



Peace Corps Office of

INSPECTOR GENERAL

Audit Report

Oversight and Monitoring of Peace Corps' Domestic Awarded Contracts Audit

IG-24-01-A

September 2024

EXECUTIVE SUMMARY

BACKGROUND

The Peace Corps procures goods and services to support headquarters and overseas post operations. The Acquisition and Contract Management (ACM) office, a sub-component of the Office of the Chief Financial Officer (OCFO), is responsible for establishing and implementing procurement policies and procedures as well as managing and executing contracts for the agency.

The program offices at headquarters begin the procurement process by identifying a need, estimating the cost for the services or goods, and confirming the availability of funds. When a program office needs contracted services, it submits the required documents to ACM. The ACM office will assign a contracting officer (CO) to award, administer, and ensure that the acquisitions comply with Federal laws, the Federal Acquisition Regulation (FAR), relevant Peace Corps Manual Sections, and other regulatory policies.

Generally, COs appoint contract oversight and monitoring duties to a contracting officer representative (COR) or assign a technical point of contact (TPOC) from the requesting domestic program office. COR duties include ensuring the contractors meet their contract commitments, assisting with contract closeout procedures, and assessing contractors' performance, as outlined in the COR appointment memorandum. While the Peace Corps does not define what a TPOCs duties are, they generally oversee small, non-complex supply and service contracts that are under \$250,000 and do not require a high level of oversight.

OBJECTIVE

The objective of this audit was to determine the extent to which Peace Corps has established an effective framework for the oversight and monitoring of domestic awarded contracts.

WHAT WE FOUND

While the Peace Corps does have an established framework to oversee and monitor domestic awarded contracts, it can improve its management of the following:

- Contract oversight, including contract modifications, documentation, and guidance for CORs and TPOCs
- Contract completion, including contractor performance assessments and contract closeout

In reviewing the agency's contract oversight, we found that ACM did not ensure the contract modifications for 20 of the 29 contracts reviewed were properly issued. The COR files were also missing key documentation. Moreover, while the Peace Corps' Domestic Operations Acquisition Handbook (DOAH) advises personnel to follow the COR Handbook, ACM has not developed a handbook. In some cases, the TPOCs did not have a clear understanding of their roles or responsibilities and were performing contract duties that are usually performed by the CORs. The issues we identified during this audit were primarily caused by a lack of clear and concise policies and procedures.

Improperly managed contract modifications and contract files can lead to contract cost disputes, delays, and changes. It is crucial that CORs have clear and detailed guidance since they are often the first to recognize when a contract is underperforming and are responsible for identifying any fraud, waste, and abuse committed by contractors. Providing the CORs with clear instructions, such as a COR handbook, will help the agency mitigate contract risks. In addition, when the agency uses TPOCs in lieu of a COR, it is important that the TPOCs' duties and responsibilities are clearly defined to mitigate risks when the agency is conducting contract administration, oversight, and closeouts.

When reviewing completed contracts, we found that ACM was not submitting contractor performance assessments to the online Contractor Performance Assessment Reporting System (CPARS)¹ or closing out contracts and de-obligating funds in a timely manner, as required by the FAR. The contractor assessments were not submitted properly because ACM did not have access to CPARS configured properly, and internal guidance never defined the requirement to use CPARS. ACM personnel stated that the contracts were not closed out in a timely manner due to a lack of resources. ACM did not timely de-obligate the funds because they did not know if the contractors submitted the final invoice for the contract.

By not completing contractor performance assessments, future agency contract award decisions may be uninformed and the effectiveness of CPARS as a tool to deter contractor fraud, waste, and abuse is minimized. In addition, the contract closeout process is an important internal control because it is generally the last opportunity for the agency to detect and recover any improper payments. If the steps to close out contracts are not followed, the agency increases its future financial and legal risks and may be prevented from obtaining the maximum benefit of any unused funds.

RECOMMENDATIONS SUMMARY

Our report contains nine recommendations summarized below. We recommend that the Director of ACM:

- Develops and implements policies and procedures for contract management personnel that will enable effective contract administration and oversight and ensure that COR files are accurate and complete.
- Ensures that contract management personnel comply with FAR requirements to conduct contract performance assessments in CPARS, record de-obligations on contracts, and close out contracts in a timely manner.

¹ See FAR 42.1503 and [Contractor Performance Assessment Reporting System \(cpars.gov\)](https://cpars.gov)

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BACKGROUND

The Peace Corps procures goods and services to support operations at Peace Corps headquarters and overseas posts. Depending on the estimated contract value, headquarters offices procure goods and services through ACM's contracting authority or by using a program office's government purchase card. Procurement requests that are above the micro-purchase threshold² must be submitted to ACM. Procurements under the micro-purchase thresholds are typically acquired by the program office using a government purchase card.

ACM is responsible for establishing the agency's procurement policy in accordance with the FAR and other regulatory policies, implementing procurement procedures, awarding and administering goods and service contracts, and delegating procurement authority to COs at headquarters and overseas posts. Before awarding a contract, ACM provides program offices with procurement advice and support to ensure that the contract accurately reflects the agency's procurement needs.

