




# Office of Inspector General

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**To:** Carrie Hessler-Radelet, Director  
Emily Untermeyer, Acting Regional Director  
Anne Hughes, Chief Compliance Officer

**From:** Kathy A. Buller, Inspector General 

**Date:** September 23, 2016

**Subject:** Final Report on the Audit of Peace Corps/Colombia (IG-16-05-A)

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

Management concurred with all five recommendations. All five recommendations will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. In its response, management described actions it is taking or intends to take to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that the agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities.

Our comments, which are in the report as Appendix D, 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 Senior Auditor Renita Davis at 202.692.2940.

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

cc: Casey Welch, Director of Management and Operations, Peace Corps/Colombia  
Geraldyn Sheehan, Country Director, Peace Corps/Colombia  
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Colombia Country Desk  
IGChron  
IG



PEACE CORPS

# Office of Inspector General

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*A Peace Corps/Colombia Volunteer and his class*

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**Final Audit Report**  
Peace Corps/Colombia  
IG-16-05-A  
September, 2016



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## EXECUTIVE SUMMARY

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### BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Colombia (hereafter referred to as “the post” or “PC/Colombia”) from February 5 to May 24, 2016. The post re-opened in July 2010 after a 29-year hiatus, having been suspended in 1981 due to safety and security concerns. Approximately 4,650 Peace Corps Volunteers have served in Colombia since the program’s inception in 1961. In January 2016, the new country director contacted OIG and requested an audit be performed as soon as possible.

#### Staff:

- U.S. direct hires: 3
- Foreign service nationals: 2
- Full-time personal services contractors (PSCs): 18

#### Spending (approx.):

- Fiscal Year (FY) 2015 post spending: \$2.0 million
- Average regional overhead: \$450,000



Map of Colombia

### WHAT WE FOUND

The post’s financial and administrative operations required improvement in a number of areas and did not fully comply with agency policies and applicable federal laws and regulations. Specifically:

- The post lacked an effective process to recover payments for living allowances, which resulted in the embezzlement of funds. A staff member was able to withdraw funds from departed Volunteers’ bank accounts without post management’s knowledge.
- The post did not consistently follow their procedures for issuing micro-purchase orders. Drivers continuously received interim advances and were provided verbal authorization to make purchases.
- The post did not consistently reconcile grant files to ensure that the completion reports reflected the amount spent and timely collection of any remaining balances.

In addition, we detected internal control issues with creating bills of collection (BOCs) and contracting for residence leases. However, we also identified a best practice that post management had put in place. The post created a system called i-request that effectively assisted with the management of day-to-day requests for office supplies, equipment, vehicles, travel, and leave.

## **RECOMMENDATIONS IN BRIEF**

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Our report contains five recommendations directed to the post, including: that the post strengthen controls over the processes for collecting Volunteer overpayments and closing grant projects, comply with policies for issuing BOCs, and obtain approval from the Office of Global Accounts Payable to designate a sub-cashier to assist with any weekend emergencies that require cash transactions. We also recommend that the post contact the Office of Acquisitions and Contract Management to receive authorization to change a contract whenever the lease costs exceed the contract amount or the contracting officers' authority.

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## BACKGROUND

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OIG conducted the audit of the post from February 5 to May 24, 2016. Our 2016 annual plan included an audit of PC/Colombia and in January 2016, the new country director (CD) contacted OIG and requested an audit be performed as soon as possible. With the CD's request in mind, OIG prioritized this audit. This is the first OIG audit report since the post re-opened in 2010.

PC/Colombia was established in 1961 but suspended in 1981 due to safety and security concerns. The Peace Corps re-opened the program in 2010. Staff arrived to set up the administrative and programmatic operations by July 2010, and the first group of Peace Corps Response Volunteers arrived in September 2010.

Approximately 4,650 Volunteers have served in Colombia since the program's inception in 1961. At the time of our audit, 34 Volunteers were working in two project sectors: Teaching English as a Foreign Language and Community Economic Development. The post had three U.S. direct hires, two foreign service nationals and 18 full-time personal service contractors. In FY 2015, the post's budget was approximately \$2 million.<sup>1</sup>

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

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## AUDIT RESULTS

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### *VOLUNTEER PAYMENTS*

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***The post did not consistently collect overpayments of living allowances paid to Volunteers who terminated their service early.***

Volunteers are paid monthly living allowances. Living allowance payments consist of base, supplemental, and/or special living allowances. Peace Corps Manual section (MS) 221.5.8 states:

The living allowance payments cover only the number of days the Volunteer served. In those cases where the termination date of an early termination is known in advance, calculation of the final living allowance payment must also be adjusted to cover through the last day of service. Where information is not known in advance, the overpayment must be collected from the Volunteer or deducted from the Volunteer's Readjustment Allowance.

