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To: Sheila Crowley, Acting Director
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From: Kathy A. Buller, Inspector General 

Date: March 28, 2017

Subject: Final Report on the Audit of Peace Corps/Georgia (IG-17-02-A)

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

Management concurred with all 10 recommendations. In its response, management described actions it is taking, or intends to take, to address the issues that prompted each of our recommendations. All 10 remain open. We will review and consider closing the recommendation when documentation reflected in the agency's response to the preliminary report is received.

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.

Our comments, which are in the report as Appendix E, address these matters. Please respond with documentation to close the remaining open recommendation within 90 days of receipt of this memorandum.

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

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

cc: Doug Gilchrist, Director of Management and Operations, Peace Corps/Georgia
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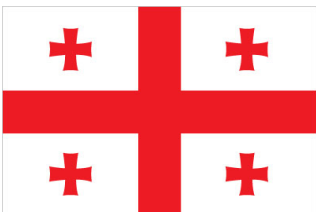
PEACE CORPS

Office of Inspector General



An education Volunteer and her students

Final Audit Report
Peace Corps/Georgia
IG-17-02-A
March, 2017



EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Georgia (hereafter referred to as “the post”) from August 2 to August 20, 2016.

Staff:

U.S. direct hires: 3

Full-time personal services contractors (PSCs): 39

Spending (approx.):

Fiscal Year (FY) 2015 post spending: \$2.5 million

Average regional overhead: \$445,000



Map of Georgia

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 comply with agency policy for issuing contracts for on-call guard services
- Did not comply with agency policy for using separate obligations for each vendor and recording payee names in the FORPost financial system
- Recorded obligations using ambiguous names
- Did not have adequate controls to verify the accuracy of Volunteer allowances
- Issued business class tickets for some Volunteer air travel
- Did not comply with interim advance policies

The prevalence of these significant conditions put Peace Corps/Georgia at increased risk of fraud, waste, and abuse.

RECOMMENDATIONS IN BRIEF

Our report contains 10 recommendations directed to the post. We recommend the post issue personal services contracts in compliance with policy, issue obligations in the vendor name, and properly record payee names when disbursing funds. In addition, we recommend the post enhance controls over Volunteer allowances, ticketing for air travel, and interim advances.

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BACKGROUND

OIG conducted the audit of the post from August 2 to August 20, 2016. We previously performed an audit between September 14 and October 5, 2007, and issued our report in January 2008 (IG-08-05-A).

More than 660 Volunteers have served in Peace Corps/Georgia since the program's inception in 2001. At the time of our audit, approximately 114 Volunteers were working in the community economic development and English education sectors. The post had three U.S. direct hires, 39 full-time personal service contractors, and two vacant positions. In FY 2016, the post's budget was approximately \$2.6 million.¹

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

PERSONAL SERVICES CONTRACTS

The post did not comply with agency policy for issuing contracts for on-call guard services.

Between fiscal years 2014 and 2016, the post used incorrect contracting practices to hire two on-call temporary security guards. The post used a contract template meant specifically for professional service vendors providing temporary services lasting less than 260 working days and costing less than \$5,000 U.S. Dollar Equivalent (USDE). However, between FYs 2014 and 2016, the post repeatedly used this contract type to hire the same two guards for services totaling approximately \$41,000 USDE. The problems with these contracting practices are summarized as follows:

Wrong Contract Type: The post used a "temporary/casual labor" contract template to execute the guards' service agreement. However, the contract template clearly outlines that the template is for "temporary clerical/casual labor/janitorial services less than 260 working hours and below \$5,000 USDE." As the payments to the guards exceeded \$5,000 USDE over several fiscal years, these disbursements do not fit the "casual labor" category.

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 \$8.9 million incurred by the Europe, Mediterranean and Asia region in direct support of its 20 overseas posts in FY 2016, which is an average of \$445,000 per post.

Lack of Competition: The contracts were not appropriately competed. The procedures for Peace Corps Manual Section (MS) 743a clearly state that contractual services over 260 days are long-term contracts, and require the post advertise the position and produce at least three potentially qualified candidates. The post circumvented these requirements by issuing several short-term contracts over several fiscal years. As the guards did not meet the short-term contract requirements, the post should have advertised the positions and documented proper competitive selection in a selection memo before awarding each contract.

Split Contract: During our review, we noted that the post used the short-term contract template repeatedly for the same security guards over multiple fiscal years. Whenever payments under a single contract reached \$5,000 USDE, the post simply issued a new contract to the same guard using the short-term template. The post's practice of awarding guards multiple contracts over several fiscal years appeared to be a deliberate attempt to circumvent the competitive contracting requirements. This practice created the appearance of a split purchase² because the post issued multiple contracts to the same vendors, the sum of which exceeded the amount authorized under the contract template.