Program offices begin the procurement process by identifying a need, estimating the cost for the services or goods that fill that need, and confirming the availability of funds. When contracted services are above the micro-purchase threshold, the program office is responsible for submitting a procurement request to ACM. Procurement requests consist of various required documents, to include an acquisition plan, market research, cost estimate, information technology checklist, a description of the requirements, and a COR nomination memorandum or letter.

After an office has submitted the required procurement request documents, ACM assigns a CO to ensure the contractual information is accurate, complete, and in accordance with the applicable laws, regulations, and policies. The CO is also responsible for executing and managing the contracts, as well as appointing and overseeing the COR³ and TPOC from the requesting program office. The COR's duties are outlined in the COR nomination memorandum or letter, which states that the COR is responsible for ensuring the contractors meet the commitments of the contracts, providing necessary feedback to the contractor, and assisting with contract closeouts. The TPOCs are generally responsible for overseeing small, non-complex supply and service contracts that do not require a high level of oversight and are under \$250,000.

The program office⁴ is also required to annually assess the contractor's performance throughout the execution of the contract and once more after the contract has been completed. The assessment must be documented and recorded using the online CPARS metric tools, as indicated on the CPARS website.

Contract closeouts occur once a contractor has met all the terms and conditions of the contract, and all administrative actions have been completed and confirmed by the contractor, COR, and

² FAR section 2.101 defines the micro-purchase threshold as \$10,000 for acquisition of supplies and services; \$2,000 for acquisitions of construction subject to wage rate requirements; \$2,500 for acquisition of services subject to Service Contract Labor Standards; and higher amounts for acquisitions of supplies or services to support contingency operations or emergency response.

³ COR designation is required for all service contracts above the Simplified Acquisition Threshold (Currently \$250,000) and for certain service contracts below the threshold based on the CO's discretion.

⁴ Program managers, CORs, or COs can assess the contractor's performance.

CO. The contract closeout guidelines for the COR are outlined in the FAR, Section 4.804, and include ensuring the contractor's closing statement is completed, verifying that all invoices have been paid, resolving any invoice disputes, requesting de-obligation of remaining funds, collecting any agency property from the contractors, and creating archived contract files.

RESULTS

OVERVIEW

During the audit, we reviewed the design, implementation, and the effectiveness of the agency's internal control activities for monitoring domestically awarded contracts. Specifically, we assessed the agency's control activities based on the Government Accountability Office's Standards for Internal Control in the Federal Government, Principle 12 – Implement Control Activities. 12.04 states,

Those in key roles for the unit may further define policies through day-to-day procedures, depending on the rate of change in the operating environment and complexity of the operational process. Procedures may include the timing of when a control activity occurs and any follow-up corrective actions to be performed by competent personnel if deficiencies are identified. Each unit, with guidance from management, determines the policies necessary to operate the process based on the objectives and related risks for the operational process. Each unit also documents policies in the appropriate level of detail to allow management to effectively monitor the control activity. Management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities.

We found that the Peace Corps has an established framework to oversee and monitor domestic awarded contracts. However, the agency needs to ensure its contract oversight and monitoring is conducted in accordance with Federal and agency requirements. In addition, the Peace Corps needs to ensure that contracts are closed out within the required timeframe.

Given that CORs and TPOCs may be subject to the Peace Corp's 5-year rule⁵, it is essential that the agency establishes adequate processes and procedures to ensure that Federal contract requirements are properly implemented, and contract administration, oversight, and close-out are effective.

CONTRACT MODIFICATIONS

ACM did not adequately document the procedures for processing contract modifications.

COs execute contract modifications, as identified in the FAR, Part 43, to make administrative changes that can be processed unilaterally or bilaterally, as defined in FAR 43.103. A unilateral modification is a contract change that is signed only by the CO and is used to make the following changes:

- Administrative,
- Orders,
- Authorized by clauses, and
- Issue termination notices.

⁵ The 5-year rule is the set of rules that generally limits the Peace Corps' US Direct Hire staff to five consecutive years of employment with Peace Corps.

Bilateral modifications are signed by both the CO and the contractor when the terms and conditions of a contract change, such as:

- Performance period,
- Statement of work,
- Price, or
- Quantity.

During our audit, we found that for 20 of our 29 sampled contracts related to unilateral and bilateral changes, the COs did not issue modifications when there were changes to the CO, the statement of work, and contract deliverables. The lack of modifications occurred primarily because ACM does not have documented policies and procedures in the DOAH to inform COs when contract modifications should be issued to the contractor. ACM personnel also attributed these errors to high CO turnover rates.

During our audit, we found that for 20 of our 29 sampled contracts related to unilateral and bilateral changes, the COs did not issue modifications when there were changes to the CO, the statement of work, and contract deliverables.

According to ACM, the program office submits modifications through the ACM tracker and then ACM assigns a CO to complete the task. If the program office does not submit its request through the ACM tracker, the contract modification may not be completed. As a result, the assigned CO may be unaware of the requirement to notify the contractor of any contract changes. Documenting contract modifications maintains the integrity of the contracting agreement and serves as a clear record of both

parties' consent to the changes. Contract modifications that are not managed properly can lead to disputes, delays, and changes to contract costs. In addition, each contract should clearly identify its CO so that the contractors know who to elevate any contract disagreements between themselves and their respective CORs.

