENT

LEASE AGREEMENTS

The post did not obtain certificates of acceptance for most leases.

Certifications of acceptance were not obtained as required by the "Peace Corps Standard Lease" in Attachment A to PCM section 733, except for the programming and training officer's lease entered into in fiscal year 2006. Such certifications are important in that they fix the date from which the agency is assuming responsibility for the property and for lease payments. The post, therefore, did not complete the entire standard lease form.

The post did not have security clearances on file for all its PSCs.

Security clearances for all PSCs were not in the post's files. The administrative officer did not realize that security clearances were not current. Upon our bringing this to his attention, he prepared a list of missing security clearances and forwarded it to the U.S. embassy's regional security officer

(RSO). However, no response was received during the course of the audit. PCM section 743.8.0 requires that the country director request the RSO to conduct a security investigation prior to executing a personal services contract with a foreign national.

In our FY 2000 inspection report, we noted: “The OIG could not find documentation to substantiate that security clearances for personal service contractors had been performed by the U.S. Embassy Security Officer or Regional Security Officer.” The region and the post concurred with the related recommendation and gave September 30, 2000 as an estimated time for completion. The deficient condition was not corrected, and accordingly, we are repeating the recommendation.

The post did not obtain intelligence background information certifications.

Intelligence background information certifications were not in the PSC files. The administrative officer stated that he did not realize they were required and had not requested them from PSCs. The prior administrative officer had not done so either. PCM section 743.8.1 requires that prospective PSCs complete an intelligence background information certification as part of the hiring process.

In our FY 2000 inspection report, we noted that: “The files lacked intelligence background [information] certification forms.”

During the course of the audit, the administrative officer obtained intelligence background information certification from the PSCs. Consequently, no recommendation is being made.

RECOMMENDATIONS

We recommend:

- 21. That the post obtain certificates of acceptance for leases.**
- 22. That the country director request that the Regional Security Officer complete security clearances for all PSCs and verify that clearance documentation from the RSO has been placed in the PSCs’ contract files.**

PROPERTY MANAGEMENT

SEGREGATION OF RESPONSIBILITIES

The person who maintained the inventory records also performed the physical inventory.

The general services officer (GSO) maintained the inventory records and also conducted the physical inventory. The Government Accountability Office's "Standards for Internal Control in the Federal Government" states: "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud." To properly segregate responsibilities, different persons should perform these functions.

INVENTORY RECORDS

The inventory listing contained discrepancies.

While in general, we found the inventory listing to be in good form, it had several discrepancies and was not in compliance with PCM section 511. We noted two items in locations different than the inventory listing and two inventory tag numbers which did not agree with the listing. Furthermore, calculators, identified as highly pilferable in PCM section 511.5.1, were not inventoried as required.

In addition, the inventory listing contained two tag numbers for numerous items. In some cases, both tags were found on the property; in other cases, only one. According to the GSO, the double-tagging resulted from a second tag's being issued if the first could not be immediately located on the property. In some cases, one of the two tags had subsequently been removed from the property, but both tag numbers were left on the listing.

INVENTORY STOREROOM

The storeroom contained unusable items, which the inventory listing showed as in use.

The post's storeroom contained old and unusable property that was identified on the inventory listing as "in use." The property included an old copier, desk partitions for office cubicles, and 14 heaters returned by Volunteers and determined to be not repairable. PCM section 511.8.7 requires that old and obsolete inventory be disposed of and removed from the inventory records.

CUSTODY RECEIPTS

The post did not obtain custody receipts for post property maintained at the residences of U.S. direct hires.

Custody receipts were not obtained from U.S. direct hire (USDH) staff for Peace Corps property maintained at their residences. The administrative officer did not realize that this was required. PCM section 511.6.2.2 requires that custody receipts be issued when releasing non-expendable property to staff for use away from the Peace Corps office. Custody receipts document the staff's possession of agency property and their accountability to maintain and return it.

The administrative officer obtained the custody receipt listings from USDH staff during the course of the audit. Consequently, no recommendation is being made.