The disbursements under these contracts repeatedly violated contracting guidelines and are unauthorized payments that the Office of the Chief Financial Officer/Acquisitions and Contracts Management (CFO/ACM) will need to review.

Per the director of management and operations (DMO), the post has competed and completed the selection process for these positions, and is in the process of obtaining approval from headquarters to hire the guards using an appropriate PSC contract.

We recommend:

1. That the director of management and operations issue new contracts using the proper contract template and in compliance with agency policy.
2. That the director of management and operations consult with the Office of Acquisition and Contract Management to ensure that previous contracting actions for on-call guards are thoroughly reviewed and corrective actions are taken.

DISBURSEMENTS

The post did not comply with agency policy for using separate obligations for each vendor and recording payee name in the FORPost financial system

Section 32 of the Overseas Financial Management Handbook (OFMH) states that "an obligation is a firm reservation of funds that creates a legal liability on the government for the payment of funds for goods and services ordered." An obligation is created at the time the order is placed.

² "Split purchases" is the term used to describe multiple small purchases made from the same vendor, which collectively exceed the post's authority for single purchases.

Each obligation must be created under the name of a specific vendor, though the post is allowed to simply write “PC/Georgia vendor” in certain situations, such as for when making multiple small purchases from various informal vendors in the marketplace.

According to OFMH section 66.4, each payment voucher must have only one vendor associated with it. OFMH section 13.14.3 does allow posts to use receipts listing multiple payments when paying more than one Volunteer, trainee, or trainer at one time. However, the receipt must include a list of individuals paid, and each payee must acknowledge payment with a signature.

During the review of disbursements, we noted that between October 2011 and July 2016, the post created approximately 430 obligation numbers under the ambiguous vendor name “PC/Georgia.” Using these obligation numbers, the post disbursed approximately \$1,027,000 USDE to numerous vendors without recording vendor names in the payee field.

Of this amount, the post disbursed approximately \$467,000 to trainees and host families in accordance with the exceptions allowed by OFMH 13.14.3 noted above. However, the remaining balance of approximately \$560,000 was disbursed to over 40 accounts, including other services (\$206,000 USDE), supplies (\$88,000 USDE), guard services (\$44,000 USDE), and medical care and supplies (\$83,000 USDE).

In addition, we noted the following issues:

- The post recorded disbursements using “PC/Georgia” as the obligation vendor for repeat vendors. For example, one vendor, Contour, was paid both under its vendor name (approximately \$11,000 USDE) and under the “PC/Georgia” vendor name (approximately \$10,000 USDE).
- As noted in the previous section on personal services contracts, some vendors that were paid under the “PC/Georgia” obligation numbers had ongoing contractual relationships with the post spanning several years. The total annual disbursement exceeded \$3,000 USDE.
- During the review of a small sample, we noted several instances where the post did not record vendor names for amounts disbursed. However, the post recorded variations of “multiple vendors” in the payee field for some large disbursements. For example, we noted payments of approximately \$430 USDE and \$700 USDE, which the post only recorded as payments to “multiple vendors.” After an analysis of the post’s disbursements, we realized this was a longtime practice rather than an unusual occurrence.

Due to large volume of transactions, we could not fully analyze all the spending issues surrounding the use of “PC/Georgia” as the obligation vendor and “multiple vendors” as the payee. However, per the DMO, the post reduced this practice in the current fiscal year and the DMO will continue to reinforce efforts to comply with policy. Disbursements under the PC/Georgia vendor name decreased from approximately \$157,000 USDE in FY 2015 to approximately \$54,000 USDE in the first nine months of FY 2016. This amount excludes payment in accordance with the exceptions allowed by OFMH 13.14.3 as noted above.

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:

- 3. That the director of management and operations implement procedures to issue obligations under individual vendor names, as required by policy.**
- 4. That the director of management and operations ensure that staff record names of vendors and Volunteers receiving payments as the payee, in compliance with Peace Corps guidance.**

VOLUNTEER ALLOWANCES

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

During our review, we noted issues impacting the accuracy of Volunteer allowances, including errors affecting:

Response Volunteers: The post made calculation errors while paying allowances to new Response Volunteers on arrival. It appears that controls to ensure accuracy of allowance calculations were inadequate. We reviewed a judgmental sample of 17 Volunteer payment vouchers and found 12 vouchers (approximately 70 percent) contained errors. For example, we noted instances where the post double counted additional host family allowances paid to some Volunteers, and made arithmetic errors in calculating certain Volunteer allowances.

Although, the value of individual errors was small, their frequency points to a systemic issue. Weak controls could result in fraudulent transactions or a substantial financial loss over time.

During our audit, we noted that the DMO had implemented a new worksheet for calculating Volunteer allowances, with built-in formula checks and balances to reduce the risk of calculation errors.