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<sup>1</sup> 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 \$9 million incurred by the Inter-America and the Pacific Region in direct support of its 20 overseas posts in FY 2015, which is an average of \$450,000 per post.

Contrary to Peace Corps policy, the post did not collect living allowance overpayments for six Volunteers who terminated their Peace Corps service early despite initial attempts to do so. According to the financial specialist, BOCs are created to collect pro-rated living allowances whenever a Volunteer terminates their service early. If the Volunteer is unable to pay the amount due, the post deducts the amount from their readjustment allowance.

In addition, the Volunteer is required to close their local bank account and provide the post with proof from the bank that the account closure request was received. This is to prevent any additional Volunteer payments that were previously ordered from being paid. If a Volunteer is unable to request the account closure, the post creates a BOC for the bank and the CD signs a power of attorney authorizing post staff to remove funds from the Volunteer's bank account. The post then creates another BOC for any amount owed to the Peace Corps, and any remaining balance payable to the former Volunteer is refunded through an electronic fund transfer.

However, during our audit we discovered that the bank delayed closing five Volunteers' accounts despite the post having received bank closure request confirmations. Consequently, living allowances were automatically deposited into the departed Volunteers' bank accounts without the knowledge of the director of management and operations or the financial specialist because the post did not conduct a final review of the departed Volunteers' bank statements. After we alerted the post that there were remaining funds in the Volunteers' bank accounts, the post contacted the bank and was notified that funds totaling approximately \$2,260 U.S. dollar equivalent (USDE) had been withdrawn from four out of the five accounts subsequently closed by a post staff member who had forged a power of attorney.<sup>2</sup> In May 2016, the post issued a BOC and a valid power of attorney to collect and close the remaining \$565 USDE from an open account of a departed Volunteer.

We also identified an additional overpayment that had not been collected by the post. The post had issued a BOC to a Volunteer for a living allowance overpayment, but the Volunteer had been unable to pay the full amount. The post adjusted the BOC in order to collect the difference from the readjustment allowance. However, the post never deducted the funds from the readjustment allowance and failed to recover the overpayment. Prior to voiding a BOC, the post should apply the necessary adjustments to the Volunteer's readjustment allowance to guarantee collections are completed.

**We recommend:**

- 1. That the director of management and operations conduct periodic reviews of departed Volunteers' bank accounts by reviewing bank statements of the departed Volunteers and contacting the bank to ensure that the accounts are closed and any remaining funds are collected.**

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<sup>2</sup> In May 2016, OIG began an investigation into the theft of money from departed Volunteers' bank accounts and determined that there was collusion among some PC/Colombia staff members to forge a power of attorney and withdraw funds for personal use. At the time this report was issued, the case was ongoing.



*IMPREST*

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***The drivers operated as unofficial sub-cashiers by receiving cash advances every three days due to a lack of planning.***

Peace Corps staff and Volunteers are authorized to receive cash advances to make purchases when it is considered economical and efficient to do so. These occasional money holders must provide receipts and/or any unused funds within three working days to liquidate the advances, per Overseas Financial Management Handbook (OFMH) 13.18.2.

During our review of the imprest fund, we learned that the post's drivers were designated money holders who routinely received interim advances every three days to purchase supplies and pay vendors. Instead of receiving funds to cover a specific purchase, they frequently received general funds to cover any unanticipated, last-minute purchases. According to the post, when emergency purchases were necessary the DMO would verbally authorize drivers to purchase supplies or pay for Volunteers' medical treatments. This typically occurred over the weekend or during times when drivers were out of the office for other work errands. When posts disburse excessive interim advances, it increases the risk of mismanagement and diversion of funds.

The post staff stated that the use of occasional money holders was not always due to an emergency, but sometimes was the result of poor planning when ordering supplies and organizing events. Upon review of the micro-purchases, we discovered non-emergency purchases for items such as stationary, SIM cards, disposable gloves, and lamps. In addition, some purchases had not been authorized in writing by the director of management even though the post stated they had a policy requiring staff obtain written authorization before making micro-purchases. The administrative assistant said that about three or four times a month, micro-purchase authorizations were completed after purchases had already been made, causing a delay in creating obligation numbers.

When an employee receives regularly scheduled advances they are acting as a sub-cashier rather than as an occasional money holder. MS 760.3.8 and OFMH 13 exhibit C state that sub-cashiers are required to be designated by the country director to receive cash advances, and that sub-cashiers are responsible for learning and implementing imprest fund procedures.