RECOMMENDATIONS

We recommend:

- 23. That the post ensure that different persons maintain the inventory records and conduct the physical inventory.**
- 24. That the administrative office ensure that calculators are tagged and inventoried.**
- 25. That the post dispose of old and unusable property.**
- 26. That the GSO ensure that property and the inventory listing contain one tag number for each item.**

MEDICAL SUPPLIES

EXPIRED MEDICAL SUPPLIES

The medical unit had not destroyed expired medical supplies which had expiration dates up to six months old.

During our review of the medical unit, we observed a large quantity of expired drugs, up to six months past their expiration dates, stored in plastic buckets, bags, and a box located in the middle of the room containing shelved medical supplies. We also found expired controlled substances up to six months past their expiration dates, segregated in a sealed plastic bag in the

MEDICAL SUPPLIES INVENTORY

VOLUNTEER MEDICAL RECORDS

controlled substances safe and awaiting destruction. The expired controlled substances were as follows:

Controlled Substances	Expiration Dates
Morphine sulphate	May 2006
Demerol	June 2006
Tramadol	September 2006
Ambien	October 2006
Lorazep	October 2006

PCM section 511.8.8 and Medical Technical Guideline (TG) 200.8 state that expired medical supplies “must be appropriately destroyed.”

The Peace Corps Medical Officer (PCMO) told us that destruction had been suspended because of complaints from the municipality. She also stated that a U.S. government organization in the area had acquired an incinerator and that the post intended to destroy its expired drugs at that facility.

Promptly destroying expired medical supplies minimizes the risk that they may be used in the care of Volunteers.

The medical supplies inventory listing contained discrepancies.

While in general, the medical supplies inventory listing was in good form, we found three discrepancies between quantities of medical supplies on hand and the inventory listing. The PCMO stated that a physical inventory had recently been taken and did not have an explanation for the discrepancies. PCM section 734.2.1.6 and Technical Guideline 200.6 state that the PCMO is responsible for establishing the accuracy of inventories.

The medical unit did not store Volunteer records in a file secured by a combination lock.

The medical unit used a file cabinet with a key lock to store its Volunteer records. PCM section 267.2.1.2 requires that these records be maintained in a file secured by a manipulation-proof combination lock set by the PCMO.

The PCMO stated she was not aware that the lock was deficient.

**MEDICAL SUPPLIES
HELD BY
VOLUNTEER
WARDENS**

During the course of the audit, the medical unit secured a file cabinet with a manipulation-proof combination lock to hold its Volunteer records. Consequently, no recommendation is being made.

The PCMO did not properly monitor and control drugs in the custody of Volunteer wardens.

The PCMO provided medical kits that included prescription drugs to 18 Volunteer wardens in different regions of the country to provide immediate dispensing to Volunteers if needed. The Volunteer wardens were required to obtain authorization from the PCMO before dispensing any items.

Our review of the medical kit of one Volunteer warden disclosed discrepancies between the expiration dates on the drug containers and the listing provided by the PCMO.

Volunteer wardens attended a one-day training session on their medical-related responsibilities, but they did not receive detailed written instructions. Furthermore, Volunteer wardens were not requested to periodically inventory items on hand and report the results to the PCMO. Finally, Volunteer wardens were not required to periodically bring the kits to the office to have the contents reviewed and replenished as needed by the PCMO.

PCM section 734.2.1.6 states: “The PCMO/PCMC is responsible for establishing the accuracy of inventories, maintaining appropriate controls, and ensuring the proper usage of all medical supplies and equipment.”

The PCMO stated that she did not realize such controls on these kits were required. Effective inventory control by the PCMO of all medical supplies is essential to monitor their availability, expiration status, and proper dispensation.

**WATER DISTILLERS
AND FILTERS**

The post did not inventory returned water distillers and filters.

Water distillers and filters returned by Volunteers were placed in the post’s storeroom, where they were reviewed for usability and then held for dispensing to new Volunteers. The GSO stated that the medical unit was responsible for maintaining inventory control of these items, which he estimated to be about a hundred units.

