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Susan Dwyer, Country Director, Peace Corps/Morocco

From: Kathy A. Buller, Inspector General 

Date: September 30, 2019

Subject: Final Report on the Audit of Peace Corps/Morocco (IG-19-03-A)

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

Management concurred with all 20 recommendations. In its response, management described actions it is taking or intends to take to address the issues that prompted each of our recommendations. We closed 19 recommendations based on review of corrective actions and supporting documentation. The remaining recommendation (number 14) will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. We wish to note that in closing recommendations, we are not certifying that the agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities.

You may address questions regarding follow-up or documentation to Assistant Inspector General for Audit Judy Leonhardt at 202.692.2914 or to Lead Auditor Hal Nanavati at 202.692.2929.

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

cc: Michelle Brooks, Chief of Staff
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PEACE CORPS
Office of
**INSPECTOR
GENERAL**



Kasbah of the Udayas in Rabat, Morocco

Final Audit Report

Peace Corps/Morocco

IG-19-03-A

September 2019



EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Morocco (hereafter referred to as “the post”) from February 11 to March 1, 2019.

Staff:

U.S. direct hires (USDHs): 3

Full-time personal services contractors (PSCs): 43

Spending (approx.):

Fiscal Year (FY) 2018 post spending: \$6.4 million

Average regional overhead: \$480,531



Figure 1: Map of Morocco

WHAT WE FOUND

The post’s financial and administrative operations required improvement to comply with agency policies and applicable Federal laws and regulations. Specifically, the post did not:

- Record bills of collection in a timely manner
- Document modifications to memoranda of understanding (MOU)
- Exercise adequate controls to verify the accuracy of Volunteer allowances
- Pay all amounts withheld from departing PSCs to respective authorities
- Subject a PSC contract to competition
- Exercise sufficient control of medical supply purchases from a local pharmacy
- Exercise sufficient control and track the use of prepaid fuel and toll cards used by drivers
- Issue separate obligations for each vendor and record payee names in its financial system.
- Comply with agency guidelines for sub-cashier and interim advances
- Maintain accurate property inventory records
- Sufficiently segregate duties when granting access to the OdyWeb financial system

RECOMMENDATIONS IN BRIEF

Our report contains 20 recommendations directed to the post and headquarters. We recommend that the post improve processes related to bills of collection and Volunteer payments, improve controls over property management, PSC contracts, purchase of medical supplies, and fuel and toll costs. Additionally, we recommend that the post comply with policies and guidance related to sub-cashier advances and system access roles.

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BACKGROUND

OIG conducted the audit of Peace Corps/Morocco from February 11 to March 1, 2019. We previously performed an audit of the post and issued our report (IG-09-10-A) in July 2009.

The first group of Peace Corps Volunteers arrived in Morocco in 1963. Approximately 5,160 Volunteers have served in Morocco since the post was first established. At the time of our audit, 184 Volunteers were working in the youth development sector. The post had 3 USDHs and 43 full-time PSCs. In FY 2018, the post's spending was approximately \$ 6.4 Million.¹

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

AUDIT RESULTS

BILLS OF COLLECTION

The post did not record bills of collection in a timely manner.

The Overseas Financial Management Handbook (OFMH) 7.2.1 specifies that bills of collection (BOCs) must be issued as soon as the debt is known, even if the exact amount is not known. However, the post did not issue BOCs when amounts were due for host country contributions (HCCs) and sick leave benefit reimbursements until paid by the Moroccan government. The billing officer explained that due to the unpredictability of the amount of the debts, the billing officer elected not to create BOCs for the government debts until the post received the payments. The post also did not issue BOCs to departing Volunteers in a timely fashion (this will be discussed in the Volunteer Allowance section).

Host Country Contribution:

OFMH 7.6.5 states "Posts must enter the BOC for HCC at the start of the due period." OFMH 27.2.1 outlines the procedure for billing and collecting cash contributions for HCCs.

¹ The agency does not determine a total cost per post beyond directly attributable post expenses, as certain costs are centrally budgeted and managed by headquarters offices including the salaries and benefits of U.S. direct hires. The Peace Corps Office of Budget and Analysis provided the total cost of approximately \$27 million incurred by the EMA region in direct support of its 19 overseas posts in FY 2018, which is an average of \$1.4 million per post.

PEACE CORPS OFFICE OF INSPECTOR GENERAL

Since 2010, the post has delayed issuing BOCs for HCC amounts due until after the relevant ministries remitted the funds to the United States Disbursing Officer (USDO) account.

Per OFMH 7.2.2, for HCC amounts due over 2 years, the billing officer and director of management and operations (DMO) should determine if the post will be able to collect the debt. If it is determined that the post will not be able to collect debt, they should provide information to the Office of the Chief Financial Officer/Global Accounts Payable (OCFO/GAP). OCFO/GAP will determine the collectability and next steps for the balance due.

The annual HCC calculation worksheet indicated that the Ministry of Sports had not paid approximately 1.4 million MAD² (\$150,000 USDE³) in cumulative HCCs from calendar years 2013 to 2016. Per the country director (CD), it is difficult to predict when the government will pay the unpaid HCC balance. Neither the Ministry nor the post officials have documented any correspondence regarding the unpaid HCC balance for prior years.

Because the post did not issue BOCs in a timely manner, the post lacked a process to track and reconcile outstanding amounts of HCCs due from the local government ministries. The Peace Corps has not issued any guidance for addressing situations in which posts did not initially create BOCs for HCC balances due.

Sick Leave Benefits Reimbursement:

Per the Embassy local compensation plan (LCP)⁴, staff members who take sick leave extending more than 3 consecutive days can collect sick pay from the Moroccan Social Security System (CNSS). However, since the post pays staff members for sick leave, the amount the staff collects from CNSS is due to the Peace Corps.

Per CNSS guidelines and LCP, the staff are reimbursed at a standard rate. The post can calculate the amount due when the staff request that Human Resources endorse their CNSS claims and the post then issues BOCs for the amounts due as required by OFMH. This allows the post to track collection of amounts due from the staff. However, the post delayed creating BOCs for sick leave benefits until the staff collected reimbursement from CNSS.

In both instances (HCC and sick leave benefits reimbursement), the post's actions circumvented a mechanism for protecting assets. Creating BOCs in a timely manner is necessary because it is an internal control procedure maintains accurate records and establishes a system of checks and balances. Without a BOC, money that the post receives could be easily diverted because there is no record of the debt.

² Moroccan Dirham

³ United States Dollar Equivalent

⁴ Section 8 (A)(8)(B) CNSS Payments During Illness.

We recommend:

- 1. That the director of management and operations ensure that the staff issues bills of collection in compliance with agency policy.**
- 2. That the country director document the ministry's position on the outstanding host country contribution balance and initiate efforts to resolve the unpaid host country contributions from prior years.**
- 3. That the country director and the director of management and operations seek guidance from the Office of the Chief Financial Officer for recording and/or writing-off the past-due host country contribution balance from prior years.**

The post did not document modifications to MOU with the Ministry of Sports.

Per the financial assistant (FA), for the period of 2013 to 2016, the Ministry of Sports verbally agreed to increase the monthly amount of HCC per Volunteer from 600 MAD to 700 MAD. However, the CD did not formally document this change in the MOU terms with the Ministry, the Region, or the Office of the Director at Peace Corps headquarters. Instead, the CD orally instructed the FA to send monthly invoices to the Ministry using the new rate of 700 MAD per Volunteer. The post received a written approval of all invoices from the Ministry.

In addition, in 2016 and 2017 the Ministry of Sports paid a lump-sum amount of 1,000,000 MAD (approximately \$105,000 USDE) per year. However, the post did not have any documentation to support this change from monthly to annual lump-sum payment. It appears that there were informal modifications made to the HCC agreements. The post did not provide any reason for not documenting this modification. If modifications to an MOU are not documented, the post could create invoices for incorrect amounts, or have invoice amounts disputed by the ministry.

In 2018, the post and the Ministry of Sports officially modified the 2010 MOU to reflect the new practice of the Moroccan government making annual lump-sum HCC payments. During our audit, the post received a letter of confirmation from the Ministry of Sports detailing the dates and the amounts of HCC paid from 2010 to 2018. As previously stated, we verified that the post had issued BOCs and receipts for all the amounts received.

We recommend:

- 4. That the country director and the director of management and operations ensure that all modifications to the memorandum of understanding are documented in writing.**

VOLUNTEER ALLOWANCES

The post did not have adequate controls to verify the accuracy of Volunteer allowances.

In addition to not complying with OFMH 7.2.1 as noted above, the post did not have adequate controls over collection from departed Volunteers.