We recommend that:

- 1. The Director of Acquisition and Contract Management develops standard operating procedures for issuing contract modifications.**
- 2. The Director of Acquisition and Contract Management provides training on the updated contracting procedures.**

GUIDANCE FOR CONTRACTING OFFICER REPRESENTATIVES AND TECHNICAL POINTS OF CONTACT

Although the Peace Corps procurement guidance advises personnel to follow the COR Handbook, ACM has not developed a handbook.

CORs provide critical acquisition and technical functions to ensure that contractual agreements are properly managed. Examples of COR responsibilities include the following:

- Evaluate bid proposals;
- Monitor and evaluate contract performance;

- Review invoices, deliverables, services, and products;
- Assist the CO in completing contractor performance evaluations; and
- Request the de-obligation of any excess funds in a timely manner.

Although the Peace Corps' DOAH, Section 1.602-2, states that "the Peace Corps COR handbook provides guidance on COR duties, responsibilities, limitations, and relationship to the contracting officer," ACM has not established a Peace Corps COR handbook.

Instead, the COR's listed duties and responsibilities are documented separately in the COR appointment letter, Chief Financial Officer Bulletin 23-11⁶, and the contract's clauses. While these documents explain what tasks the CORs need to accomplish, they do not provide steps or guidance on how to accomplish those tasks.

According to ACM officials, ACM did not create a COR handbook due to a lack of personnel and resources. The Peace Corps' 5-year rule could have contributed to the high turnover of CORs and COs. We noted that in multiple instances, the staff assigned at the start of a contract would depart the agency before completing contract.

It is important that new CORs receive written guidance on how to effectively monitor new and ongoing contracts. A COR handbook could provide best practices for contract oversight, the COR file checklist, time management, assist with contract surveillance of deliverables, include steps for invoicing and completing contract closeouts, and assess contractor performance. The handbook should assist both experienced and first-time CORs in coordinating with the CO and contractor.

CORs, who are appointed to their positions, are often the first to recognize when a contract is underperforming. They also have the responsibility to identify fraud, waste, and abuse within the contractor's performance, so it is important to create a COR handbook that will assist them in effectively mitigating contract risks.

We recommend that:

- 3. The Director of Acquisition and Contract Management develops a contracting officer representative handbook that aligns with the contracting officer representative designation memo and includes policies, standard operating procedures, and best practices to assist the contracting officer representative with contract oversight.**

ACM did not establish standard operating procedures for the TPOC.

According to the DOAH, Section 1602-2(81), the TPOC oversees small, non-complex supply and service contracts that do not require a high level of oversight. TPOCs are identified in the contract or in a contract modification in lieu of CORs. Unlike CORs, TPOCs are not formally appointed using a nomination letter, they are only added in the contract as the point of contact.

⁶ Chief Financial Officer Bulletin 23-11 states that open obligations reviews should occur on a regular basis and obligations should be adjusted to the current liquidated amount.

We noted that the TPOC's duties are not defined in the FAR. The DOAH, Chapter 1, does reference a few of the responsibilities of the TPOC, but it is difficult to determine the responsibilities and limitations of the TPOC's role. Unlike CORs, TPOCs are not required to complete any training, so it is critical that the Peace Corps establishes guidelines that list the TPOC's specific duties and tasks and differentiates their responsibilities from those of the COs and CORs.

We found that 5 of the 29 contracts we reviewed were assigned to TPOCs. In one contract we found that a TPOC was providing contract oversight and approving invoices for payment without being identified within the contract. Finally, a contract modification identified an individual as a TPOC; however, the individual was unaware of the delegation and, therefore, did not provide any contract oversight.

Without a clearly defined role, it is difficult to ensure that TPOCs will implement their required contract oversight functions, which includes confirming that the contract is completed adequately and in accordance with the contract's requirements. It is crucial that the TPOC duties are clearly defined to ensure they are effectively collaborating with the CO when conducting contract administration, oversight, and contract closeouts.

We recommend that:

- 4. The Director of Acquisition and Contract Management defines and communicates the roles, responsibilities, and standard operating procedures for the technical point of contact to ensure efficiency in executing the contract activities.**

CONTRACT DOCUMENTATION

The ACM contracting officers did not ensure the COR files were complete, adequately maintained, and easily accessible.

According to the DOAH, Section 1.602-2 Responsibilities,

COR files shall be reviewed annually using the approved checklist and results maintained in the contract file. Contracting officers shall perform due diligence to ensure that contractual information is accurate, complete, and in accordance with applicable laws, executive orders, regulations, policies, procedures, and guidance. Contracting officers shall maintain up to date contracting information in contract files as well as ACM systems to facilitate the fulfillment of agency reporting requirements.

In addition, FAR 1.604 states that the COR must maintain a file for each assigned contract, to include documentation of the COR's actions that were taken in accordance with the delegation of authority.