Departed Volunteers: During our review of allowances, specifically collections from Volunteers leaving service earlier than planned, we noted that the post did not create a bill of collection to collect an allowance of approximately \$400 USDE from a departed Volunteer. We also noted that the post did not consistently address rent payments issued for Volunteers who ended their service early.

Leave Allowance: The agency revised MS 221, "Volunteer Allowances" in December 2015 to state that a Volunteer who serves any part of a month will receive their full leave allowance for the month. However, the post continued to follow the previous policy of prorating the leave allowance based on the number of days served for new Volunteers and while collecting allowances from departing Volunteers.

It is important that the post calculate and pay allowances accurately and consistently to ensure Volunteers receive proper payments.

We recommend:

- 5. That the director of management and operations enhance the controls over verification of allowances prior to disbursement to ensure consistency and accuracy of living and leave allowances for new Volunteers.**
- 6. That the director of management and operations modify the exit checklist to ensure that final rent payments to host families are consistently addressed and appropriately documented.**

The post did not have adequate controls to verify that tickets for Volunteers' travel after service complied with policy.

During our review, we noted that the post did not comply with the provisions of MS 218 stating that Volunteers and trainees must travel by economy class; nor did it comply with the Fly America Act, which requires travel on American carriers. Specifically, we found that the post:

- Disbursed approximately \$2,300 USDE for cash-in-lieu³ of a return ticket to a Volunteer when the post had received a quote for a very similar itinerary for approximately \$1,000 USDE. The previous DMO approved this transaction and the current DMO and financial assistant could not provide an explanation as to why.
- Calculated several cash-in-lieu allowances based on business/first class fare to the Volunteer's home of record. The total value of these tickets was approximately \$7,000 USDE.
- Issued four business class tickets to Volunteers for their travel to their home of record after completion of service. In addition, these tickets did not comply with the requirements of the Fly America Act. The total value of these tickets was approximately \$12,000 USDE.

Per the DMO, the post issued tickets that were not economy class or did not meet Fly America Act requirements because they were the cheapest tickets available. However, the post did not retain relevant supporting quotes to prove that these were the cheapest tickets, nor did they contact the chief of the transportation division to obtain waivers as required by MS 812. The DMO also explained that the payment of cash-in-lieu based on business class travel was an error that occurred during a busy time in the office when interns helped arrange Volunteer travel.

Per section 47.403.3 of the Federal Acquisition Regulations, the agency shall disallow expenditures for U.S. Government-financed commercial international air transportation on foreign-flag air carriers unless there is attached to the appropriate voucher a memorandum

³ A cash payment made in lieu of providing an airline ticket.

adequately explaining why service by U.S.-flag air carriers was not available, or why it was necessary to use foreign-flag air carriers.

These errors occurred before the agency modified policy in 2015 to pay a fixed amount for cash-in-lieu allowances, in order to eliminate errors in processing payments to Volunteers. However, the post needs to enhance controls over the process for issuing tickets to returning Volunteers, and provide training to post staff regarding agency travel policy to eliminate errors and ensure compliance with federal travel policy.

We recommend:

- 7. That the director of management and operations enhance the controls over ticketing process to ensure staff complies with agency policy and the Fly America Act.**
- 8. The Office of Chief Financial Officer disallow ticket costs that do not comply with Fly America Act and take appropriate corrective action.**

IMPREST FUND INTERIM ADVANCES

The post did not comply with interim advance policies.

The purpose of interim advances is to make authorized purchases, not to provide a petty cash fund for employees without cashier designations. OFMH section 13.18.2 states:

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. 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).

During our review of imprest fund reconciliation, we noted that the medical assistant received interim advances of the same amount—estimated to be approximately \$225 USDE during weekdays and \$350 USDE over weekends based on the exchange rate—over a period of a significant period of time.

According to the cashier, every three days, the medical assistant returned any unused advanced funds to the cashier to settle the open interim advance, as required by OFMH. The cashier then canceled the open interim advance and the medical assistant submitted a new purchase document and created a new interim advance for the same amount. The medical assistant created a new purchase document to support the new interim advance. The cashier processed approximately 328 vouchers over nearly three years.

This practice was time consuming and inefficient for both the cashier and medical assistant. As mentioned, interim advances are meant to be used to make authorized purchases and not as a petty cash fund held by employees without cashier designations. When employees receive permanent advances, they are acting as sub-cashiers rather than occasional money holders. They

are therefore required to comply with MS 760, which details the responsibilities and liabilities of employees acting as sub-cashiers.

We also noted instances when the medical assistant requested to be reimbursed more than the amount of the interim advance. This implies that the medical assistant used personal funds to purchase medical supplies or care for Volunteers. Per the Sub-Cashier Guide, “The sub-cashier should ensure that the imprest fund is not intermingled with personal or other funds.” Supplementing Peace Corps funds with personal funds is a breach of internal controls.