Per MS 221, Volunteers receive monthly living allowances while in their country of assignment. Living allowance payments consist of base, supplemental, and/or special living allowances. Volunteers owe prorated allowances if they terminate their service prior to the scheduled completion dates.⁵ We found several instances in which the post did not implement sufficient oversight when calculating allowances for departing Volunteers and amounts collected from the Volunteers' bank accounts.

Before a Volunteer terminates service at the post, the FA instructs the Volunteer to apply to close the bank account and provide a copy of the closure application. The post assumes that the account was successfully closed and expects the next Volunteer In-Country Allowance (VICA) payment to be rejected and returned to headquarters. If the early departure date is known, and the Volunteer can settle the bank account, the FA will calculate and issue a BOC to collect the amount due. If the Volunteer can't pay the amount, the FA will request OCFO to deduct it from the readjustment allowance. A Volunteer who terminates service while away from the post (primarily for medical reasons) does not return to close the bank account. For such a Volunteer, the FA calculates the amount due and requests that the Volunteer mail the payment or, if the Volunteer has funds in the bank account, mail the ATM card to withdraw the funds. After withdrawing funds from the Volunteer account, the FA creates a BOC to record the amount collected. The FA remits the remaining balance, if any, to the Volunteer after settling the amount owed to the Peace Corps. If the Volunteer owes more than the balance in their bank account, the FA issues a BOC to collect the remaining amount from the Volunteer.

From the 157 Volunteers early-terminating service between October 2013 and December 2018, we selected 48 Volunteers for analysis. We noted the following issues that resulted from the post's lack of control processes for these Volunteer allowances:

- **Delayed BOCs:** There were 19 instances where the post did not issue BOCs to Volunteers on the dates they terminated their service. Instead, the post created the BOCs after they collected funds from the bank or when the Volunteers were ready to pay the amount due. Per the FA, the post delayed issuing the BOCs to avoid canceling and reissuing BOCs when the exact amount was known.

⁵ MS 221.5.9 Overpayments at End of Service

- Over-collection from Volunteer bank accounts: In 13 instances, the post collected more funds from the Volunteer bank accounts than the amount due. The post did not implement a process to manage and track funds collected from bank accounts on behalf of departed Volunteers. As a result, the post did not remit approximately \$2,800 USDE to Volunteers.
- Calculations not finalized: In six instances when Volunteers terminated their service between July 2016 and July 2018, the post did not initiate any action for the amount due. These Volunteers owe the Peace Corps approximately \$4,200 USDE. Per the FA, the post has contacted the Volunteers and is waiting for the Volunteers to communicate if there are any funds in the bank accounts.
- Errors in calculation of balance due: In seven instances, there were calculation errors, or the post was not aware that the Volunteers' bank accounts had been credited with the subsequent month's allowance. The post did not accurately calculate the amount due from departed Volunteers and did not collect approximately \$500 from the Volunteers.

As a result, the post overpaid allowances to certain volunteers and did not reimburse the excess allowances collected from Volunteer bank accounts.

We recommend:

- 5. That the director of management and operations initiate a process for tracking all amounts collected from Volunteer bank accounts to ensure that amounts collected are fully accounted for and any balance due to Volunteers is paid in a timely manner.**
- 6. That the director of management and operations initiate corrective action for errors and oversight related to the Volunteer allowances issues noted during the audit.**

PERSONAL SERVICE CONTRACTORS

The post did not pay all amounts withheld from departing PSCs to respective authorities.

Per the Local Compensation Plan (LCP), the post “withholds income taxes that are to be paid to the Government of Morocco.”⁶

The post made inaccurate payments to income tax and other benefit authorities for amounts withheld from two retiring PSCs. The post unintentionally paid approximately \$500 USDE less than the amounts withheld from these PSCs.

⁶ Local Compensation Plan Section 1.6: Local Income Tax

For retiring PSCs, the FA calculates the amount due based on the LCP and local retirement regulations. This calculation includes the amount due to the PSC based on the number of days worked in the final pay period.

The post calculated the salary due to two retirees by prorating the net bi-weekly salary based on the number of days worked in the last pay period. By prorating retirees' net bi-weekly salary, the post inadvertently withheld income tax, retirement, savings, and health insurance. However, the post did not consider these amounts while preparing the final payment calculation to the respective authorities.

The FA sent this calculation worksheet for the amount due to the retiring PSC to OCFO for review and approval. The financial management officer (FMO) at headquarters only reviewed the retirement amount included in the calculation but did not reconcile year-to-date gross salary, withholdings, amount paid, and balance due to respective authorities. Based on the approved final calculation, the final payment due to the PSC was paid via EFT and not via PSC payroll system.

The post did not have an independent process of reviewing final payments to ensure that amounts withheld matched with the payment made to respective authorities.

We recommend:

- 7. That the director of management and operations initiate a process for reconciling all the amounts withheld and paid to authorities before finalizing the amount paid to the retiring personal services contractor.**

The post did not compete a personal services contractor's contract.

Per MS 743 5.2.2⁷ Short-term contracts, "Short term PSC contracts competition is also required. Qualified candidates shall be placed on a list maintained at post." In July 2016, the post re-hired a retired long-term PSC as a short-term PSC without following the Peace Corps' competition policy. Additionally, the PSC was not on a list of qualified contractors which would have waived the competition requirement. The post could not explain why the contract was not competed which resulted in unsupported costs of approximately \$5000 USDE.

We recommend:

- 8. That the director of management and operations ensure that the proper competition process is followed for hiring all personal services contractors.**

⁷ MS 743 PSCs with Host Country Residents Procedures

MEDICAL SUPPLIES

Post had insufficient control of medical supply purchases from a local pharmacy

Per MS 734.5.4, “The Acceptance Point clerk (APC) is appointed by the CD and is responsible for receiving all medical supplies at post.” However, the APC did not receive all medicine purchased by the post as required.

The post supplements its medical supply inventory with purchases from a local pharmacy. These supplies are obtained two different ways: bulk orders for monthly replenishment and direct procurement by Peace Corps medical officers (PCMOs) for the immediate needs of Volunteers. The APC receives and accounts for the monthly replenishment deliveries but does not receive information about the medicine purchased by PCMOs for immediate dispensing. According to the post, this approach was most expedient for Volunteers in urgent need of medication.

The local pharmacy issued one monthly invoice including all items purchased by the post (both bulk items and those dispensed immediately). The PCMO, who maintains copies of the APC’s receiving reports, approved the pharmacy invoices. However, the medical office staff did not track quantities of medication obtained for immediate dispensing. The FA processed pharmacy invoices for payment based on the PCMO approval but did not compare the itemized receiving list with the invoice.

As a result, the post did not verify that it received all items listed on monthly invoices. This resulted in payments to the local pharmacy without proper assurance that post was only paying for the items received.

Further, per MS 734.8.2, “specially designated and controlled substance medical supplies received at post must be accepted by the APC who works with the MSICC and PCMO to reconcile the supplies ordered with the supplies received by the post”.⁸ We found that on two occasions inhalers, which are considered specially designated items, were purchased from the same local pharmacy and dispensed to Volunteers without being tracked as part of the post’s medical inventory.

We recommend:

- 9. The director of management and operations ensure that the acceptance point clerk is receiving all medical supplies at post in accordance with Peace Corps guidance.**

⁸ Per MS 734 4.0, controlled substances “are federally-regulated medicines included on the controlled substances schedules issued by the U.S. Drug Enforcement Administration (DEA)”, and specially designated medical supplies are “items that OHS deems to be high value, pilferable, or otherwise deserving of special attention.”

FUEL AND TOLLS

The post did not sufficiently control and track the use of prepaid fuel and toll cards used by drivers.

At the time of fieldwork, the Peace Corps did not have specific policies and procedures related to fuel purchasing and dispensing for vehicles. However, the publication *Standards for Internal Control in the Federal Government* provides general guidance on assessing and minimizing risk through control activities. The publication states that agencies must safeguard assets by implementing procedures that “provide reasonable assurance regarding prevention or prompt detection and correction of unauthorized acquisition, use, or disposition of an entity’s assets.”⁹

While in Rabat, the Peace Corps drivers refueled the vehicles at the US Embassy. For trips outside of Rabat, the Embassy Cooperative Association (ECA) provided 11 prepaid fuel cards to the post to refuel vehicles at Total gas stations. The General Services Manager (GSM) requested the ECA to replenish approximately \$200 USDE to all fuel cards monthly. The post also had 11 prepaid cards for highway tolls. The GSM replenished approximately \$105 USDE to each toll card quarterly.

Fuel and toll cards were not permanently assigned to specific vehicles or drivers. Before drivers left for road trips, the GSM issued these cards based on the available fuel and toll balances and the estimated length of the trip. The drivers returned both fuel and toll cards to the GSM at the end of each trip, with receipts for fuel purchased or tolls paid. The receipts for both fuel and toll cards showed the transaction value and the remaining balance. The GSM recorded the date, transaction value, and the remaining balance listed on each receipt in separate spreadsheets for fuel and tolls. The GSM did not perform any analysis on either spreadsheet to identify potential missing transactions or misuse. The GSM was unable to receive any statement from Total for fuel card transactions and available balances.