Despite DOAH policy, neither the DOAH nor any other Peace Corps guidance lists which documents should be retained in the COR files or includes a checklist template for CORs. In the 29 contracts reviewed, we noted that ACM failed to establish any approved, standardized checklists and did not complete the required annual review of the COR files. According to the CORs and COs, the COR files are managed by individual program offices while the CO files are maintained by ACM. Agency COs and CORs were not trained on the ACM requirements to use an approved checklist when conducting annual reviews of the COR files.

As a result, ACM was unaware that six contracts had incomplete COR files. The missing documentation included COR memos, option year performance assessments, and contract deliverables. This lack of transparency occurred because the CO and COR files were not managed on a centralized online filing system. Some of the CORs stated that the documents were unaccounted for because

Despite DOAH policy, neither the DOAH nor any other Peace Corps guidance lists which documents should be retained in the COR files or includes a checklist template for CORs. In the 29 contracts reviewed, we noted that ACM failed to establish any approved, standardized checklists and did not complete the required annual review of the COR files.

the CORs for those contracts left the agency, and the supporting documentation could not be located. It is important for the agency to have a clear, documented record of each contract's progress, especially with the high turnover in the COR and CO positions.

To ensure compliance with Federal and agency policies, the agency needs to maintain its contract files in a centralized system⁷. This will allow the CORs to effectively store and maintain vital contract documents and provide the COs with a centralized location to conduct their required reviews more efficiently. By not complying with the Federal regulations⁸ to review, retain, and store contract files, the agency could overlook contract tasks, miss contract key dates, and exceed the contract budget.

We recommend that:

- 5. The Director of Acquisition and Contract Management develops a centralized system for maintaining contract files to ensure that contracting officer representative are compliant with the Federal Acquisition Regulation and record retention requirements.**
- 6. The Director of Acquisition and Contract Management ensures that contracting officers review contracting officer representative files annually and develop a checklist for the review.**

CONTRACTOR PERFORMANCE ASSESSMENTS

ACM did not comply with the FAR requirement to submit contractor performance assessments online.

The CPARS is an official Government website for U.S. Government officials who make, receive, and manage Federal awards. CPARS is the official source for past performance information and the assessments allow program office officials to look beyond contractor references because it provides reviews on past performance, to include Government and contractor comments.

⁷ Such a system could include a commercial off the shelf contract management system or a system as basic as SharePoint.

⁸ FAR 4.801, General; FAR 4.803, Contents of Contract Files; and FAR 4.805, Storage, Handling, and Contract Files.

FAR 42.1502 states:

Performance evaluations shall be prepared annually and at the time work under a contract or order is completed. [...] Past performance information shall be entered into CPARS, the Governmentwide evaluation tool for all past performance reports on contracts and orders.

According to the FAR⁹, “past performance information (including the ratings and supporting narratives) is relevant information, for future source selection purposes, regarding a contractor’s actions under previously awarded contracts or orders.” In addition, the COR letter (or memorandum) specifies that the assigned CORs must “provide a detailed contractor performance assessments online and to the Contracting Officer, per the schedule established in the contract.”

The agency was not compliant with the FAR requirements to, at a minimum, annually submit performance assessments online. We noted that of the 29 contracts reviewed, the CORs never submitted contractor performance assessments through CPARS.

According to ACM personnel, Peace Corps does not require staff to use CPARS, however, the agency anticipates using CPARS in the future. Since ACM never created CPARS access or accounts for COR usage, the agency required CORs to submit performance assessments as Adobe® documents to the CO when the contract

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option year was exercised. The Peace Corps performance assessments are not available to other Government agencies, as the files are only stored in the CO’s contract files.

It is essential that each program office enters their contractor performance assessments into CPARS; it is a critical system for ensuring that the Federal Government conducts business with companies that consistently provide quality on-time products that meet contract requirements. By not completing the contractor’s performance assessment online in CPARS, future contract award decisions may be uninformed and made without the benefit of contractor performance information. It also undermines the effectiveness of CPARS as a tool to deter contractor fraud, waste, and abuse.

We recommend that:

- 7. The Director of Acquisition and Contract Management ensures that contract management personnel have access to Contractor Performance Assessment Reporting System and develops and implements standard operating procedures for performance assessments to be submitted into Contractor Performance Assessment Reporting System at the time the work under the contract or order is completed.**

⁹ FAR 42.1501, General.

CONTRACT CLOSEOUT

ACM did not comply with FAR requirements to closeout contracts in a timely manner.

After a contract is completed, the CO and the COR should initiate closeout procedures to ensure that every contract requirement has been satisfied and any administrative matters are complete. Per the FAR 4.804-5, contract closeout involves several procedures that verify the agreed upon goods or services were provided, adjust for any over or underpayments based on the final invoice, ensure that the contractor returned all Government property, de-obligate any excess funds¹⁰, and obtain the contractor's closing statement. Finally, the CO must sign a contract closeout statement noting that the required contract administration actions have been fully and satisfactorily accomplished.