These advances remained open continuously through the issuance of new interim advances. As a result the advances appeared to be permanent and did not comply with interim advance guidelines. The post should obtain authorization from the Office of Global Accounts Payable to appoint the medical assistant as a sub-cashier to continue to hold permanent cash advances.

In addition, we noted one instance where the training manager received a cash advance in excess of the authorized limit. The training manager had an authorized sub-cashier advance limit of \$3,000 USDE. However, in January 2016, the cashier provided an advance of approximately \$3,700 USDE. The training manager cleared the advance in February 2016.

Per the DMO, the training manager received four separate advances for specified expenses and the post had created obligations for these advances. They intended them to be interim advances and not sub-cashier advances. However, as this was during an off-site training, the training manager did not clear the advances in a timely manner.

We recommend:

- 9. That the director of management and operations obtain authorization from the Office of Global Accounts Payable to designate the medical assistant as a sub-cashier.**
- 10. That the director of management and operations implement controls to verify that the sub-cashier does not obtain advances in excess of the limitations.**

OTHER AREAS OF CONCERN

Property Management and Sunflower Implementation

OIG and external audits at the Peace Corps have continued to find issues with the accuracy and completeness of property records. Effective property management can significantly reduce the risks associated with theft, fraud, or unexplained losses of agency assets. It also serves to improve the accuracy of financial reporting.

During FY 2016, the Office of Management and the Office of the CIO jointly implemented a new property management system called Sunflower, with the technical and functional support

from the Office of the CFO. The system uses bar code labels and scanners to capture existing property. However, the installation and implementation of the system did not occur smoothly across the agency. OIG has identified property management as a challenge in our annual statement on management and performance challenges. We will continue to note related challenges as we observe them in our post audits. However, we are not making a recommendation in this report.

The post's DMO and general services manager (GSM) attended the Asset Specialist Training from October 8 to 12, 2015. The post received Sunflower scanners at the training. Sunflower went live in June 2016. The GSM completed the user registration process at the beginning of July. The DMO, financial assistant, IT specialist, and scanner operators were able to register later in July.

The post set up Sunflower scanners at the beginning of August and scanner operators were able to use them to complete the annual property inventory. While scanning, the post discovered that some assets did not transfer from BarTracks to Sunflower. The GSM attended online trainings offered by the Sunflower help desk. The GSM is now working on adding items not transferred from BarTracks to the Sunflower system.

Purchases made in FY 2016 are not in the Sunflower database. The financial assistant or DMO will add these assets to the Sunflower database through the bill of materials.

ADDITIONAL OBSERVATIONS

Medical Inventory

During the physical count of the medical inventory, we noted that all the controlled substances, specially designated medication, and medical supplies were stored in a well-organized manner. Each medical item box had the corresponding item number from the medical inventory sheet, and each item had a designated well-marked shelf location.

This practice made locating items and tracing them to the inventory worksheet easy, and there were no differences between physical and inventory worksheet balances. We did not find any errors in the results of physical counts for several prior quarters. We also noted that the post consistently performed medical inventories on a timely basis, and that there was good separation of duties in accounting for medical supplies. Each person on the Peace Corps/Georgia staff and management took their responsibilities seriously, and worked very well together to update medical inventory records.

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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

Questioned Costs

Recommendation number	Description	Amount
1	Improper template to issue personal service contracts.	\$41,000
5	Lack of controls over Volunteer allowances	\$400
7	Issue of business class tickets to Volunteers	\$21,300

The Inspector General Act of 1978, as amended, defines funds to be put to better use and questioned costs as follows:

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

LIST OF RECOMMENDATIONS

We recommend:

1. That the director of management and operations issue new contracts using the proper contract template and in compliance with agency policy.
2. That the director of management and operations consult with the Office of Acquisition and Contract Management to ensure that previous contracting actions for on-call guards are thoroughly reviewed and appropriate actions are taken.
3. That the director of management and operations implement procedures to issue obligations under individual vendor names, as required by policy.
4. That the director of management and operations ensure that staff record names of vendors and Volunteers receiving payments as the payee, in compliance with Peace Corps guidance.
5. That the director of management and operations enhance the controls over verification of allowances prior to disbursement to ensure consistency and accuracy of living and leave allowances for new Volunteers.
6. That the director of management and operations modify the exit checklist to ensure that final rent payments to host families are consistently addressed and appropriately documented.
7. That the director of management and operations enhance the controls over ticketing process to ensure staff complies with agency policy and the Fly America Act.
8. The Office of Chief Financial Officer disallow ticket costs that do not comply with Fly America Act and take appropriate corrective action.
9. That the director of management and operations obtain authorization from the Office of Global Accounts Payable to designate the medical assistant as a sub-cashier.
10. That the director of management and operations implement controls to verify that the sub-cashier does not obtain advances in excess of the limitations.

APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing overseas posts is to determine whether the financial and administrative operations are functioning effectively and comply with Peace Corps policies and federal regulations. Our audit conclusions are based on information from three sources: (1) document and data analysis, (2) interviews, and (3) direct observation. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit covered fiscal years 2011 to 2016. While at the post, we interviewed key staff including the country director, the director of management and operations, staff responsible for administrative support, and the lead Peace Corps medical officer.

We communicated issues and areas of improvement to senior staff at post and Peace Corps management at headquarters and included significant issues noted during our audit in this report. We primarily reviewed the following processes and associated controls:

- Bills of Collections
- Contracts and Leases
- Cash and Non-cash Payments
- Imprest Fund
- Credit Card Transactions
- Information Technology General Controls
- Medical Supplies
- Personal Property and Vehicles
- Personal Services Contracts
- Volunteer Payments

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

Our audit criteria were derived from the following sources: Financial Accounting Standards Advisory Board's Statement on Federal Accounting Standards, the Peace Corps Manual, the Overseas Financial Management Handbook, Peace Corps Overseas Contracting Handbook, Peace Corps Personal Property Management Handbook, and other Peace Corps policies and initiatives. 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.

APPENDIX B: LIST OF ACRONYMS

DMO	Director of Management and Operations
FY	Fiscal Year
MS	Peace Corps Manual Section
CFO/ACM	Office of the Chief Financial Officer/Acquisitions and Contracts Management
OFMH	Overseas Financial Management Handbook
OIG	Office of Inspector General
PSC	Personal Service Contractors
USDE	United States Dollar Equivalent

APPENDIX C: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT

FEDERAL REQUIREMENTS

STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT

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

The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

PEACE CORPS REQUIREMENTS

OVERSEAS FINANCIAL MANAGEMENT HANDBOOK

OFMH 13.18.2, *Interim Advances* states:

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.

OFMH 13.0, *Cashiering and Imprest Management, C.5 Subcashier Responsibilities* states:

5. Ensuring that the imprest fund is not intermingled with personal or other funds

OFMH 13.18.1, *Advances to the Subcashier and Alternate Cashier* states:

Alternate cashiers must be designated by the USDO, via GAP. See OMFH 13.3 for details on Designation. Alternate Cashiers may hold a small, permanent advance for emergencies. The advance form should be labeled "Alternate Cashier Advance" (it may be a Post-created form or it may be the subcashier advance form with the words "Alternate Cashier Advance" written clearly). Any Alternate Cashier Advance is shown on the 365/99 on L17, not on L19 with subcashier advances. An alternate cashier holding a small advance may not be given the Cashier (or Cashier Plus) group in FOR Post and may not make any cashiering entries into FOR Post. If the alternate cashier makes payments, he/she will exchange paid

PEACE CORPS OFFICE OF INSPECTOR GENERAL

receipts for additional cash at the next possible opportunity (i.e., when the Principal Cashier is next in the office).

When an alternate cashier takes over the Cashier's full accountability, an imprest verification must be conducted and paperwork signed by both cashiers. The Alternate Cashier is then given the Cashier (or Cashier Plus) group in FOR Post to make cashiering entries.

OFMH 25.4, *Reporting and Reconciliation* states:

Global Accounts Payable records payments made against Post allotments from the monthly FSC VADR (Voucher Audit Detail) accounting reports and the liquidations are synced to FOR Post. Posts should monitor these liquidations by using the sync reports.

Liquidations will not appear by individual employee, they will be recorded as a lump sum for each object class within each pay period). However, posts can obtain detailed information from the FSN Payroll Expenditure Report available in FOR Post. This report was developed so Posts can reconcile detailed payment data to the actual payments for each FSN and tie back to the summary USDE amounts per pay period charged to FSN salary and benefits obligations. This report is modeled after FSC's FSN Payroll System Payroll Expenditure Report, which some posts may receive from the Embassy.

There are two versions of this report, detail by employee and by object class. The information on each version of the report includes: FSN name, Peace Corps object class, currency, pay scale, grade/step, annual pay rate, allowance rate, hours worked in pay period (PP), normal bi-weekly pay, adjustments to pay amounts and Fiscal Year to Date (YTD) Totals. Pay and YTD totals are shown in both LCU and USDE.