During our review of the GSM’s logs and receipts, we found missing transactions for both card types:

Fuel Cards

We reviewed spreadsheets and supporting receipts for all 11 fuel cards for September and October 2018. We noted two unsupported decreases in balances on separate fuel cards of approximately \$68 and \$63 USDE. The GSM did not record either of these transactions in the fuel card spreadsheet or provide receipts, and the drivers did not record entries in the vehicle logs to support these decreases. The number of miles recorded in the vehicle logs for the respective vehicles did not justify the need for additional fuel purchase.

⁹ The Standards for Internal Control in the Federal Government (GAO-14-704G), September 2014. See section OV 2.24

Toll Cards

We analyzed five toll card logs and the supporting receipts. We noted a significant number of transactions missing from the GSM's toll card spreadsheets. For one of the cards, the GSM retained receipts but did not record transactions for approximately 5 months. For three other cards, the GSM could not provide receipts to support the decrease in card balances of approximately \$300 USDE.

Based on the review of post procedures, GSM spreadsheets, and receipts, we noted the following factors contributed to a lack of control:

- Cards constantly rotated among vehicles and drivers, making the tracking, monitoring, and analyzing of card usage extremely difficult.
- The GSM exerted significant effort in recording receipts in the fuel and toll card spreadsheets. However, the GSM only input the transaction information and did not analyze it for errors or omissions.
- There was no independent oversight over the management of fuel and toll cards to ensure the records were accurate and complete.

We were unable to determine if the missing fuel and toll transactions were fraudulent or the result of inadequate recordkeeping. Regardless, insufficient control and tracking of both sets of cards has created the potential for fraudulent transactions to occur without detection.

We recommend:

10. That the director of management and operations instruct the general services manager to assign one fuel card and one toll card to each vehicle.

11. That the director of management and operations instruct the general services manager to maintain and analyze fuel and toll card records to identify errors or omissions.

VOUCHERS

The post did not comply with agency policy for using separate obligations for each vendor and recording payee names in its financial system.

An obligation is a firm reservation of funds that creates a legal liability on the U.S. Government for the payment of goods and services ordered.¹⁰ The post should record obligations at the time

¹⁰ OFMH 32.2, "Definitions"

of placing the order.¹¹ Each payment voucher must have only one vendor associated with it.¹² However, posts can use multiple payment listing (MPL) receipts when paying several Volunteers, trainees, or trainers at one time, however, the receipts must include a list of individuals paid, and each payee must acknowledge payment with the signature.¹³

While reviewing disbursements, we noted that, between October 2013 and January 2019, the post created obligations valued at approximately \$652,000 under the ambiguous vendor name “PC/Morocco.” In the case of disbursements with ambiguous vendor names, the “payee” field provides additional information about who was paid. However, the post recorded generic payee names, e.g. “multiple or various vendors,” for transactions totaling approximately \$120,000 USDE.

Per the FA, these were either one-time vendors or several small payments grouped together and recorded as “multiple or various vendors” in the payee field. However, these disbursements included payments to several repeat vendors with several purchases from each vendor, which would not be appropriate to include in an MPL and should be recorded with specific vendor names. For example, the sample of disbursements we reviewed included payment to the toll authority for prepaid highway toll card replenishments for approximately \$14,000 USDE, a medical service provider for Volunteer medical services for approximately \$6,600 USDE, and two banks for charges of approximately \$4,700 USDE.

The post did not have an explanation for recording payment to repeat vendors using generic names. Without recording the vendor name, it is not possible to identify who received the payment. Recording obligations and vendor disbursements as clearly as possible allows for a more precise view of post obligations and disbursements, lowering the risk of potential duplicate payments or fraud.

We recommend:

- 12. That the director of management and operations ensure the use of multiple payment listing receipts when paying several vendors at one time, in accordance with Peace Corps policy.**
- 13. That the director of management and operations ensure that the post comply with the Peace Corps policy that only one vendor is associated with each obligation.**
- 14. That the Office of the Chief Financial Officer issue guidance for recording small payments as a single disbursement.**

¹¹ OFMH 32.4.2, “Financial Recordation in FOR Post”

¹² OFMH 66.4, “Required Information for Vouchers”

¹³ OFMH 13.14, “Disbursements – Guidance and Documentation”

The post files lacked contractor release forms.

Per Federal Acquisition Regulations (FAR) section 4.8 after completion of the contract, the contracting officer should ensure a contract completion statement (contractor's release) with the vendor's signature is placed in the contract file. These forms include statements to confirm that the vendor has been fully compensated for the contract, and the U.S. Government owes nothing to the vendor. It releases the U.S. Government from all claims.

During our review of payments to vendors, we found that in most cases the post did not obtain contractor's releases. Per the FA, this was the prevailing practice at the post. If the post does not obtain and retain a contractor's release for each completed contract, the vendor could make future claims against the Peace Corps.

However, the post FAs have initiated the process to obtain release from future contractors.

We recommend:

- 15. That the director of management and operations ensure that the post obtain and retain contractor's releases from all vendors.**

IMPREST

The principal cashier recorded amounts withdrawn for off-site payment as sub-cashier advances.

Per MS 760 13.4 Overseas Imprest Management, "The Class B cashiers should not make off-site disbursements because of their known identity and the inherent risk of theft or loss. Advances on interim receipts should be made to authorized sub-cashiers or designated money carriers when individual payment to vendors must be paid off-site."

We noted instances where the primary cashier withdrew imprest funds to pay Volunteers and counterparts at off-site training locations and recorded these transactions as "sub-cashier" or "interim" advances. The cashier is not a designated "sub-cashier," and there is no guidance in OFMH for recording of funds the cashier withdraws for any purpose. The cashier and the DMO did not have adequate explanation for this prevailing practice. The post exposed the agency to inherent risk of theft and loss due to non-compliance with the policy.

We recommend:

- 16. That the country director ensure that the principal cashier comply with agency policy by not making off site payments.**

The DMO received advances as a sub-cashier without approval of OCFO/GAP.

Per OFMH 13.3.2. Sub-cashier Designation, “Sub-cashier designation is requested by Post and approved by the Director of GAP (Global Accounts Payable).”

During the week of August 20, 2018, both the principal and alternate cashiers took annual leave on the same day. To have funds available for any unforeseen emergencies that day, the principal cashier advanced approximately \$1,400USDE to the DMO from imprest funds and recorded the advances as “sub-cashier” advances. However, the DMO was not a designated sub-cashier. The DMO did not realize that by accepting the advance, he violated the OFMH requirements.

During the absence of the principal and alternate cashiers, the DPT requested that the DMO advance a portion of some grant funds to enable a Volunteer to perform planned grant activities for which the grant funds had not arrived on time. The DMO requested OCFO/GAP approval of the advance; however, the email to OCFO/GAP did not indicate that the DMO would be making this payment from a sub-cashier advance rather than the principal cashier making the payment. The DMO paid approximately \$740 USDE to the Volunteer from an unauthorized sub-cashier advance for the project funds. The Volunteer returned the advance received after receiving funds from headquarters.

We recommend:

- 17. That the country director ensure that the principal cashier provide sub-cashier advances only to the designated sub-cashiers.**

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

OFMH 13.18.2 states, “The interim cash advance must be supported by a copy of the authorized purchase document and liquidated (accounted for) within three (3) working days.”

From July 2017 through September 2018, there were 63 instances in which interim advances were not cleared within 3 days. Most interim advances that were not cleared in a timely manner were for travel expenses and could not be cleared while the staff were traveling.

Failure to liquidate interim cash advances within 3 days impacts the cashier’s ability to document the status of the imprest fund and accountability to safeguard interim advances. Clearing interim advances in a timely manner ensures a prompt return of unused funds and helps to minimize imprest fund cash required to be on hand.

We recommend:

- 18. That the director of management and operations comply with the requirement that interim advances are cleared within 3 days.**

PROPERTY MANAGEMENT

The post did not maintain accurate inventory records, resolve inventory variances, and certify annual inventory in a timely manner.

Per MS 511.11.0 Physical Inventory, Peace Corps posts must perform an annual physical count of eligible property in the Sunflower¹⁴ system from October through April of the fiscal year. This process does not conclude at the post until all items are accounted for, all variances are resolved, and the DMO and CD certify the count as complete.