Although ACM has policies and procedures that summarize the FAR requirements to document the closeout process, we found that 16 of the 29 contracts reviewed completed their period of performance. However, 10 of those 16 contracts had not been closed within the mandated FAR timeframes. FAR 4.804-1 requires agencies to close out a contract within specified time periods, after the work is completed (goods or services have been provided), and invoices have been paid.

The FAR generally requires fixed price contracts to be closed within 6 months; contracts requiring the settlement of indirect costs rates, such as cost reimbursement contracts, to be closed within 36 months; and all other contracts to be closed within 20 months. Each timeframe begins when the contracting officer receives evidence of physical completion of the contract.

We noted that final invoices were processed for 10 contracts, however, the closeout procedures had not been implemented, resulting in non-compliance that exceeded the FAR closeout period by an average of 411 days.

We noted that final invoices were processed by the COR for the 10 contracts, however, the closeout procedures were not implemented. This led to non-compliance of the FAR closeout period by an average of 411 days. As of November 30, 2023, we noted that 4 of the 16 contracts had not been de-obligated when the performance periods were completed. Per the FAR, the agency cannot proceed with the closeout process until the de-obligations are completed. Neither the COR nor the CO could provide a reasonable explanation as to why these de-obligations had not occurred.

According to ACM staff, the CO relies on the COR to submit a contract closeout request through the ACM tracker. Contract actions were assigned by an ACM team lead or the CO's supervisor based on the type of contract action needed. ACM officials stated that because they are short-staffed, new or ongoing contracts are prioritized over contract closeouts. Typically, ACM prioritizes de-obligation actions, however, before submitting a de-obligation request, the COR must first ensure that the invoices are settled and the CFO has processed the final payment.

¹⁰ Return excess funds back to the program budget.

We identified 6 contracts, totaling about \$675,556¹¹, that required de-obligations. Two of the six contracts, totaling more than \$186,900¹², were not ready for contract closeout, however the performance period for the Contract Line-Item Numbers¹³ (CLINs) had expired. The de-obligations were not completed because the COR failed to submit a de-obligation request to the ACM tracker. We noted that ACM had not de-obligated seven CLINs for over a year. Additionally, we identified five instances in which CLINs had not been de-obligated for over 2 years.

According to the CORs, de-obligations were not submitted to ACM because the contractors did not confirm with the COR whether they submitted a final invoice. As a result, the de-obligations requests were delayed, even though some contractors had already submitted the final invoice.

The closeout process is an important internal control because it is typically the last opportunity for the agency to detect and recover any improper payments. If the steps to close out contracts are not followed, it increases future financial and legal risk and may prevent the agency from obtaining the maximum benefit of any unused funds. Once unused funds are de-obligated, the Government can use the funds for other unfunded requirements.

We recommend that:

- 8. The Director of Acquisition and Contract Management ensures contracts are closed out within the specified the Federal Acquisition Regulation time frames and back logged contracts are properly closed.**
- 9. The Director of Acquisition and Contract Management works with the contracting officer representatives to establish processes and standard operating procedures that ensure de-obligations are completed when the period of performance ends and the final invoice is paid.**

¹¹ For one of the six contracts, the funds requiring de-obligation, about \$145,084, expired soon after completion, so the total funds put to better use would only be about \$530,472.

¹² After receiving notification from the OIG, the agency de-obligated \$41,871.81 on November 17, 2023, for a contract with a performance period end date of September 2022.

¹³ FAR 4.10 states that CLINs are used in contracts to describe the products or services being procured and the negotiated prices to be agreed upon. Each contract line includes a single unit price and total price, a description of the services, the period of performance or completion date, accounting classifications, and the contract pricing type. The CLIN structure should be evaluated against the statement of work and the contract schedule to effectively monitor ongoing work and approve invoices for accepted deliverables.

OTHER AREAS OF CONCERN

The COR did not adequately review an invoice or ensure that the payments were applied to the correct contract line-item number.

During our review of the agency's invoices, we identified one invoice in which the COR authorized payment of approximately \$4,343 to be applied to an incorrect CLIN. When a payment is misapplied to an incorrect CLIN, it misrepresents the services being provided, giving the impression that services could be overcharged by the contractor. Fortunately, the CO de-obligated the CLINs before additional costs were billed. If the de-obligation had not occurred, the agency could have overcharged the contract.

We did not make a recommendation because the CO had already de-obligated the CLINs, reducing the risk of exceeding the contract amounts. After we notified the COR about the error, ACM added a correction note to the contract file. The OCFO and ACM should ensure that payments are appropriately applied based on the contractor's invoice to minimize the risk of overpayments.

The COR and the CO did not ensure that the contract language accurately reflected the labor hour maximum.

The CO incorrectly awarded a contract that specified it was "not to exceed value" for labor hours and dollar value, however the CLIN limited the labor hours to be charged at a certain rate. The contract specified that the labor hours were not to exceed 1,500 hours at the unit price of \$28.38 and 1,808 hours at the unit price of \$36.19.