Post:

1. Review the FOR Post *FSN Payroll Expenditure Report by Employee Name each pay period*
 2. Confirm that all staff on the report are: active staff, worked or had approved leave for that period and are being paid at the correct rate for their grade/step.
 3. Contact the Embassy Payroll/Human Resources representative to make a correction if any information is incorrect or missing. Corrections will appear in the "Adjust" column on a future report.
 4. Compare the *FSN Payroll Expenditure Report by Employee Name* to each FSN Earnings and Leave Statement (provided by the Embassy). If there are any discrepancies between the two reports, contact FOR Post Support via Track-It.
 5. Record the reconciliation status in FORPost. See FORPost Help for detailed guidance.
- Note: If the Admin unit is not currently getting a copy of the Earnings and Leave Statements each pay period, you should request them from the Human Resources office at your Embassy.

OFMH 7.2, *The Billing Process* states:

Billing Officers prepare Bills of Collection (BOCs) when a reimbursement or other payment is due to Peace Corps. Common reasons include reimbursement to Peace Corps for a debt, reimbursement for personal phone calls or personal use of vehicles, host country contributions . . . , or proceeds of sales....

PEACE CORPS MANUAL

MS 221 *Volunteer Allowances, 5.0 Volunteer Living Allowance, 5.1 Policy* states:

Volunteers are entitled to a living allowance in order that they may serve effectively and safely overseas. It is Peace Corps policy that Volunteers live modestly by the standards of the people they serve, yet not in a

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manner that would endanger their health or safety. Living allowances should be based on local living standards and costs and will thus vary among, and sometimes within, countries.

Each post should establish a base living allowance according to the categories outlined in Section 5.2. Supplements to the base living allowance may be added on a per Volunteer basis to cover housing, utilities, locality supplements, and Peace Corps Volunteer Leader supplements, as detailed in Section 5.3. PCRVs receive a living allowance similar to other Volunteers in that country. Post may use an existing Volunteer survey to determine a PCRV living allowance or conduct a new survey if necessary.

5.9 Overpayments at End of Service

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 777, *Billing and Collection Procedures, Debts, and Claims* states:

9.0 Transferred or Terminated Individuals

If an individual terminates his association with Peace Corps before settlement of an indebtedness, the initial billing activity will continue to press for payment by setoff or by direct contact. The indebtedness remains with the initial billing activity and Peace Corps accounts even though it may request collection assistance from the Director, Accounting Division, (M/FM/A) or another Agency. When all possibilities for follow-up have been exhausted the billing activity will apply the other settlement procedures mentioned later or transfer the indebtedness to Peace Corps/Washington for both accounting control and collection.

20.0 Termination of Collection Action

Collection action may be terminated and the case closed under the following conditions:

- It becomes clear that Peace Corps cannot collect or enforce collection of any significant amount from the debtor taking into consideration the judicial remedies available, the debtor's future financial prospects, and the exemptions available to the debtor under State and Federal law.
- The debtor cannot be located through the various means available within the local government or commercial activities, there is no security remaining to be liquidated and the prospect of collecting by offset, notwithstanding the bar of the statute of limitations, is too remote to justify retention of the claim.
- It appears that the cost of collection action will exceed the amount recovered and the debt is reasonably insignificant.

Collection action should be terminated under the following conditions:

- The Office of the General Counsel advises in writing that the claim is legally without merit;
- The evidence necessary to prove the claim cannot be produced or the necessary witnesses are unavailable and efforts to induce voluntary payment are unsuccessful.

22.1 Cash or Other Remittance

Procedures will be established to assure the safeguarding and prompt depositing by the collection officer of cash, checks or money orders received for billings issued, the voluntary remittance of advances, donations, etc. Whenever possible collection shall be deposited daily in a regional or overseas Treasury depository. To facilitate and assure prompt deposit and credit, it is imperative that the accounting data necessary to identify the transaction in the Agency financial records be shown on billing and deposit documents. Where a collection cannot be readily identified, the collection officer will immediately request the billing office or the fiscal service activity to furnish the accounting data. When reference to a check is necessary a copy will be furnished and the original safeguarded or deposited for credit to a suspense account. Receipts will be issued in all cases when cash is received. Collection action will be noted on the collection/ settlement section on the Form PC-1565 or ADP listing, as applicable.

MS 511, *Personal Property Management* states:

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3.0 Policy

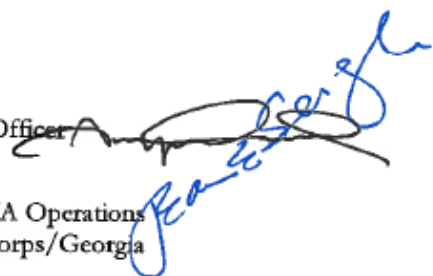
It is the policy of the Peace Corps to actively manage and control its personal property by establishing standards, delegating responsibility and instituting accountability systems in order to maximize the value of the personal property to the Peace Corps.