RECOMMENDATIONS

The medical unit kept a record of distillers and filters dispensed to Volunteers. However, it did not maintain an inventory of items on hand, in accordance with PCM section 511.5.0.

Inventorying these items provides valuable information to the medical and administrative units in readily determining the number of units available for the new group of Volunteers and the number of additional units needed to be ordered.

We recommend:

- 27. That the country director ensure that the expired medical supplies on hand during the audit are destroyed.**
- 28. That the PCMO, in conjunction with the country director, identify a location where expired medical supplies may be destroyed on an ongoing basis and develop and implement a procedure including a timetable to destroy them in a timely manner.**
- 29. That the PCMO provide Volunteer wardens with written guidance on the proper handling and control over regional medical kits in their custody, including the requirement for, at a minimum, quarterly physical inventories and reporting of results to the PCMO and periodic reviews of the medical kits by the PCMO.**
- 30. That the post inventory returned and usable water distillers and filters.**

INFORMATION TECHNOLOGY SECURITY

IT SECURITY TRAINING

The IT specialist did not maintain documentation that all employees had received annual IT security training.

All employees are required to receive annual IT security training. These trainings are mandated by Title 5 of the Code of Federal Regulations (5 CFR) part 930.301 and PCM section 542.76.1.

The IT specialist stated that he had provided computer awareness training to all employees and on an individual basis to new employees. However, there was no documentation on file, such as attendance sheets, to substantiate that drivers and new employees had received the required IT security training. Such training is an essential element in the staffs' understanding of proper computer usage.

The computer use form for one staff member was not on file.

One staff member's computer use form was not on file. The IT specialist stated he had obtained the form but could not locate it. These forms are important in documenting the staff's agreement to comply with computer usage rules and regulations.

RECOMMENDATIONS

We recommend:

- 31. That the IT specialist conduct and document annual IT security training for all staff.**
- 32. That the IT specialist obtain and maintain computer use forms signed by all staff.**

LIST OF RECOMMENDATIONS

WE RECOMMEND:

1. That the country director ensure that the combination lock on the imprest fund safe meets agency requirements.
2. That the country director ensure that the cashier be trained so that she is able to change the imprest fund safe combination.
3. That the cashier change the combination to the imprest fund safe at least annually.
4. That the cashier return interim advance receipt forms to debtors upon settlement.
5. That the country director conduct an imprest fund verification quarterly.
6. That the post conduct an independent living allowance survey and use the results to verify the results of the Volunteer living allowance survey.
7. That the post review the adequacy of the living allowance for Volunteers in cities and adjust it as required.
8. That the post comply with agency policy to complete the Volunteer settling-in allowance survey within the prescribed period.
9. That the post include on the billing log the date collected.
10. That the post record VAT on the billing log and prepare the bill of collection when VAT is billed.
11. That the post perform a review of open obligations for fiscal year 2006 and adjust them based upon final expected liquidation amounts.
12. That the post perform a review of open obligations at least quarterly.
13. That the post dispose of the old administrative files.
14. That the post establish and implement a procedure for regular records retirement and disposal in line with agency records management policy.
15. That the post include VAT reimbursements as host country contributions in its operating plan.
16. That the Office of the Chief Financial Officer clarify and revise agency policies and procedures regarding the handling by posts of vehicle sale proceeds.