As of May 2023, the contractor invoiced approximately 1,520 hours at a unit price of \$28.38, exceeding the maximum limit by 20 labor hours, resulting in a cost of \$567.60. After we notified the COR about the error, the CO subsequently issued a contract modification on November 22, 2023, to adjust the contract language from "not to exceed labor hours" to "not to exceed the CLIN dollar value."

Contract language must be accurate and detailed when communicating the contract requirements and specify the appropriate limitations so that the COR can provide sufficient oversight and avoid improper contract payments. We did not make a recommendation for this issue; an error in overpayment did not occur because ACM corrected the contract language by issuing a modification prior to this report being issued.

FUNDS TO BE PUT TO BETTER USE

During the audit, we identified funds put to better use.

Funds Put to Better Use

Recommendation number	Description	Amount
9	De-Obligation for end of performance periods	\$530,472

The Inspector General Act of 1978, as amended, defines funds to be put to better use and questioned costs 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 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 that the Director of Acquisition and Contract Management:

1. Develops standard operating procedures for issuing contract modifications.
2. Provides training on the updated contracting procedures.
3. Develops a contracting officer representative handbook that aligns with the contracting officer representative designation memo and includes policies, standard operating procedures, and best practices to assist the contracting officer representative with contract oversight.
4. Defines and communicates the roles, responsibilities, and standard operating procedures for the technical point of contact to ensure efficiency in executing the contract activities.
5. Develops a centralized system for maintaining contract files to ensure that contracting officer representative are compliant with the Federal Acquisition Regulation and record retention requirements.
6. Ensures that contracting officers review the contracting officer representative files annually and develop a checklist for the review.
7. Ensures that contract management personnel have access to Contractor Performance Assessment Reporting System and develops and implements standard operating procedures for performance assessments to be submitted into Contractor Performance Assessment Reporting System at the time the work under the contract or order is completed.
8. Ensures contracts are closed out within the specified Federal Acquisition Regulation time frames and backlogged contracts are properly closed.
9. Works with the contracting officer representative to establish processes and standard operating procedures that ensure de-obligations are completed when the period of performance ends and the final invoice is paid.

APPENDIX A: SCOPE AND METHODOLOGY

SCOPE

We conducted this audit between March 2023 and July 2024. The scope of our audit included auditing samples of contract files for domestic contract actions awarded from October 2019 through December 2022 and invoices.

We reviewed the following areas:

- CO contract files;
- COR files;
- Invoices; and
- Contract Closeout documentation.

We conducted this performance audit in accordance with the Generally Accepted Government Auditing Standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence that provides 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

Our audit methodology consisted of the review of financial obligations report, contracts, contract modifications, contract deliverables, invoices, reports from the Peace Corps' Procurement Request Information System Management (PRISM) contracting system, and reports from the Peace Corps' financial system, Odyssey. We also reviewed policies relating to the Peace Corps' financial and administrative operations, such as the Peace Corps Manual, the FAR, DOAH, and other standard operating procedures, to gather background information on the agency's internal control process. In addition, we conducted interviews with Peace Corps staff.

For this audit, we performed the following tasks:

- Obtained an understanding of any regulatory criteria
- Assessed the controls in place to detect, prevent, and correct errors
- Reviewed prior audit reports and investigations that related to domestic awarded contracts
- Reconciled the Odyssey reports against the PRISM reports
- Reviewed the Summary of Obligation report
- Assessed the internal controls related to contract activities for the design and implementation of the policies and procedures

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- Reviewed supporting documentation for samples selected by the audit team
- Interviewed the CO, CORs, TPOCs, and reviewed supporting documentation

ACM awarded a total of 2,398 obligations for PRISM contracts from October 2019 to December 2022. However, we did not review obligations pertaining to employee compensation or OIG expenses, therefore we reduced the population size to 2,263 obligations (or 1,379 contracts), totaling \$196,520,827.

We judgmentally sampled 126 obligations relating to 29 contracts, orders, and tasks, totaling approximately \$116,281,000. Below is the breakdown of the methodology for each category:

Document	Methodology
Contract Files We reviewed the CO's file for 29 contracts or 126 obligations. We assessed which CLINs were within our audit period.	The following were reviewed: contract type, whether contracts were for goods or services, reviewed warrants and training for the CO, Quality Assurance Surveillance Plan, contract modifications, COR memo, COR training.
COR Files 29 contract files	We reviewed contract deliverables associated with the 29 contracts and CLINS, COR certifications, performance assessments, invoices, background results for 76 contractor staff, communications between the CO, COR, and the contractor. We also interviewed CORs regarding missing COR files.
Invoices Invoice population was 992	We judgmentally selected 319 (80 goods and 239 services) invoices for approximately \$63,265,492. We selected a large sample size of invoices when there were multiple CLINS represented single invoices. We only had two invoices that we identified has risks for potential overpayments.
Contract Closeout	Determined whether completed contracts were de-obligated, reviewed PRISM reports for contracts that needed to be closed, if debt was settled, verified if government property was returned, contractor and contracting officer statements were issued.
Assessed Internal Control Contract Activities Component.	Assessed internal control activities: reviewed the FAR, agency policies within the DOAH, Domestic Financial Management Handbook, and Peace Corps policies. We also reviewed the responsibilities outlined in the COR nomination letters and contracts.