The post was able to physically locate or otherwise account for all assets we selected for sampling. However, we noted inaccuracies in Sunflower and untimely resolution of those inaccuracies which hindered the post's ability to safeguard property.¹⁵

Per post staff, lack of user training for the Sunflower system and poor internet connectivity at the post led to mistakes in receiving. The inventory manager (GSM) never received Sunflower training and, as a result, learned the system primarily by watching the Sunflower tutorial videos. These videos are not comprehensive learning tools.

For FY 2018, the post was required to complete the physical count certification in April 2018. However, the post's FY 2018 inventory was not certified as complete until March 2019, approximately 11 months after the scheduled completion date. Difficulty in resolving multiple minor receiving errors contributed to the delay in certifying the FY 2018 inventory.

Among these errors, we found that 31 smartphones were assigned and deployed in the field for a year without being entered into Sunflower. Per MS 511 8.2, the receiving official should have coordinated with the procuring official to properly process this transaction.

One of these smartphones was stolen from a staff member in December of 2017 but was still active in Sunflower at the time of our audit due to insufficient guidance in MS 511 Personal Property Management Handbook.¹⁶

We recommend:

19. That the country director coordinate with the Office of Management to ensure the general services manager is properly trained to accurately and completely maintain records of the post's inventory in Sunflower.

¹⁴ the agency's inventory management system

¹⁵ MS 511.11.1 states "The Property Officer (DMO at post, AO at RRO, IMS at PCHQ), as defined in MS 511, must ensure that property is inventoried annually as part of their responsibility to safeguard Peace Corps property."

¹⁶ MS 511 13.3.1 (b) (1) instructs responsible individuals at post to submit Form PC-2049 to an incident response email address when an IT item is lost, stolen, damaged, or destroyed. However, Sunflower support staff advised that items must also be reported as stolen through Sunflower in order to have them removed from the system.

The Post did not have sufficient segregation of duties in OdyWeb.

OdyWeb is a collection of modules that allow posts to edit and submit data to the Peace Corps financial system. OCFO has provided posts with suggestions for how to separate access in OdyWeb between various staff positions in order to minimize risk to agency's information systems.¹⁷ Per this guidance, the CD and DMO should be the only individuals at the post who submit data to headquarters for approval, while local staff are responsible for data entries.

We noted instances where the post granted both FAs the ability to create and submit Volunteer information and bi-weekly payment data. The DMO stated that he never changed OdyWeb settings and did not know how long they had been set that way. Through the course of our audit we did not find any instance where this lack of segregation resulted in fraudulent transactions; however, a lack of segregation potentially subverted the CD and DMO's ability to detect fraudulent transactions. During fieldwork, the DMO modified the access privileges for respective staff to comply with guidance.

We recommend:

- 20. That the director of management and operations ensure that the access to OdyWeb complies with the OdyWeb system guidelines.**

¹⁷ OdyWeb User Admin Help page, available through the Peace Corps Intranet

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

We identified unsupported, questioned costs.

Recommendation number	Description	Amount
7	Short-Term PSC Contract without Competition	\$5,000
10	Unsupported Fuel Transactions in September and October 2018	\$131
10	Unsupported Toll Transactions	\$300

We recommended that funds be put to better use.

Recommendation number	Description	Amount
5	Volunteer Allowance Collections	\$7,500

Consistent with the Inspector General Act of 1978, as amended, **questioned costs** and **funds to be put to better use** are defined as follows:

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

LIST OF RECOMMENDATIONS

We recommend:

1. That the director of management and operations ensure that the staff issues bills of collection in compliance with agency policy.
2. That the country director document the ministry's position on the outstanding host country contribution balance and initiate efforts to resolve the unpaid host country contributions from prior years.
3. That the country director and the director of management and operations seek guidance from the Office of the Chief Financial Officer for recording and/or writing-off the past-due host country contribution balance from prior years.
4. That the country director and the director of management and operations ensure that all modifications to the memorandum of understanding are documented in writing.
5. That the director of management and operations initiate a process for tracking all amounts collected from Volunteer bank accounts to ensure that amounts collected are fully accounted for and any balance due to Volunteers is paid in a timely manner.
6. That the director of management and operations initiate corrective action for errors and oversight related to the Volunteer allowances issues noted during the audit.
7. That the director of management and operations initiate a process for reconciling all the amounts withheld and paid to authorities before finalizing the amount paid to the retiring personal services contractor.
8. That the director of management and operations ensure that the proper competition process is followed for hiring all personal services contractors.
9. The director of management and operations ensure that the acceptance point clerk is receiving all medical supplies at post in accordance with Peace Corps guidance.
10. That the director of management and operations instruct the general services manager to assign one fuel card and one toll card to each vehicle.

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11. That the director of management and operations instruct the general services manager to maintain and analyze fuel and toll card records to identify errors or omissions.
12. That the director of management and operations ensure the use of multiple payment listing receipts when paying several vendors at one time, in accordance with Peace Corps policy.
13. That the director of management and operations ensure that the post comply with the Peace Corps policy that only one vendor is associated with each obligation.
14. That the Office of the Chief Financial Officer issue guidance for recording small payments as a single disbursement.
15. That the director of management and operations ensure that the post obtain and retain contractor's releases from all vendors.
16. That the country director ensure that the principal cashier comply with agency policy by not making off site payments.
17. That the country director ensure that the principal cashier provide sub-cashier advances only to the designated sub-cashiers.
18. That the director of management and operations comply with the requirement that interim advances are cleared within 3 days.
19. That the country director coordinate with the Office of Management to ensure the general services manager is properly trained to accurately and completely maintain records of the post's inventory in Sunflower.
20. That the director of management and operations ensure that the access to OdyWeb complies with the OdyWeb system guidelines.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

OBJECTIVES

We conducted this audit to determine whether the financial and administrative operations at Peace Corps/Morocco are functioning effectively and complying with Peace Corps policies and Federal regulations.

SCOPE

This audit was conducted between February 11 to March 1, 2019 at the Peace Corps headquarters in Washington, D.C. and at the overseas post location in Mbabane, Morocco. The scope period under review was October 1, 2013 through March 1, 2019.

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

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

METHODOLOGY

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

We obtained Peace Corps/Morocco's financial information from the disbursement and BOC reports for October 1, 2012 through January 28, 2019. We sorted the disbursement reports universe of 110,752 transactions and judgmentally selected samples by the following payment types:

- **Volunteer Allowances.** We selected a judgmental sample of 15 of 48,566 transactions to determine if the living allowances paid to Volunteers were consistent with the authorized amount. We reviewed living allowance payments for one month for 7 of 164 Volunteers. We analyzed final allowance calculations for 48 of the 157 Volunteers who early terminated between October 2013 and August 2018. We reconciled collections for possible overpayments when Volunteers terminated their service early. We compared the Volunteer payments from the disbursement report to the FA's calculation based on the Volunteer's termination date. We obtained information about funds collected from the Volunteer bank accounts to verify the final disposition of amount collected. We reviewed the BOCs and readjustment allowance reports to determine if the collections were complete and accurate.

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- **Personal Service Contractors.** We reviewed 6 of 41 long term contracts during the audit period. We reviewed contracts for 3 of 116 short term PSC contracts. We reviewed contracts to determine if the payment made on the disbursement report matched the contracts. In addition, we reviewed documentation related to the contract files. We also reviewed PSC security certifications for 36 PSCs, and 6 sick-pay claims. We reviewed 8 payments to ST PSCs, and 2 payments to retired PSCs.
- **Medical Supplies.** We conducted 100 percent of the controlled (CS) and special designated (SD) inventory items. We sampled 5 non-CS or SD inventory items and 9 disposal records. We conducted additions testing by tracing 5 medical purchases to the disbursement report, receiving report, and the medical inventory records. We conducted additional analysis of a local vendor's invoices. We interviewed the APC, MISC, PCMO, FA, Medical Secretary, and FA.
- **Fuel and Tolls.** We selected to analyze decreases in fuel card balances from the GSM's log from July through December 2018. After noting unsupported decreases in balances in September and October, we compared all recorded entries in the GSM's log with the receipts from the gas stations and entries in all vehicle logs and the Vehicle Maintenance system (VMIS). We analyzed the GSM's toll card log for 2018 and selected four cards with the most significant balance reductions between transactions dates. We selected a fifth card to sample due to an abnormal increase in available balance. For these five cards we compared the entries in the GSM's log with the toll receipts. We discussed the unsupported changes in the fuel and toll card balances with GSM.
- **Imprest.** We reviewed 8 months of cash counts from May 2018 to December 2018. We also performed an unannounced physical cash counts with the primary and two sub-cashiers, interviewed the cashiers, and reviewed supporting documentation related to the cash count on February 14, 2018.
- **Property Management.** We performed a physical existence test for 15 out of 801 personal property items inventoried in the Sunflower inventory tracking system and all 12 vehicles listed in the VMIS system. We also examined sales records of 8 vehicles, and 3 auctions of IT equipment and non-IT equipment. We conducted additions testing by tracing 6 invoices from purchase records to the entries in the Sunflower records. We interviewed the GSM, FA, ITS, and HQ inventory management specialist regarding ordering and inventorying personal property.
- **International Cooperative Administrative Support Services (ICASS).** We compared the FY 2018 ICASS invoice to the ICASS agreement to ensure that the agreement was in compliance with Peace Corps policy for allowable cost centers. We discussed the increases in certain categories between FY 2017, 2018, and the initial 2019 invoices with the DMO.
- **Lease Payments.** We reviewed all the post's leases for the three USDH residences, four Regional staff residences, and the main office lease. We compared lease payments with lease documents and reviewed lease files to ensure that they included the required information.
- **Grants.** We selected 12 of 269 grant projects (from February 2013 to August 2018) and reviewed the disbursement report, Peace Corps Grants Online report, project completion reports, and the project receipts. We reviewed 3 grant payments during voucher testing. We analyzed expenditures on SPA Training Activity Descriptions (TADs) from March 2013 to August 2018 and reviewed supporting documentation for 3 TAD events.
- **Credit Card and Other Transactions.** We sampled 10 transactions paid by credit cards, and 90 other payments including transactions related to payroll, leases, medical, travel, trainings, conferences, maintenance, and general expenses. We judgmentally selected these transactions when they appeared to be unusual, exceeded \$3,000 USDE, or to verify support for various types of expenses at the post.