17. That the post instruct its staff to sign travel authorizations.
18. That the country director remind staff to exercise care in the use of correct international per diem rates on their travel vouchers.
19. That the country director review the adequacy of the in-country travel per diem rate and adjust it as appropriate.
20. That supervisors review Form PC-57s as of June 15 and December 15 of each year and that the timekeeper perform a leave audit annually.
21. That the post obtain certificates of acceptance for leases.
22. That the country director request that the Regional Security Officer complete security clearances for all PSCs and verify that clearance documentation from the RSO has been placed in the PSCs' contract files.
23. That the post ensure that different persons maintain the inventory records and conduct the physical inventory.
24. That the administrative office ensure that calculators are tagged and inventoried.
25. That the post dispose of old and unusable property.
26. That the GSO ensure that property and the inventory listing contain one tag number for each item.
27. That the country director ensure that the expired medical supplies on hand during the audit are destroyed.
28. That the PCMO, in conjunction with the country director, identify a location where expired medical supplies may be destroyed on an ongoing basis and develop and implement a procedure including a timetable to destroy them in a timely manner.
29. That the PCMO provide Volunteer wardens with written guidance on the proper handling and control over regional medical kits in their custody, including the requirement for, at a minimum, quarterly physical inventories and reporting of results to the PCMO and periodic reviews of the medical kits by the PCMO.
30. That the post inventory returned and usable water distillers and filters.
31. That the IT specialist conduct and document annual IT security training for all staff.
32. That the IT specialist obtain and maintain computer use forms signed by all staff.

POST STAFFING

At the time of our visit, the post had 40 staff positions. The positions included three U.S. direct hire employees, two foreign service nationals, and 35 personal services contractors. We interviewed ten staff, who all stated that they very much enjoyed working for the Peace Corps. Many cited, in particular, the effective working relationships and esprit de corps among staff members. A number of local staff interviewed stated that they found the in-country travel per diem to be inadequate and expressed concern that annual salary increases had not kept pace with the decline in the value of the dollar (the currency the staff are paid in) and rising in-country costs. Some staff requested that the post's medical plan include hospitalization and prescription drugs coverage. A few staff asked about training opportunities, either in-office or through outside coursework, to strengthen their job performance skills and to grow professionally. Volunteers we interviewed praised the proactive involvement of the program staff in assisting them execute their projects and also noted the availability and support of the administrative unit staff.

PC/Kyrgyz Republic Positions

Position	Status
Country Director	USDH
Country Director Assistant	PSC
Administrative Officer	USDH
Program and Training Officer	USDH
Program Manager/TEFL	PSC
Program Manager/TEFL	PSC
Program Manager/TEFL	PSC
Program Manager/SOCD	PSC
Program Manager/Health Promotion	PSC
Training Manager	PSC
Programming and Training Assistant	PSC
Language and Cross Cultural Coordinator	PSC
Peace Corps Medical Officer	PSC
Peace Corps Medical Officer	PSC
Medical Assistant	PSC
Safety and Security Coordinator	PSC
Cashier	FSN
Financial Assistant	FSN
General Services Officer	PSC
IT Support Specialist	PSC
Volunteer Support Assistant	PSC
Receptionist	PSC
Head Guard/Security Assistant	PSC
Drivers (5)	PSC
Security Guard/Duty Drivers (10)	PSC
Maintenance/Housekeeper	PSC
Maintenance/Grounds Keeper	PSC

APPENDIX A

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/Kyrgyz Republic covered fiscal years 2005 and 2006. 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 nine Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them, and we visited a selection of Small Project Assistance projects funded by the United States Agency for International Development and Peace Corps Partnership Program projects. At the end of our review, we briefed the country director and administrative officer. 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, current Peace Corps initiatives and policies, and other federal regulations.

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

The audit was performed by senior auditor Steven Kaffen.

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.

APPENDIX C

REGION'S RESPONSE TO THE PRELIMINARY REPORT AND THE OFFICE OF THE CHIEF FINANCIAL OFFICER'S RESPONSE TO RECOMMENDATION No. 16




45th
Peace
Corps
Anniversary

1961-2006: a legacy of service at home and abroad

MEMORANDUM

To: H. David Kotz
Inspector General

From: Jay Katzen
EMA Regional Director 

Date: February 20, 2007

Subject: Regional Response to Preliminary Report on the Audit of Peace
Corps/Kyrgyz Republic

It is with pleasure that Region and Post respond to the Preliminary Report on the Audit of Peace Corps/Kyrgyz Republic. Post and Region concur with the recommendations and welcome the evaluation process. Attached please find Post's and Region's responses to each recommendation.