APPENDIX B: USE OF COMPUTER PROCESSED DATA

The Government Accountability Office's "Assessing the Reliability of Computer-Processed Data" defines reliability to mean that data applicable for the audit purpose and are sufficiently complete and accurate.

During our audit, we relied on data extracted from Odyssey and PRISM. We compared the obligation report from the Odyssey system to the PRISM contract report to ensure the data was consistent and complete. In the methodology section of this report, we outlined the reconciliation process with the obligation reports and underlying source documentation. We did not review the ACM tracking system for the contract close-out tasks. We relied on interviews from ACM staff and the CORs.

Additionally, our office uses independent auditors to annually audit the agency's financial statements. These auditors have determined that the Peace Corps financial statements were free from material misstatements and 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.

APPENDIX C: LIST OF ACRONYMS

ACM	Acquisition and Contracts Management
CO	Contracting Officer
FAR	Federal Acquisition Regulations
COR	Contracting Officer Representative
TPOC	Technical Point of Contact
DOAH	Domestic Operations Acquisition Handbook
CLIN	Contract Line-Item Number
OCFO	Office of the Chief Financial Officer
OIG	Office of Inspector General
CPARS	Contractor Performance Assessment Reporting System
PRISM	Procurement Request Information Management System

APPENDIX D: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT

FEDERAL REQUIREMENTS

FEDERAL ACQUISITION REGULATION

Part 1 - Federal Acquisitions Regulations System

- Section 1.604 - Contracting Officer's Representative (COR)

Part 4 – Administrative and Information Matters

- Section 4.801 – General
- Section 4.803 - Contents of Contract Files
- Section 4.804-1 - Closeout by the Office Adminstrating the Contract
- Section 4.804-3 - Closeout of Paying Office Contract Files
- Section 4.804-4 - Physically Completed Contracts
- Section 4.804-5 - Procedures for Closing Out Contract Files
- Section 4.805 - Storage, Handling, and Contract Files
- Section 4.1001- Policy

Part 42 – Contract Administration and Audit Services

- Section 42.1501 – General
- Section 42.1502 – Policy

Part 43 – Contract Modifications

- Section 43.103 - Types of Contract Modifications
- Section 43.201 - General

STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT

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

- Control Activities, Principle 12 - Implement Control Activities

PEACE CORPS REQUIREMENTS

PEACE CORPS MANUAL SECTIONS

Manual Section 128 Office of the Chief Financial Officer: Organization, Mission, and Functions

- Section 4.0 Office Missions, Subsection 4.1.2 - Acquisition and Contract Management
- Section 5.0 Office Functions, Subsection 5.1.2 - Acquisition and Contract Management

DOMESTIC OPERATIONS ACQUISITION HANDBOOK

- Section 1.602-2 - Responsibilities
- Section 1.602-2(81) - Technical Point of Contact (TPOC) and Experts

DOMESTIC FINANCIAL MANAGEMENT HANDBOOK

Chapter 24: Purchase Cards

- Section 24.3 - Definitions
- Section 24.7 - Card Use/Procedures

APPENDIX E: AGENCY COMMENTS



MEMORANDUM

TO: Joaquin Ferrao, Inspector General

FROM: David E. White Jr., Deputy Director **DAVID WHITE**

CC: Carol Spahn, Director
Lauren Stephens, Chief of Staff
Emily Haimowitz, Chief Compliance and Risk Officer
Allison Blotzer, Acting Chief Financial Officer
Sonja Truehart-McKinney, Director of Acquisition and Contracts Management
Terri Gureno, Program Manager, Office of the Chief Financial Officer
Amanda Miesionczek, Expert, Financial Policy and Compliance
Ruchi Jain, General Counsel
Kris Besch, Acting Associate Director, Office of Global Operations
Jennifer Piorkowski, Executive Secretariat

DATE: September 16, 2024

RE: Agency Response to the Oversight and Monitoring of Peace Corps' Domestic Awarded Contracts Audit (23-AUD-02)

Digitally signed by DAVID
WHITE
Date: 2024.09.13
14:03:44 -04'00'

Thank you for the opportunity to respond to this preliminary report from the Office of Inspector General. The agency welcomes the OIG's feedback as Acquisition and Contracts Management (OCFO/ACM) plays a vital role for the agency by executing contract actions to fulfill the agency's procurement needs to carry out its mission. In Fiscal Year (FY) 2024, OCFO/ACM completed a realignment of its Domestic Contracting team to better meet the agency's needs and help mitigate future issues such as those identified in this audit. This realignment includes the increased use of shared service acquisition partners, which will allow OCFO/ACM Contracting Officers to better administer Peace Corps mission essential contracts that must be maintained in-house. Further, OCFO/ACM now has a Requirements and Process Management Team within ACM to provide Contracting Officer Representatives (CORs) direct customer support.

Enclosed please find the agency's response to the recommendations made by the Inspector General as outlined in the OIG's Oversight and Monitoring of Peace Corps' Domestic Awarded Contracts Audit (23-AUD-02) sent to the agency on July 31, 2024.