In addition, we reviewed the BOCs report that had a universe of 920 collections from October 1, 2018 to January 29, 2019. Our BOCs review consisted of the following:

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- **Long Outstanding.** Based on the BOCs report, 13 outstanding collections over 30 days were identified. During field work, we interviewed staff about collection steps they had taken and reviewed the support.
- **VOIDS.** We reviewed all 8 (13%) of the 63 voided BOCs and the supporting documentation to determine if the voids were correctly voided and rebilled, if necessary.
- **General Testing.** We tested a sample of 25 transactions. Our sample was based on large USDE amounts, unusual transactions, sales, Volunteer billings, and travel expenses. We reviewed the supporting documentation to determine if the BOCs were accurately recorded, created timely, properly obligated, and adequately collected.

We reviewed the user access forms for the post's OdyWeb and FOR Post systems to verify that the level of access matches the level of access granted. We also verified the physical controls of the server room to determine how the post is safeguarding the electronic data.

USE OF COMPUTER-PROCESSED DATA

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

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

However, our office uses independent auditors to annually audit the agency's financial statements. These auditors have determined that the financial statements were free from material misstatements and our auditors did not identify any material weaknesses in internal controls surrounding the financial statements. Therefore, in our professional judgement, we determined that the data was sufficiently reliable for the purposes of this report.

REVIEW OF INTERNAL CONTROLS

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

APPENDIX B: LIST OF ACRONYMS

BOC	Bill of Collection
CD	Country Director
CO	Contracting Officer
COS	Close of Service
DMO	Director of Management and Operations
FA	Financial Assistant
MS	Peace Corps Manual Section
OFMH	Overseas Financial Management Handbook
GAP	Global Accounts Payable
OIG	Office of Inspector General
OHS	Office of Health Services
PCMO	Peace Corps Medical Officer
PSC	Personal Service Contractor
FSN	Foreign Service National
USDE	United States Dollar Equivalent
FY	Fiscal Year
USDH	United States Direct Hire
CUG	Cashier User Guide
TG	Technical Guidance
OCFO	Office of the Chief Financial Officer
ACM	Acquisitions and Contract Management
FAR	Federal Acquisition Regulation
VMIS	Vehicle Management Information System
GAO	Government Accountability Office
OMB	Office of Management and Budget
ICASS	International Cooperative Administrative Support Services

APPENDIX C: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT

FEDERAL REQUIREMENTS

STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT

The Government Accountability Office (GAO)'s Standards for Internal Control in the Federal Government (GAO-14-704G)

10.03, "Design of Appropriate Types of Control Activities"

Management designs appropriate types of control activities for the entity's internal control system. Control activities help management fulfill responsibilities and address identified risk responses in the internal control system. The common control activity categories listed in figure 6 are meant only to illustrate the range and variety of control activities that may be useful to management. The list is not all inclusive and may not include particular control activities that an entity may need.

* * * * *

Accurate and timely recording of transactions

Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded.

Establishment and review of performance measures and indicators

Management establishes activities to monitor performance measures and indicators. These may include comparisons and assessments relating different sets of data to one another so that analyses of the relationships can be made and appropriate actions taken. Management designs controls aimed at validating the propriety and integrity of both entity and individual performance measures and indicators.

10.13, "Segregation of Duties"

Segregation of duties helps prevent fraud, waste, and abuse in the internal control system. Management considers the need to separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties. In particular, segregation of duties can address the risk of management override. Management override circumvents existing control activities and increases fraud risk. Management addresses this risk through segregation of duties, but cannot absolutely prevent it because of the risk of collusion, where two or more employees act together to commit fraud.

PEACE CORPS REQUIREMENTS

OVERSEAS FINANCIAL MANAGEMENT HANDBOOK (OFMH)

OFMH 7.2.1, “Billing Steps”

The Billing Officer performs the following tasks as soon as the debt is known, even if the exact amount isn't known*:

1. Enter the Bill of Collection (BOC) information into FOR Post.
 - It must be in English.
 - The bill must be in the currency of the obligation being credited and for the full amount owed.
 - The information entered will appear on the FOR Post BOC Log.
 - The information entered will create the BOC form.
 - See OFMH 7.6, below, and FOR Post Help for how to determine the amount and how to enter the bill into FOR Post for activities such as VAT, Host Country Contribution, Proceeds of Sale, etc.
2. Save and print the BOC form from FOR Post.
 - On the paper form, write the debtor's address and check the appropriate "Vendor Type" box.
 - Attach a copy of any supporting documentation/letter to the BOC, if appropriate.
3. DMO signs.
4. Make two complete copies of the BOC (including any supporting documentation). Distribute as follows:
 - Person Billed Original
 - Cashier Copy 1
 - Billing Files Copy 2

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

OFMH 7.2.2, “Bill of Collection Review”

Monthly, the Cashier Supervisor or Cashier Verifying Officer must: (just before or after the Imprest Verification)

1. Review open BOCs and check for follow-up paperwork, if appropriate per rules below.
2. Review BOCs voided in the last 60 days. See 7.2.3 for more information on how to review. To identify voids: Open the FOR Post Inquire > Transaction Search. Set "Entered Date -From" to 60 days back. Set "Status" to Voided. Set "Transaction Group" to Bill and Collect.
3. Spot-check closed Billing files for complete paperwork.

As needed, the Billing Officer must:

- Coordinate with the Cashier (collections officer) to receive and file:
 - Copies of the General Receipt
 - Cashier Voids
- Review the FOR Post “Outstanding Collections” report when clearing staff whose contracts are terminating or when they are departing Post for another assignment
- Review the FOR Post “Outstanding Collections” report at the end of service for Volunteers
Note: The Billing Officer must maintain the billing files while they are outstanding. Posts may choose to then move billing files to a central location when they are closed.

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Monthly, the Billing Officer must:

1. Reconcile the BOC Log (from FOR Post) with the Billing Files.
 - Review outstanding BOCs in the FP BOC Log and compare to the Billing Files.
 - Review outstanding BOCs in the Billing Files and compare to the FP BOC Log.
 - Follow-up with the Cashier Supervisor if any discrepancies are found.
2. Review and follow-up on outstanding BOCs. Run the FOR Post “Outstanding Collections” report. Follow the steps below for BOCs outstanding 30, 60, or 90 days.
 - After 30 days - Prepare a letter to be signed by DMO, stating that the bill is now overdue. If the debtor is staff, also state that if it is not cleared in another 30 days, the debtor’s supervisor will be notified. Debtor may not receive new interim or travel advances. Attach a copy of the original Bill of Collection to the letter and issue to the debtor. Attach a copy of the letter to the file copy of the Bill of Collection.
 - After 60 days - Notify the debtor’s supervisor (only for staff). Prepare a stronger letter to be signed by CD saying that if it is not cleared in another 30 days, the Billing Officer and Director of Management and Operations will contact PC/HQ for further steps. Attach a copy of the original Bill of Collection to the letter and issue to the debtor. Attach a copy of the letter to the file copy of the Bill of Collection.
 - After 90 days – The Billing Officer and DMO should review. If Post determines that they should keep the debt longer, they should contact their GAP FMO, providing details and estimated time needed to collect. If Post determines that they will not be able to collect the debt, they should:
 - Complete the Accounts Receivable Referral Coversheet (</Libraries/OFMH/OFMHDocs/Accounts%20Receivable%20Referral%20Coversheet.docx?Web=1>), attaching all relevant documentation that supports the debt and the attempts to collect. Include any additional information that would be helpful in understanding the debt or circumstances. Send to the GAP FMO.
 - Attach a copy of the Accounts Receivable Referral Coversheet to the Post file-copy of the Bill of Collection.
 - The FMO will review and forward to the Claims Officer in CFO/GAP. The Claims Officer will accept or reject the claim and notify the FMO, who will notify Post.
 - If HQ accepts the debt, the DMO will instruct the Cashier to void the Bill of Collection in FOR Post. The cashier will enter the reason as "Referral to HQ Claims Officer" and also record the date of the confirmation email and the name of the FMO and Claims Officer. Attach the email from the FMO to the BOC file. (Acceptance means that HQ will either write-off the debt or try to collect.)
 - If HQ rejects the debt, it will be referred back to Post and the FMO will provide guidance on Post action for collection.