REGIONAL RESPONSE TO THE PRELIMINARY REPORT ON THE AUDIT OF PEACE CORPS/KYRGYZ REPUBLIC

The OIG conducted an audit of PC/Kyrgyz Republic in October-November of 2006. As outlined in the January 2007 report, senior auditor Steven Kaffen examined the post's financial and administrative operations.

PC/Kyrgyz Republic staff and Volunteers would like to acknowledge the work of Mr. Kaffen, who conducted his duties with a high degree of professionalism and cultural sensitivity. Mr. Kaffen explained the mission of the OIG and kept the PC/Kyrgyz Republic staff informed about each step in the process. His professional courtesy allowed the staff to not only comply with the regulations, but learn from the process as well.

In keeping with the Peace Corps service mission, Post was pleased to facilitate travel to several Volunteer sites for Mr. Kaffen. He had the opportunity to visit Volunteers and personally observe the work they are doing in the field, as well as conduct interviews. The PC/Kyrgyz Republic administrative staff provided Mr. Kaffen a workstation, collected all documents requested by him, and facilitated interviews and observations that were necessary for him to accomplish his audit report.

Post and Region feel that the OIG audit was extraordinarily helpful and appreciates the efforts of Mr. Kaffen.

Executive Summary

The Post and Region concur with all thirty-two recommendations provided by the OIG; technically, recommendation #16 is actionable only by the Office of the Chief Financial Officer though Post offers commentary regarding this particular recommendation. PC/Kyrgyz Republic acted swiftly on the majority of the recommendations and has already implemented 81% of the auditor's recommendations. Only six recommendations continue to be on-going and anticipate closure on all actions by August 2007.

Some of the changes instituted include the:

- distribution of a PCV living allowance survey and the initiation of an independent living allowance survey to verify results;
- enhancement of imprest fund management; and the
- re-establishment of formal procedures regarding inventory record-keeping, property management, procurement, and medical supplies.

The PC/Kyrgyz Republic staff and the EMA Region understand there is always room for improvement and we all are appreciative of the insight and information provided by the Peace Corps Office of Inspector General.

Recommendations and Responses

- 1. That the country director ensure that the combination lock on the imprest fund safe meets agency requirements.**

☒ **Concur**

The combination code on the current combination lock on the imprest fund safe meets agency requirements: it is a three-tumbler combination lock and the combination can be changed.

- 2. That the country director ensure that the cashier be trained so that she is able to change the imprest fund safe combination.**

☒ **Concur**

A technician from the U.S. Embassy in Kazakhstan visited Post on February 16, 2007 to train the Cashier on how to change the imprest fund safe combination.

- 3. That the cashier change the combination to the imprest fund safe at least annually.**

☒ **Concur**

The Cashier was trained how to change the imprest fund safe combination (see above response to recommendation #2). She will ensure that she changes the combination to the imprest fund safe at least on an annual basis.

- 4. That the cashier return interim advance receipt forms to debtors upon settlement.**

☒ **Concur**

This recommendation was actionable immediately, thus implemented during the OIG audit. Upon action, Post informed the auditor that the cashier had begun returning interim advance receipt forms, thus bringing post into compliance during the IG visit.

5. That the country director conduct an imprest fund verification quarterly.

☒ **Concur**

The country director has conducted quarterly imprest fund verifications for 8 out of the past 9 quarters. Only the fourth quarter of FY 2005 was overlooked. Since then, the country director conducted an imprest fund verification for all quarters of fiscal year 2006 and for the first two quarters of FY 2007.

6. That the post conduct an independent living allowance survey and use the results to verify the results of the Volunteer living allowance survey.

☒ **Concur**

Post is currently conducting an independent market basket survey. The methodology is as follows:

Each time the drivers go into the field they are required to submit survey results from prices that they observe and record on select items in outdoor markets, kiosks, and shops. This survey and methodology is standardized throughout the different oblasts and regions where PCVs serve.