Recommendation 1

The Director of Acquisition and Contract Management develops standard operating procedures for issuing contract modifications.

Concur

Response: The Office of the Chief Financial Officer, Acquisition and Contract Management (OCFO/ACM) will develop procedures for the issuance of contract modifications in the Peace Corps operating environment.

Documents to be Submitted:

- Domestic Operations Acquisition Handbook (DOAH) procedures

Status and Timeline for Completion: January 2025

Recommendation 2

The Director of Acquisition and Contract Management provides training on the updated contracting procedures.

Concur

Response: OCFO/ACM will provide training to OCFO/ACM staff on the procedures referred to in Recommendation 1.

Documents to be Submitted:

- Training materials for OCFO/ACM staff on applicable procedures
- List of all training participants

Status and Timeline for Completion: February 2025

Recommendation 3

The Director of Acquisition and Contract Management develops a COR handbook that aligns with COR designation memo and includes policies, standard operating procedures, and best practices to assist the COR with contract oversight.

Concur

Response: OCFO/ACM will produce a Contracting Officer Representative (COR) Handbook to provide CORs with basic knowledge, COR responsibilities, and tools to perform effective contract quality surveillance in the Peace Corps operating environment. The COR Handbook will align with the COR designation memo. The new Handbook will be communicated via an OCFO Bulletin.

Documents to be Submitted:

- COR Handbook
- OCFO Bulletin

Status and Timeline for Completion: October 2025

Recommendation 4

The Director of Acquisition and Contract Management defines and communicates the roles, responsibilities, and standard operating procedures for the TPOC to ensure efficiency in executing the contract activities.

Concur

Response: OCFO/ACM will update and further define the role and responsibilities of a technical point of contact (TPOC) in its COR Handbook. The new Handbook will be communicated via an OCFO Bulletin.

Documents to be Submitted:

- COR Handbook
- OCFO Bulletin

Status and Timeline for Completion: October 2025

Recommendation 5

The Director of Acquisition and Contract Management develops a centralized system for maintaining contract files to ensure that CORs are compliant with FAR and record retention requirements.

Concur

Response: OCFO/ACM will research and develop a plan for a centralized system for maintaining contract files.

Documents to be Submitted:

- Approved plan for centralized system for maintaining contract files

Status and Timeline for Completion: March 2025

Recommendation 6

The Director of Acquisition and Contract Management ensures that COs review COR files annually and develop a checklist for the review.

Concur

Response: OCFO/ACM will create a checklist to facilitate this review and ensure that COR files are reviewed in accordance with the DOAH.

Documents to be Submitted:

- Checklist to facilitate COR file review
- Evidence of file reviews after implementation of checklist

Status and Timeline for Completion: December 2025

Recommendation 7

The Director of Acquisition and Contract Management ensure that contract management personnel have access to CPARS and develop and implement standard operating procedures for performance assessments to be submitted into CPARS at the time the work under the contract or order is completed.

Concur

Response: OCFO/ACM will implement use of the online Contractor Performance Assessment Reporting System (CPARS) at the Peace Corps, to include deciding the appropriate staff to input CPARS information. OCFO/ACM will develop and implement a procedure for the use of CPARS at the Peace Corps.

Documents to be Submitted:

- Evidence of CPARS implementation/use
- Procedure on the use of CPARS

Status and Timeline for Completion: June 2025

Recommendation 8

The Director of Acquisition and Contract Management ensure contracts are closed-out within the specified FAR time frames and back logged contracts are properly closed.

Concur

Response: OCFO/ACM will improve its procedures concerning contract closeout and develop a plan for closeout of back logged contracts. OCFO/ACM will implement the closeout of all contracts identified by the OIG as eligible for closeout in the sample.

Documents to be Submitted:

- Updated process/procedures for contract closeout
- Plan for agency backlog of contracts eligible for closeout
- Closeout of all contracts identified by OIG as eligible for closeout in the sample

Status and Timeline for Completion: January 2026

Recommendation 9

The Director of Acquisition and Contract Management works with the CORs to establish processes and standard operating procedures that ensure de-obligations are completed when the period of performance ends and the final invoice is paid.

Concur

Response: OCFO/ACM will develop processes and associated standard operating procedure for timely de-obligations following the end of the period of performance and the payment of the final invoice.

Documents to be Submitted:

- Procedures for contract de-obligations

Status and Timeline for Completion: April 2025

APPENDIX F: OIG RESPONSE

Management concurred with the nine recommendations and reports that it plans to implement the recommendations between January 2025 to January 2026. We will work with the agency's Compliance and Risk Office on the completion and closure of the recommendations throughout the year. However, at OIG's discretion, we may conduct a follow-up review to confirm that actions have been take and evaluate the impact.

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APPENDIX G: AUDIT COMPLETION AND OIG CONTACT

Audit Completion

This audit was conducted under the direction of Assistant Inspector General for Audit David Haney by Lead Auditor Renita Davis and Auditor James Smyth.

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 David Haney or the Peace Corps OIG main office.

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

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Email: OIG@peacecorpsoig.gov

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