The country director should officially designate a sub-cashier rather than have drivers consistently receive interim advances in anticipation of any emergencies. A designated sub-cashier would receive proper training on the rules and regulations involved with holding U.S. government funds. Furthermore, the sub-cashier must establish adequate control over federal funds, preserve integrity of the funds, and reduce the government's vulnerability to fraud, waste and mismanagement. Additionally, the post should review its process for ordering supplies and develop a budget that would allow effective forecasting of resources needed for special events, trainings, and daily operations.

**We recommend:**

- 2. That the country director acquire approval from the Office of Global Accounts Payable to designate a sub-cashier and ensure the sub-cashier receives the necessary training.**

***BILL OF COLLECTION***

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***The post did not create or issue BOCs in a timely manner.***

The post delayed creating BOCs for reimbursements relating to benefits for PSCs and U.S. direct hires, host family housing supplements, and the sale of personal property. For certain transactions, BOCs were not recorded until after the cashier had already collected the funds because the exact amount of the debt was unknown. Peace Corps policy specifies that BOCs must be entered as soon as it is known that the Peace Corps will be receiving funds, even if the amount expected is unknown (OFMH 7.2.1). We reviewed 16 BOCs and determined that 11 were delayed between four to 136 days. Seven of the 11 BOCs were created after the debts were collected. The major delays for creating BOCs related to the reimbursement of PSC benefits.

**Reimbursement of PSC Benefits.** The Colombian Social Security System reimburses the post up to 66.7% of a PSC's daily salary rate for each day of sick leave the PSC uses in excess of three days. Instead of creating a BOC immediately after the PSC returned from sick leave, the post waited until after the funds were collected roughly two to five months later. In some instances, the post was delayed when submitting the reimbursement request to the health institution. When processing the claims, the post must send a disability certification and a letter to the local social security system institution for health. Payment is generally disbursed approximately 30 days after the claim is approved. It is necessary that the post process the BOCs in a timely manner in order to follow up on outstanding debt.

In addition, we found that the post was delayed when creating BOCs to collect an overpayment of benefits provided to three short-term PSCs. The three PSCs started working for the Peace Corps in December 2015, however their pension and social security allowances were erroneously paid for November due to a glitch in the financial system. Once the error was known, the post staff immediately contacted the vendors for a reimbursement. However, the BOCs were not created until the end of January 2016, after the funds were collected.

When BOCs are not issued before collections, the post cannot accurately track and monitor BOCs, making the internal controls for detecting fraud and misuse of funds ineffective.

**We recommend:**

- 3. That the director of management and operations ensure compliance with Peace Corps policy to issue bills of collection as soon as the amount is due to the Peace Corps, even if the exact amount is unknown, and ensure collection receipts are issued when funds are collected.**

## *GRANTS*

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***The post did not consistently reconcile grant files to ensure that the completion reports were accurate.***

During our review of the grant files, we noted that two out of eight grant projects were not properly reconciled and that the post staff had not confirmed that the receipts in the grant files equaled the total amounts listed on the completion reports. When Volunteers complete grant projects, the post staff should reconcile the completion reports with the supporting documents and inform the billing officer to create BOCs for any unused grant funds (OFMH 7.2.1). The cashier must then collect funds from the Volunteers for any amount due, per the Department of State's Cashier User Guide.

By not reconciling the receipts with the completion reports, the post miscalculated the amount of the unused grant funds. In one instance, the post overcharged a Volunteer for one grant project because a receipt was excluded from the total costs, while another Volunteer's project was not invoiced for the total amount of unused grant funds. The post created an additional BOC for the project that was undercharged. Unfortunately, the overcharged project was not rectified by post since the Volunteer had already ended their service.

**We recommend:**

- 4. That the director of management and operations establish adequate internal controls to ensure that completion reports are reconciled before closing out the grant projects.**

## *LEASES*

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***The post overpaid a residential lease contract without receiving authorization from the Office of Acquisition Contract and Management (OACM).***

In August 2010, the former director of OACM signed a lease contract for approximately \$191,000 USDE with four option years starting on August 18, 2011 and ending on August 17, 2015. However, the post exercised all of the option years using the wrong dates, beginning on August 14 and ending on August 13. The contracting officers referenced an invalid contract and were unaware that the dates were incorrect. As a result, the post authorized additional funds of about \$830 USDE to be paid to the lessor in order to exceed the fourth year option date by five days, terminating the lease on August 18, 2015.