Post will continue with this practice. In 2007 the results from the independent basket survey will be used to verify the results of the Volunteer living allowance survey (currently underway, analysis expected in March 2007) regardless of the response rate.

7. That the post review the adequacy of the living allowance for Volunteers in cities and adjust it as required.

☒ **Concur**

All Volunteers received the living allowance survey in January 2007. The submission deadline is March 6, 2007.

Post will review all results of the living allowance survey and compare them to the independent market basket survey. Post will then determine the distinction in living allowance distribution for those Volunteers living in urban areas and for those living in rural locales.

Post anticipates that this analysis will be completed by the end of March 2007, in preparation for the mid-year review submission to PC/Washington.

- 8. That the post comply with agency policy to complete the Volunteer settling-in allowance survey within the prescribed period.**

☒ **Concur**

For all future training groups, Post will make sure that all Volunteers are aware that they must submit the settling-in allowance survey no later than 3 months after receiving the settling-in allowance.

- 9. That the post include on the billing log the date collected.**

☒ **Concur**

This recommendation was actionable immediately, thus implemented during the OIG audit. Post informed the auditor that the financial assistant had begun including the date collected in the billing log beginning with this new fiscal year (FY 2007), thus bringing post into compliance during the IG visit.

- 10. That the post record VAT on the billing log and prepare bill of collection when VAT is billed.**

☒ **Concur**

Beginning with the VAT submission for VAT paid in December 2006, and since then, bills of collection have been prepared and entered into the billing log.

- 11. That the post perform a review of open obligations for fiscal year 2006 and adjust them based on final expected liquidation amounts.**

☒ **Concur**

Post has performed a series of reviews of open obligations from FY 2006. Post performed a review prior to the close of FY 06 in September, then again in October after the fiscal year close. Post repeated this exercise in November and subsequently submitted a FY 06 close-out report to the Region on November 16, 2006.

Post again performed a review of open FY 06 obligations in December and in January 2007. This monthly routine continued in February 2007 prior to the submission of another close-out report to the Region on February 7, 2007.

12. That the post perform a review of open obligations at least quarterly.

☒ **Concur**

As is evident in the response to Recommendation #11, the financial assistant and the administrative officer review open obligations more than once a quarter and demonstrate that Post's compliance goes beyond the recommendation. In practice, the financial assistant performed the most recent open obligation review during the last week of January 2007. Both the financial assistant and AO will review open obligations in March 2007 in preparation for the mid-year budget review.

13. That the post dispose of old administrative files.

☒ **Concur**

Post has already acted upon the recommendation and disposed of old administrative files. All files prior to 2001 have been destroyed. Following guidance provided by the agency's record officer, Post kept the required files between the periods of 2001-2006.

14. That the post establish and implement a procedure for regular records retirement and disposal in line with agency records management policy.

☒ **Concur**

Post has implemented the practice to retire old records and place them in storage. Post has received guidance from the records management specialist at PC/Washington about record retention and is prepared to follow this guidance in the future. As mentioned in the previous response, Post has destroyed all files prior to 2001. Post will continue to destroy records as appropriate.

15. That the post include VAT reimbursements as host country contributions in its operating plan.

☒ **Concur**

Post operating plan for FY 2007 was submitted to the Region on August 2006. Post's submission for the FY 2008 operating plan will include VAT reimbursements as host country contributions.

16. That the Office of the Chief Financial Officer clarify and revise agency policies and procedures regarding the handling by posts of vehicle sale proceeds.

☒ Concurrence Anticipated – OFCO Response Required

Post awaits for a revised policy from the Office of the Chief Financial Officer regarding the handling by posts of vehicle sale proceeds.

17. That post instruct staff to sign travel authorizations.

☒ Concur

Post has already acted on the recommendation. Post has been obtaining staff signatures on all travel authorizations (TAs) created in 2007. After staff members sign their own TA, a photocopy is made and placed in the TA file and the staff member keeps the original TA.

18. That the country director remind staff to exercise care in the use of correct international per diem rates on their travel vouchers.