APPENDIX D: AGENCY RESPONSE TO THE PRELIMINARY REPORT



MEMORANDUM

To: Kathy Buller, Inspector General

Through: Angela Kissel, Acting Chief Compliance Officer 

From: Jean Seigle, Acting Regional Director, EMA Operations
Stephen Smith, Country Director Peace Corps/Georgia

Date: March 24, 2017

CC: Sheila Crowley, Acting Director
Carl Sosebee, Acting Chief of Staff
Kathy Stroker, Acting Deputy Director
Kristin Besch, Acting Associate Director, Global Operations
Paul Shea, Acting Chief Financial Officer
Joaquin Ferrao, Deputy Inspector General
Doug Warnecke, Chief Administrative Officer, EMA Operations
Douglas Gilchrest, Director of Management and Operations, Peace Corps/Georgia

Subject: Preliminary Report on the Audit of Peace Corps/Georgia (Project No. 17-AUD-02)

Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/Georgia as outlined in the Preliminary Report of Peace Corps/Georgia sent to the Agency on February 10, 2017.

The Region and the Post have addressed and provided supporting documentation for 9 of the 10 recommendations provided by the OIG in its Preliminary Audit Report: Peace Corps/Georgia, and will work to address the remaining recommendations by the set target dates.

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

Recommendation 1

That the director of management and operations issue new contracts using the proper contract template and in compliance with agency policy.

Concur:

Response: New contracts have been issued using proper contract template and in compliance with agency policy. Both contracting officers have agreed to no longer use the *not to exceed* contracts for any services that are reoccurring.

Documents Submitted:

- On Call Guard Contract with OACM comments
- On Call Guard Contract signed
- On Call Guard selection Memo
- Email confirmation of contracting officers agreement

Status and Timeline for Completion: Completed, September 2016

Recommendation 2

That the director of management and operations consult with the Office of Acquisition and Contract Management to ensure that previous contracting actions for on-call guards are thoroughly reviewed and appropriate actions are taken.

Concur:

Response: The director of management and operations in coordination with the OACM replaced all short term PSC's in the reoccurring category to standardized PSC contracts. This had been underway before the audit and the practice had been in place at post since July of 2006. During January of 2016 a new selection process was started to properly document and compete the position, and the conversion to the proper contracting instrument was underway when the audit was conducted. There are currently three contracts that fall into that category and they are all on contracts that have been reviewed by OACM.

Documents Submitted:

- On Call Guard Contract
- On call Driver contract
- Back-up PCMO
- Communication with OACM

Status and Timeline for Completion: Completed, November 2016

Recommendation 3

That the director of management and operations implement procedures to issue **obligations under individual vendor names**, as required by policy.

Concur:

Response: Discussions during the audit helped clarify and identify alternative procedures that have been implemented to prevent this in the future. Procedures have been implemented to not create obligations until the vendor name is available in ForPost. Post has added hundreds of local vendors into the vendor maintenance system in ForPost so the majority of local vendors are currently available and for those that are not post submits for a new vendor and delay approving the obligations until the vendor has been approved. The only obligations that remain in the name of Peace Corps Georgia are those authorized by OFMH 13.14.3 and OFMH 32.7.14 Posts may still record an obligation in FOR Post for a quarterly amount of market supply/services paid via imprest. Post may record one obligation in FOR Post for each fiscal coding combination. The same method may be used for PST or IST market supplies. Quarterly obligation entries are generally reserved for cases where the vendor is unknown or randomly selected based on the availability of goods/services. Post should use "Peace Corps/Post" as the vendor for these entries. Quarterly obligation entries will have supporting evidence that shows the basis for the amount recorded in FOR Post.

Documents Submitted:

- Rpt Form Status of Obligations Peace Corps name FY17
- SOP, *Use of Peace Corps Georgia as Vendor in ForPost*

Status and Timeline for Completion: Completed, August 2016

Recommendation 4

That the director of management and operations ensure that staff record names of vendors and Volunteers receiving payments as the payee, in compliance with Peace Corps guidance.

Concur:

Response: Discussions during the audit helped clarify and identify alternative procedures that have been implemented to prevent this in the future. Post has added hundreds of local vendors into the vendor maintenance system in ForPost so the majority of local vendors are currently available and for those that are not we submit for a new vendor and delay purchase or payment until the vendor has been approved and is available in the system.

Documents Submitted:

Screenshot, *For Post PCG Payee FY17*

Status and Timeline for Completion: Completed, August 2016

Recommendation 5

That the director of management and operations enhance the controls over verification of allowances prior to disbursement to ensure consistency and accuracy of living and leave allowances for new Volunteers.

Concur:

Response: Confusion over the exact method of performing calculations has been eliminated by the creation of an excel spreadsheet that performs all the calculations and only asks for input that is required to make decisions. The process has been changed in two major ways; first the spreadsheet now calculates all the allowances and travel automatically, and second the requests are initiated by the response program to provide separation of duties between the requestor and the approver. This provides additional oversight and a second review to further catch irregularities.