Note 1: HCC and VAT Bills of Collection often cannot be collected on the schedule listed above. For these types of collections, Posts should review at least quarterly and, after the debt has existed for 2 years, work with their FMO (using the process in “After 90 Days”, above). See 7.6, below, for additional information.

Note 2: At any point after a BOC has been outstanding for more than 30 days, Post may discuss the bill, along with all supporting documentation, with their FMO. This should be done in instances when to do so is in the best interest of the Peace Corps. For example, if the debtor is no longer at Post and is a US citizen, the debt should be discussed with the GAP FMO. However, if the debtor is a host country national, the Post is in a better position to collect the debt and should continue collection efforts, through 90 days.

OFMH 7.6.5, “Host Country Contributions (HCC) Collections”

It is recognized that HCC BOCs often age and are not usually collectable per the review schedule in 7.2.2, step 1. Posts should instead review these BOCs at least quarterly. For any HCC BOCs over 2 years old,

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Post should complete the Accounts Receivable Referral Coversheet and follow the process in 7.2.2, step 1 "After 90 days".

Posts must enter the BOC for HCC at the start of the due period. For example, if Post is scheduled to receive quarterly payments, enter the BOC at the start of the quarter, even though the BOC will be outstanding for 3 months (or longer). If the exact amount is not known, enter the estimated amount.

Note: If the actual contribution differs from the billed amount, the Cashier will ask the Billing Officer to enter a corrected BOC. The Cashier will then void the original. See 7.2.3 for information on Cashier Void. The DMO must ensure that the new HCC BOC is entered for the actual amount before approving the Cashier void.

Host Country Contributions have rules and requirements outlined in OFMH 27.0 (/Libraries/OFMH/Pages/Host-Country-Contributions.aspx), Host Country Contributions.

OFMH 13.14, "Disbursements – Guidance and Documentation"

Posts are permitted to use multiple payment listing (MPL) receipts when a number of Volunteers, Trainees, or trainers are being paid at one time for the same purpose. A multiple payment receipt must fully describe the purpose of the payments, must list the individuals who are being paid, and must provide a space opposite each payee's name for the signature of the payee, the amount, and the date the cash was received. Although typically entered into FOR Post as one Disbursement, each payee represents a separate payment for purposes of USDE approval limits (as described in paragraph 13.14). For example, an MPL paying USDE 300 each to 4 Volunteers does not need an Emergency Cash Payment stamp because each payment is under \$500. The Disbursement entry in FOR Post, however, will be for USDE 1,200.

An MPL should be used only when the cashier knows that signatures of all payees will be obtained at one time because the MPL represents one transaction in FOR Post.

OFMH 13.18.2, "Interim Advances"

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

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

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

Liquidation of Interim Advances

Cash advances, except travel advances, are "liquidated" when the individual who received the advance from the cashier returns one of the following to the cashier:

- The entire amount (originally advanced) in cash;
- The entire amount in valid receipts; or
- The entire amount as a combination of cash and receipts.

Interim advances, which are temporary advances, are advanced on Post's interim advance form. Advance forms are accountable documents and are part of the Cashier's accountability. The Cashier must safeguard

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interim advances as they document the status of the imprest fund. It is the responsibility of the cashier to monitor the clearance of interim advances and to notify the Director of Management and Operations if advances are not cleared within 3 days for direct follow-up action.

OFMH 27.2.1.1 “LCU Host Government Contributions”

Because the budget is retained in local currency, the Budget Office is not involved in issuing budget authority for LCU HCCs. The Collection action in FOR Post automatically creates budget authority in local currency in the X7840.

HCC Fund for that country. See the Fiscal Coding Handbook for fund listing by country. Spending against the Host Government funds may only be done in the currency of the funds donated.

Post procedures:

1. Determine the amount due from the host Government, based on the terms of the Country Agreement.
2. Billing Officer creates a Bill of Collection based on the anticipated amount, using the transaction Prepare HCC Collection in FOR Post.
3. Cashier records the collection using the transaction Collect HCC in FOR Post, as he/she receives the funds.

Note: If the actual check/payment differs from the anticipated amount, the Cashier will void the entry. The Director of Management and Operations (DMO) must ensure that the new Prepare HCC Collection entry is re-entered for the actual amount before approving the Cashier void.

4. Cashier processes the check following the normal deposit procedures (including entry into FOR Post).

Posts should monitor the status of Government HCC funds using the FOR Post "HCC Funds Report".

Also see OFMH Billings, Collections and Deposits and the FOR Post Help file on HCC.

OFMH 32.2, “Definitions”

Obligation - A firm reservation of funds that represents a binding agreement made by an authorized individual that will result in payments to vendors, volunteers, staff, or other federal agencies immediately or in the future.

OFMH 32.2.4, “Financial Recordation in FOR Post”

Posts must record obligations in FOR Post only when supported by documentation. It is important to note that obligations (except in very limited circumstances noted below) are not to be recorded in FOR Post until such time as a liability (obligation) has been incurred or accepted by an authorized individual. The entry in FOR Post must match the amount, name and fiscal coding that is displayed on the obligation document. Refer to specific guidance from CFO/BA for limited exceptions during a Continuing Resolution (CR).

OFMH 66.4, “Required Information for Vouchers”

Each payment voucher must have only one vendor associated with it. Vouchers may be coded to many different obligations as long as the vendor name, currency, and voucher exchange rate are the same.

Posts should ensure that the following required information needed for certification and payment will print on or be attached to the PC-2059:

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1. The description of goods and services in English. Include unit price, quantity and any discounts received.
2. The name of the vendor (to receive the payment) must be the same as the name on the invoice. If the two differ, please provide a brief memo from the vendor explaining why the two differ.
3. A spreadsheet or calculator tape verifying calculations for all (non cashier) vouchers with multiple invoices.
4. The vendor's invoice (see below for details).
5. Obligation documents. All obligating documents must be filed at Post. In some cases, a copy of the obligating document must also be sent to GAP invoice certification. See GAP Payment Requirements for details of which obligating documents must be sent.

PEACE CORPS MANUAL SECTION (MS)

MS 221 5.9, "Overpayments at End of Service"

At the time of a Volunteer's departure from post, any overpayments of in-country Volunteer allowances must be collected directly from the Volunteer or from the Volunteer's in-country bank account. Overpayments should be recovered by the Collections Officer at the post, who must issue a receipt upon payment.

If direct collection is not possible, the Administrative Officer must request collection from the Volunteer's Readjustment Allowance. (See MS 223 and MS 284, Early Termination of Service).

Authorization from the Volunteer to collect from the Readjustment Allowance must be obtained on a signed Peace Corps Volunteer Certificate of Non-Indebtedness and Accountability for Property Form No. PC-477. The signed PC-477 form must be kept on file at post.

If the Volunteer is separated outside of the assigned country for medical reasons, the Office of Health Services must obtain a signed PC-477 form. The signed PC-477 form must be sent to Volunteer and PSC Financial Services (CFO/VPS).

Collections that cannot be made from the Volunteer at post or from the Readjustment Allowance will be pursued using the claims procedures set out in MS 777, Billing and Collection Procedures, Debts, and Claims.

MS 511.8.2, "Identify Newly Received Property"

Prior to the Primary Receipt of Personal Property Assets, the receiving official (such as GSM, AA, or their designated assistant) must coordinate with the procuring official (such as FA, DMO, AO) to collect the appropriate PO information. When the Assets are delivered, the receiving official must collect all of the asset identification information. The receiving official assigns and affixes an asset tag/barcode label and collects the description, manufacturer, model, serial number, and location of each Personal Property Asset listed on the PO.