☒ Concur

Post has already acted on the recommendation. On February 9, 2007 the country director sent an e-mail to staff reminding them to exercise care in the use of correct international per diem rates on their travel vouchers.

19. That the country director review the adequacy of the in-country travel per-diem rate and adjust it as appropriate.

☒ Concur

A survey has been drafted and staff will complete the information detailing expenses during their field visits. This information gathering exercise will be completed by June 2007. At that time, all information will be compiled and analyzed to determine the adequacy of the in-country travel per-diem rate. The in-country travel per-diem rate will be adjusted if deemed necessary.

20. That the supervisors review Form PC-57s as of June 15 and December 15 of each year and that the timekeeper perform a leave audit annually.

☒ **Concur**

In December 2006 the supervisors signed the PC-57s for the staff members in their units. As a matter of practice, the administrative officer and the timekeeper regularly audit PC-57s however neither of them considered this exercise to be an “audit” of an official nature since they perform this once quarterly, not annually as suggested. Post is prepared to comply with the recommendation and the timekeeper will now begin referring to this procedure as a PC-57 audit. Post will continue to conduct these audits once a quarter.

21. That the post obtain certificates of acceptance for leases.

☒ **Concur**

Post began to obtain certificates of acceptance beginning in July 2006 for the programming and training officer’s residence. Post will obtain certificates of acceptance for all new leases. Post will have certificates of acceptances for all new leases by the end of May 2007.

22. That the country director request that the Regional Security Officer complete security clearances for all PSCs and verify that clearance documentation from the RSO has been placed in the PSCs’ contract files.

☒ **Concur**

Post has completed the updates and has security clearances for all PSCs on file. All security updates were completed by the RSO by the first week of January 2007.

23. That the post ensure that different persons maintain inventory records and conduct physical inventory.

☒ **Concur**

The administrative officer has been identified to be the person to conduct the physical inventory. The general services officer will continue to maintain inventory records.

24. That the administrative officer ensure that calculators are tagged and inventoried.

☒ **Concur**

Post has put asset tags and inventoried all calculators but contends that this is a duplication of control.

It is Post's common practice to assign one calculator to each individual staff member. This obliges Post to obtain a custody receipt from each individual, a sufficient mechanism of the staff member's accountability to maintain and return the item in proper working condition.

25. That the post dispose of old and unusable property.

☒ **Concur**

Post has disposed of old and unusable property that previously resided in the garage on the compound. Post appreciates the recommendation and now able to park Post's pick-up truck in the garage.

26. That the GSO ensure that property and inventory listings contain one tag number for each item.

☒ **Concur**

The GSO has removed all extra asset tags from items with more than one asset tag. All property now has only one asset tag.

27. That the country director ensure that the expired medical supplies on hand during the audit are destroyed.

☒ **Concur**

As stated in the IG preliminary report, the destruction of expired medical surplus had been suspended because of complaints from the local municipality. Post is pleased to report that compliance with this recommendation was executed on December 29, 2006. The medical unit at Post incinerated all expired medical supplies in the presence of the country director.

28. That the PCMO, in conjunction with the country director, identify a location where expired medical supplies may be destroyed on an ongoing basis and develop and implement a procedure including a timetable to destroy them in a timely manner.

☒ **Concur**

See above response to recommendation #27 for details. Post acquired an incinerator and this unit resides on the grounds of the PC/Kyrgyz Republic compound. Incineration of expired medical supplies will be done at the end of every quarter.

29. That the PCMO provide Volunteer wardens with written guidance on the proper handling and control over regional medical kits in their custody, including the requirement for, at a minimum, quarterly physical inventories and reporting of results to the PCMO and periodic reviews of the medical kits by the PCMO.

☒ **Concur**

The medical unit at Post distributed written guidance to all wardens on proper handling and distribution of medical supplies inside the warden medical kits on September 19, 2006 during a warden training.