Documents Submitted:

- PCRV_Allowances_Arrival Spreadsheet Example
- PCRV_Allowances_Arrival_SiteUnknown Spreadsheet Example
- *SOP Requesting Allowances for PCRV Arrival or Reinstatement of Separated Volunteer*

Status and Timeline for Completion: Completed, September 2016

Recommendation 6

That the director of management and operations modify the exit checklist to ensure that final rent payments to host families are consistently addressed and appropriately documented.

Concur:

Response: An automated Excel Spreadsheet has been created that properly calculates final rent payment. Post has added a step to check if host families have been paid the next month's rent before calculating the final reconciliation of Early Terminating volunteers. Although a spreadsheet has been created that automates much of the procedure, it has been found that there are too many variables with early terminations to use a single or for that matter, any number of premade worksheets. Instead the worksheets must be custom tailored to the situation at hand. This has proven to be the case with several ET's that have happened since the audit and the resulting procedure has brought our attention to the complexity of this issue. To compensate for this we are now using the worksheet as a starting platform and keeping as much automation as possible to reduce calculation errors. Then the calculations are cross checked by either the FA or DMO depending upon who did the initial calculations. This second step and a clearer understanding of the rules for calculating have allowed a much greater confidence factor that there are no errors. It is further reduced to only the FA and DMO who do the initial calculations with the cashier and AA as backups to cross check when the either the FA or DMO are absent.

Documents Submitted:

- PCV_Allowances_ET_Spreadsheet Example
- PCV_Allowances_ET_MedSep_Spreadsheet Example

- PCV_Allowances_ET Spreadsheet Example

Status and Timeline for Completion: Completed, September 2016

Recommendation 7

That the director of management and operations enhance the controls over ticketing process to ensure staff complies with agency policy and the Fly America Act.

Concur:

Response: All admin staff has been trained on the agency policies as they relate to purchase of tickets for travel and the Fly America Act. The practice has been changed to utilize SATO travel services whenever possible and to only deviate in case of emergency when time is critical and then the ticket will be reviewed by the DMO or CD before purchase.

Documents Submitted:

- SOP, *Purchasing Air Fare for Staff or Volunteer Travel*

Status and Timeline for Completion: Completed, January 2017

Recommendation 8

The Office of Chief Financial Officer disallows ticket costs that do not comply with Fly America Act and take appropriate corrective action.

Concur

Response: The agency will continue to comply with this recommendation based on the regulations set forth in the Fly America Act. If a ticket is purchased that does not adhere to the Fly America Act, but it is not yet used, the Chief Financial Officer will exercise authority to disallow the ticket cost and request a new ticket be purchased in accordance with the Fly America Act. To continue to promote compliance with the Fly America Act, the Chief Financial Officer in coordination with the Chief of Transportation, will re-issue guidance to the agency on the necessary regulations of the Fly America Act for staff and Volunteers.

Documents to be Submitted:

- Updated guidance to regions on complying with the Fly America Act

Status and Timeline for Completion: May 2017

Recommendation 9

That the director of management and operations obtain authorization from the Office of Global Accounts Payable to designate the medical assistant as a sub-cashier.

Concur:

Response: Post set up the Medical Assistant as a sub cashier starting with the new fiscal year and the process has been operating successfully for four months.

Documents Submitted:

- Georgia Sub-Cashier Approval Documentation
- SOW, Modification
- SOP, *Medical Sub-Cashier*

Status and Timeline for Completion: Completed, October 2016

Recommendation 10

That the director of management and operations implement controls to verify that the sub-cashier does not obtain advances in excess of the limitations.

Concur:

Response: All cashiers and Sub-Cashiers were trained on the policies and procedures to ensure this does not happen in the future. This was a situation that happened during extended training (two back to back events) when an advance is given to pay honorariums and the training manager is out of the office for the full time and cannot close the advance within three days. Is caused the sub-cashier to take advances for two separate events that when combined exceeded the limit. Both the training manager and the cashiers have been made aware of the situation and instructed to not allow it to happen in the future.

Documents Submitted:

- Email to cashiers concerning the limit of three days to close a cash advance and maximum advance authorized.

Status and Timeline for Completion: Completed, September 2016

APPENDIX E: OIG COMMENTS

Management concurred with all ten recommendations. In its response, management described actions it is taking, or intends to take, to address the issues that prompted each of our recommendations. All ten recommendations will remain open. We will review and consider closing the recommendation when documentation reflected in the agency's response to the preliminary report is received.

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 D: 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.

A handwritten signature in blue ink that reads "Judy Leonhardt". The signature is written in a cursive style with a large, stylized "J" and "L".

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@peacecorpsoig.gov or 202.692.2914.

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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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