MS 511.13.3.1 (b) (1), "When Loss or Damage is First Discovered"

(b) The GSM, ITS or Service Desk will take the following actions, depending on the nature of the asset and incident:

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(1) If the incident involves an IT asset, the employee, Volunteer or contractor will complete the appropriate sections of Form PC-2049 (Information Security Incident Response Report) as instructed by the GSM, ITS or Service Desk. The completed form is submitted as soon as possible to Incident Response (incidentresponse@peacecorps.gov) in compliance with IPS 1-17 Information Security Program.

MS 511 11.0, “Physical Inventory”

The annual Inventory campaign period starts on October 1 and continues to April 30 of the following year. Posts, RROs and PCHQ must plan and execute Inventory of Accountable Assets annually. A Locally Tracked asset campaign is set up by the Inventory Manager for posts or RROs that desire to use it. However, the locally tracked campaign is for post or RRO use only and not required to be completed as part of the Agency annual campaign

MS 734 5.4, “Acceptance Point Clerk”

The Acceptance Point Clerk (APC) is appointed by the CD and is responsible for receiving all medical supplies at post and coordinating initial inventory and transfer to the Medical Office. The APC works with both the Medical Supply Inventory Control Clerk (MSICC) and the PCMO to ensure that medical supplies are properly delivered and inventoried. The APC must not be a member of the Medical Office staff, and cannot serve as the MSIC Clerk. Further, the APC may not perform the quarterly inventory of medical supplies.

MS 734.8.1, “Receipt of Medical Supplies”

The specially designated and controlled substance medical supplies received at post must be accepted by the APC who works with the MSICC and PCMO to reconcile the supplies ordered with the supplies received by the post. The post is required to follow the steps outlined in TG 240 that pertain to the receipt of specially designated medical supplies and controlled substances. These procedures are designed to establish an enhanced level of oversight and adherence to DEA regulations. Non-specially designated medical supplies may be inventoried at the post’s discretion in order to maintain adequate supplies for V/T health services.

MS 743 5.2, “Requirement for Competition When Awarding Contracts greater than \$3,000 USD”

5.2.2

Short term PSC contracts competition is also required. Qualified Candidates shall be placed on a list maintained at post. Post will pull qualified candidates from the list for the training contracts. Once a PSC has been placed on the list they do not need to recompeted for the same position. However for each contracting event all qualified candidates must be reviewed and the best candidate in the interests of the Peace Corps must be chosen.

MS 760 3.8, “Sub-Cashier”

Sub-Cashier means a Direct Hire employee or Volunteer who has been designated in writing by the Country Director or his/her designee to receive an imprest fund from a Class B cashier; is under the supervision of the same Country Director as the cashier from whom the advance is received; is accountable to such cashier for the funds received; and is stationed within a reasonable distance to the advancing cashier. Payment limitations and safekeeping requirements, which apply to cashiers, also apply to sub-cashiers.

MS 760.13.4, “Advances for Off-Site Payments”

Class B cashiers should not make off-site disbursements because of their known identity and the inherent risk of theft or loss.

Advances on interim receipts should be made to authorized sub-cashiers or designated money carriers when individual payment to vendors must be paid off-site.

LOCAL COMPENSATION PLAN U.S. MISSION MOROCCO, EFFECTIVE JANUARY 1, 2018

Section 1 (6), “Local Income Taxes”

Effective Pay Period 11, 2011 and per Public Interest Determination authorized by the Undersecretary for Management, Mission Morocco withholds income taxes that are to be paid to the Government of Morocco from LE Staff since PP11 in 2011. Individual income tax liability for the period prior to the effective date of withholding of May 22, 2011 is the individual responsibility of each employee following Article 175 of the Kingdom of Morocco 2010 General Tax Code.

Section 8 (A)(8)(B), “CNSS Payments During Illness”

Employees who are unable to work because of a non-work related illness or temporary disability receive a monetary payment from the Moroccan Social Security System (CNSS). This payment is equal to 66.7 percent of the employee's earnings to a maximum of DH 6,000 per month. An employee must work a minimum of six days after the period in which he/she received CNSS sick leave benefits before becoming eligible for additional benefits.

CNSS coverage eligibility is determined by the CNSS administration in accordance with applicable laws and regulations that guide Moroccan Social Security plan.

Employee Responsibility: Employees must submit the entire medical package to the nearest CNSS office and complete their CNSS medical control within 30 days of the first day of illness. Employees are required to submit a copy of the receipt to HRO confirming the submission of the CNSS claim. The Mission may grant up to one hour administrative leave for this purpose.

Failure to submit CNSS claim in timely manner may result in rejection of the medical claim and non-reimbursement by CNSS. However, this will not relieve the employee of his/her obligation to repay to the U.S. Mission the same amount which would have been payable by CNSS. If the claim is rejected due to employee's failure to submit required documents to CNSS within 30 days of the first day of absence for sickness, the sick leave period will be charged to either annual leave or leave without pay.

When an employee receives CNSS reimbursement for absence paid at 100% pay from the Mission, s/he is asked to return CNSS reimbursement to the FMO Cashier immediately upon receipt of CNSS payment and bring HRO a proof of payment. If the employee does not reimburse the Mission, the Financial Center in Bangkok will deduct the amount equivalent to CNSS reimbursement from employee's pay.

APPENDIX D: AGENCY RESPONSE TO THE PRELIMINARY REPORT



MEMORANDUM

To: Kathy Buller, Inspector General

Through: Anne Hughes, Chief Compliance Officer 

From: Jeannette Windon, Regional Director, EMA 
Susan Dwyer, Country Director, Peace Corps/Morocco

Date: September 23, 2019

CC: Jody K. Olsen, Director
Michelle K. Brooks, Chief of Staff
Matthew McKinney, Deputy Chief of Staff/White House Liaison
Maura Fulton, Senior Advisor to the Director
Carl Sosebee, Senior Advisor to the Director
Robert Shanks, General Counsel
Richard Swartz, Chief Financial Officer
Scott Knell, Chief Information Officer
Clark Presnell, Acting Associate Director, Office of Management
Karen Becker, Associate Director, Office of Health Services
William Moore, Director of Management and Operations, Peace Corps/Morocco
Angela Kissel, Compliance Officer

Subject: Preliminary Report on the Program Audit of Peace Corps/Morocco (Project No. 19-AUD-01)

Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/Morocco as outlined in the Preliminary Report on the Program Audit of Peace Corps/Morocco (Project No. 19-AUD-01) given to the agency on August 7, 2019.

The Region and the Post have addressed and provided supporting documentation for all twenty recommendations provided by the OIG in its Preliminary Audit of Peace Corps/ Morocco.

Recommendation 1

That the director of management and operations ensure that the staff issues bills of collection in compliance with agency policy.

Concur

Response: The Director of Management and Operations (DMO) reviewed the referenced policies in the Overseas Financial Management Handbook with the administrative finance team. Post updated its processes to comply with the agency policy as described by the auditors. Bills of collections (BOC) are now issued immediately once the debt is known.

Documents to be Submitted:

- Samples of properly issued BOCs

Status and Timeline for Completion: Completed, September 2019

Recommendation 2

That the country director document the ministry's position on the outstanding host country contribution balance and initiate efforts to resolve the unpaid host country contributions from prior years.

Concur

Response: The former agreement was challenging for the ministry's budget planning purposes given that Volunteer numbers change every year. Additionally, attempting to collect on prior years' discrepancies would have been harmful to the relationship with the Ministry of Youth and Sports. The new memorandum of agreement is more effective for planning purposes for both the ministry and Peace Corps.

The Country Director submitted a letter to the budget director at the Ministry of Youth and Sports (MYS) noting the challenges of the previous host country contribution agreement in terms of budgeting and planning for the MYS and Peace Corps, the new agreement as noted in the latest MOU, and that any differences between the invoice amounts and payments received from 2013-2016 are clear and void. This letter was delivered to and received by the Ministry of Youth and Sports on September 13, 2019.

Documents Submitted:

- Country Director letter to the Ministry of Youth and Sports

Status and Timeline for Completion: Completed, September 2019

Recommendation 3

That the country director and the director of management and operations seek guidance from the Office of the Chief Financial Officer for recording and/or writing-off the past-due host country contribution balance from prior years.

Concur

Response: The Office of the Chief Financial Officer provided guidance via email for recording and/or writing-off the past-due host country contribution balance from prior years. The guidance instructed PC/Morocco to refer to The Overseas Financial Management Handbook (OFMH) section 7.0

Documents to be Submitted:

- Email from the Office of the Chief Financial Officer.

Status and Timeline for Completion: Completed, September 2019

Recommendation 4

That the country director and the director of management and operations ensure that all modifications to the memorandum of understanding are documented in writing.

Concur

Response: The current MOU became effective on October 23, 2018. Post will ensure that all modifications to the memorandum of understanding are documented in writing in the new MOU.