The list is taped inside the warden medical kits and information on used and expired medications is reported to the PCMOs. Furthermore, an inventory list with guidelines has been sent to each Warden.

30. That the post inventory returned and usable water distillers and filters.

☒ **Concur**

All returned water distillers and the filters are now included in a separate medical property inventory list, which is systematically updated upon the return of distillers and filters.

31. That the IT specialist conduct and document annual IT security training for all staff.

☒ **Concur**

The IT specialist has conducted IT security training for all staff and documented this training in all staff files. All new staff members receive this training when they begin with Peace Corps. All staff members that have been with Peace Corps more than one year complete IT security training administered by PC/Washington (via internet). Staff compliance is documented on a spreadsheet maintained by the IT specialist.

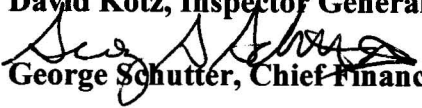
32. That the IT specialist obtain and maintain computer use forms signed by all staff.

☒ **Concur**

The IT Specialist obtains and maintains computer use forms by all staff. The IT specialist has on file computer use forms signed by all currently working staff members and by all visitors (i.e. from PC/Washington) and all Volunteers.



**Peace
Corps**

TO: David Kotz, Inspector General
FROM: 
George Schutter, Chief Financial Officer
DATE: 22 February 2007
SUBJECT: Response to Preliminary Report on the Audit of Peace Corps/Kyrgyz Republic

Below is the Office of the Chief Financial Officer's response to your Preliminary Report on the Audit of Peace Corps/Kyrgyz Republic

Recommendation #16:

That the Office of the Chief Financial Officer clarifies and revises agency policies and procedures regarding the handling by posts of vehicle sale proceeds.

Response to Preliminary Report Recommendation #16:

Concur. Currently, Manual Section (MS) 511, Section 8.5.1 – “Depositing Proceeds of Sale” is outdated and instructs posts to deposit all proceeds of sale funds to a Treasury account. The Overseas Financial Management Handbook (OFMH), Chapter 43 – “Proceeds of Sale” provides the correct instructions for depositing proceeds of sales funds.

Management is in the process of revising MS 511 and has agreed to delete Section 8.5.1 from the revised MS 511. Depositing proceeds of sale in the revised MS 511 will reference the current OFMH.

If you have questions or need additional information, please contact Stephanie Mitchell at (202) 692-1715.

cc: Jay Katzen, Regional Director, EMA
David Liner, Chief of Staff/Operations
A. Courtney Santonicola, Deputy Chief of Staff/Operations
Joseph Boston, Country Director
Karen Tekleberhan, Deputy Chief Financial Officer
Stephanie Mitchell, Director of Financial Policy and Compliance

APPENDIX D

OIG COMMENTS

The region concurred with all 32 recommendations. We closed recommendations numbers 1 - 5, 9 - 14, 17, 18, 20, and 22 - 32. Recommendation numbers 6 - 8, 15, 16, 19, and 21 remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation no. 6, documentation showing that an independent living allowance survey was performed and analyzed.
- For recommendation no. 7, documentation showing that a review of the adequacy of the living allowance for Volunteers in cities was conducted.
- For recommendation no. 8, documentation showing that the Volunteer settling-in allowance survey was completed within the prescribed period.
- For recommendation no. 15, a copy of the submitted operating plan showing VAT reimbursements listed as a host country contribution.
- For recommendation no. 16, a copy of the revised PCM section 511 describing the handling by posts of vehicle sale proceeds.
- For recommendation no. 19, documentation showing that a review of the adequacy of the in-country travel per diem rate was conducted and that the rate was adjusted as appropriate.
- For recommendation no. 21, evidence that certificates of acceptance have been obtained for leases.

In their response, the region and the chief financial officer 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 audit the impact.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government affect everyone from Peace Corps Volunteers to Agency employees to the general public. We actively solicit allegations of inefficient and wasteful practices, fraud, and abuse related to Peace Corps operations domestically or abroad. You can report allegations to us in several ways, and you may remain anonymous.

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