Documents Submitted:

- Current MOU
- Standard Operating Procedure (SOP) for documenting all modifications to the MOU
- Email from the DMO to CD and contracting officers re SOP for documenting modifications

Status and Timeline for Completion: Completed, September 2019

Recommendation 5

That the director of management and operations initiate a process for tracking all amounts collected from volunteer bank accounts to ensure that amounts collected are fully accounted for and any balance due to volunteers is paid in a timely manner.

Concur

Response: The financial specialist promptly initiated a process for tracking all amounts collected from volunteer bank accounts to ensure that amounts collected are fully accounted for and any balance due to volunteers is paid in a timely manner and post is now in compliance with this policy.

Documents to be Submitted:

- Samples of BOCs and calculations for multiple volunteers

Status and Timeline for Completion: Completed, September 2019

Recommendation 6

That the director of management and operations initiate corrective action for errors and oversight related to the Volunteer allowances issues noted during the audit.

Concur

Response: The DMO has implemented a corrective action process for errors and oversight related to the Volunteer allowances issues noted during the audit.

Documents to be Submitted:

- DMO email to financial specialist regarding the agency policy and updated, internal processes to strengthen the oversight of volunteer allowances, as noted during the audit.

Status and Timeline for Completion: Completed, September 2019

Recommendation 7

That the director of management and operations initiate a process for reconciling all the amounts withheld and paid to authorities before finalizing the amount paid to the retiring personal services contractor.

Concur

Response: Post revised its processes and now reconciles all the amounts withheld and paid to authorities before finalizing the amount paid to retiring (or departing) personal services contractors.

Since the audit, the financial specialist reconciled the corresponding amounts for two personal services contractors, one retiree and one deceased PSC, in accordance with the updated, correct process.

Documents to be Submitted:

- Samples of final calculations and payments to two staff members

Status and Timeline for Completion: Completed, September 2019

Recommendation 8

That the director of management and operations ensure that the proper competition process is followed for hiring all personal services contractors.

Concur

Response: The post contracting officers are now complying with the proper competition process when hiring all personal services contractors.

Documents to be Submitted:

- Samples of vacancy announcements
- Samples of PSC selection documentation

Status and Timeline for Completion: Completed, September 2019

Recommendation 9

The director of management and operations ensure that the acceptance point clerk is receiving all medical supplies at post in accordance with Peace Corps guidance.

Concur

Response: The past, incorrect process was revised so the medical unit is now consolidating all medical supplies' purchases as required. The APC is reviewing all items received, and the consolidated worksheets include total purchases at post, so these can be clearly reconciled.

Documents to be Submitted:

- Sample worksheet of all medical purchases by the health unit.
- Standard operating procedure for medical unit and Acceptance Point Clerk to ensure compliance.

Status and Timeline for Completion: Completed, September 2019

Recommendation 10

That the director of management and operations instruct the general services manager to assign one fuel card and one toll card to each vehicle.

Concur

Response: The DMO instructed the general services manager to obtain 12 fuel cards and 12 toll cards and assign one fuel card and one toll pass to each vehicle. The general services manager promptly completed this task; these cards have been duly assigned to all 12 Peace Corps vehicles at post.

Documents to be Submitted:

- Photo of a Total fuel card and 'Jawaz' toll device (toll card)
- Copy of the log for 12 fuel cards and 'Jawaz' toll devices assigned to specific vehicles.

Status and Timeline for Completion: Completed, September 2019

Recommendation 11

That the director of management and operations instruct the general services manager to maintain and analyze fuel and toll card records to identify errors or omissions.

Concur

Response: One fuel card and one toll pass (card) are assigned to each PC vehicle. The general services manager implemented a control log for these cards, which allows him to maintain and analyze fuel and toll card records on a regular basis to promptly identify any errors or omissions.

Documents to be Submitted:

- Standard operating procedure to maintain and analyze fuel and toll card records

Status and Timeline for Completion: Completed, September 2019

Recommendation 12

That the director of management and operations ensure the use of multiple payment listing receipts when paying several vendors at one time, in accordance with Peace Corps policy.

Concur

Response: The correct process is now being followed. For one-time/ad hoc vendors, post no longer uses multiple payment listings. Now each receipt is paid separately with the name of the specific vendor as the payee.

Documents to be Submitted:

- Samples of multiple payment listings

Status and Timeline for Completion: Completed, September 2019

Recommendation 13

That the director of management and operations ensure that the post comply with the Peace Corps policy. that only one vendor is associated with each obligation.

Concur

Response: The DMO now ensures that the post complies with the Peace Corps policy that only one vendor is associated with each obligation.

Documents to be Submitted:

- Sample of individual vendors associated with each obligation

Status and Timeline for Completion: Completed, September 2019

Recommendation 14

That the Office of the Chief Financial Officer issue guidance for recording small payments as a single disbursement.

Concur

Response: The Office of the Chief Financial Officer has already issued guidance for recording small payments as a single disbursement. The guidance is found in The Overseas Financial Management Handbook and the Office of the Chief Financial Officer emailed the guidance to PC/Morocco to follow moving forward.

Documents to be Submitted:

- Email from the Office of the Chief Financial Officer.

Status and Timeline for Completion: Completed, September 2019

Recommendation 15

That the director of management and operations ensure that the post obtain and retain contractor's releases from all vendors.

Concur

Response: The correct process is now being followed. The contracting officers adhere to the agency's policy to ensure post obtains/retains contractors' releases from all vendors as required.

Documents to be Submitted:

- Sample of contractors' releases

Status and Timeline for Completion: Completed, September 2019

Recommendation 16

That the country director ensure that the principal cashier comply with agency policy by not making off site payments.

Concur

Response: The CD now ensures that the principal cashier is complying with agency policy by not making off site payments.

Documents to be Submitted:

- Excel worksheet with relevant samples

Status and Timeline for Completion: Completed, September 2019

Recommendation 17

That the country director ensure that the principal cashier provide sub-cashier. advances only to the designated sub-cashiers.

Concur

Response: The Principal Cashier now provides advances only to designated sub-cashiers.

Documents to be Submitted:

- Excel worksheet with relevant samples

Status and Timeline for Completion: Completed, September 2019

Recommendation 18

That the director of management and operations comply with the requirement that interim advances are cleared within 3 days.

Concur

Response: The DMO and principal cashier have informed all PC Morocco staff of this policy and will continue to send reminders to all staff about the importance of clearing interim advances within three days to ensure compliance.

Documents to be Submitted:

- DMO email to all Morocco staff to refresh all on the agency policy and emphasize importance of clearing advances within three days.

Status and Timeline for Completion: Completed, September 2019

Recommendation 19

That the country director coordinate with the Office of Management to ensure the general services manager is properly trained to accurately and completely maintain records of the post's inventory in Sunflower.

Concur

Response: The current general services manager (GSM) never received formal Sunflower training (when the Sunflower system was launched about three years ago). Following the post audit, the current GSM, GSA, IT specialist and DMO worked closely with the supervisory inventory management specialist at PC/HQ in June 2019. She provided assistance and training resources to the general services manager to help post complete the FY19 Sunflower Inventory Campaign.

The GSM and other post staff will continue to consult with the sunflower supervisory inventory management to strengthen technical competencies. The DMO has requested in-person training for the GSM but in the absence of this becoming available, the GSM will utilize Sunflower's online training resources as necessary.

Documents to be Submitted:

- Copy of FY19 Sunflower Inventory Campaign
- Email exchange between post and HQ to process/remove the stolen phone device in Sunflower.

Status and Timeline for Completion: Completed, September 2019

Recommendation 20

That the director of management and operations ensure that the access to OdyWeb complies with the OdyWeb system guidelines.

Concur

Response: The auditors brought this oversight to the attention of the DMO, provided a copy of the OdyWeb permission matrix, and clarified the OdyWeb system guidelines during their visit.

The DMO corrected the erroneous FOR Post/OdyWeb Access Forms and promptly submitted these to the auditors.

Documents to be Submitted:

- Sample of current FOR Post/OdyWeb Access Form for Financial Specialist
- Multiple system screenshots, dated 19 September 2019, of OdyWeb Applications

Status and Timeline for Completion: Completed, September 2019

APPENDIX E: OIG COMMENTS

Management concurred with all 20 recommendations. In its response, management described actions it has taken or intends to take to address the issues that prompted each of our recommendations. We closed 19 recommendations (numbers 1-13 and 15-20) based on evidence of corrective actions that address the recommendations. Recommendation 14 remains open pending a copy of documentation listed in the agency's response.

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

APPENDIX F: AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

This audit was conducted under the direction of Assistant Inspector General for Audit Judy Leonhardt by Lead Auditor Hal Nanavati and Program Analyst Dan Pitts.



OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please contact Assistant Inspector General for Audit Judy Leonhardt at jleonhardt@peacecorpsig.gov or 202.692.2914.

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