According to the post, the Office of Global Accounts Payable (OGAP) was aware of the additional charge because the payment request was sent to headquarters and approved by an OGAP certifying official. Prior to approving the payment request, the post informed the certifying official that the excess charge was the result of extending the contract to accommodate the removal of security doors from the property. Regardless, the post failed to notify OACM of the increased payment. OACM is responsible for assisting with Peace Corps procurement

requirements and related acquisition program support, and the office's primary mission is to provide acquisition support for planning, soliciting, awarding, and administering contracts. Because OACM was not notified, the post did not properly close out the residential lease contract with the lessor. Per the OACM supervisory contract specialist, the post should have completed a bilateral contract modification with the lessor to close out the contract action in order to clarify the correct total contract value and address any period of performance changes.

**We recommend:**

- 5. That the director of management and operations work with the Office of Acquisition Contract and Management to properly close out the residential lease contract.**

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## POSITIVE OBSERVATIONS

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### *POST MANAGEMENT: OFFICE SUPPLIES, EQUIPMENT, VEHICLES, TRAVEL, AND LEAVE REQUESTS*

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When conducting the audit for property, we identified a best practice exhibited by post management. The post created a system called “i-request” to assist with the management of day-to-day requests for office supplies, equipment, vehicles, travel, and leave. The system was developed by the former IT specialist (currently the safety and security manager) to allow management to approve and monitor requests made by staff.

The system notifies supervisors of requests, which they can approve or deny in i-request. It then automatically updates the motor pool, equipment, and staff leave calendars. This allows the post to easily track what vehicles and equipment are in use, for how long, and by whom. It also permits post management to quickly determine when staff members are out of the office and why.

The post shared the i-request concept with other Peace Corps posts and based on the system’s effectiveness, 10 other posts have adopted the model.

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## QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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

### Questioned Costs

Recommendation number	Description	Amount
1	Uncollected overpayment of living allowances for departed Volunteers	\$2,260

### Funds Put to Better Use

Recommendation number	Description	Amount
1	Delay in the collection of an overpayment of living allowances for a departed Volunteer	\$565

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” are funds that could be used more efficiently if management took actions to implement and complete the recommendation.
- “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.

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## LIST OF RECOMMENDATIONS

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**We recommend:**

1. That the director of management and operations conduct periodic reviews of departed Volunteers' bank accounts by reviewing bank statements of the departed Volunteers and contacting the bank to ensure that the accounts are closed and any remaining funds are collected.
2. That the country director acquire approval from the Office of Global Accounts Payable to designate a sub-cashier and ensure the sub-cashier receives the necessary training.
3. That the director of management and operations ensure compliance with Peace Corps policy to issue bills of collection as soon as the amount is due to the Peace Corps, even if the exact amount is unknown, and ensure collection receipts are issued when funds are collected.
4. That the director of management and operations establish adequate internal controls to ensure that completion reports are reconciled before closing out the grant projects.
5. That the director of management and operations work with the Office of Acquisition Contract and Management to properly close out the residential lease contract.

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## **APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY**

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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 2012 to May 20, 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:

- BOCs
- 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.



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## APPENDIX B: LIST OF ACRONYMS

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OIG	Office of Inspector General
PSC	Personal Service Contractors
FY	Fiscal Year
BOC	Bill of Collections
CD	Country Director
USDE	U.S. Dollar Equivalent
OFMH	Overseas Financial Management Handbook
MS	Peace Corps Manual Section
OACM	Office of Acquisition Contract and Management

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## APPENDIX C: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT

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### *PEACE CORPS REQUIREMENTS*

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#### PEACE CORPS MANUAL

Peace Corps Manual 221, 5.8, “Partial Payment for Close of Service Volunteers” states

Payments for close-of-service Volunteers must be adjusted before the final payment is authorized to ensure that the living allowance payments cover only the number of days the Volunteer served. In those cases where the termination date of an early termination is known in advance, calculation of the final living allowance payment must also be adjusted to cover through the last day of service. Where information is not known in advance, the overpayment must be collected from the Volunteer or deducted from the Volunteer’s Readjustment Allowance.

The Peace Corps Manual 760, 3.3.8, “Definitions: Sub-Cashier” states

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

#### OVERSEAS FINANCIAL MANAGEMENT HANDBOOK

Section 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.

Section 13 Exhibit C, “A Guide to Sub-Cashiers” states

Sub cashiers make disbursements in support of Peace Corps activities. Sub cashiers are responsible for learning and implementing the procedures for operating an imprest fund as outlined in this guide and other provided material. These procedures were established to ensure adequate control over federal funds and to reduce the government’s vulnerability to fraud, waste and mismanagement.

## PEACE CORPS OFFICE OF INSPECTOR GENERAL

A Principal Class B Cashier is one who receives an advance from a disbursing officer for an imprest fund and is authorized to advance an imprest fund to his or her own alternate and to a Sub cashier. The Principal Cashier is accountable in his or her own name to the U.S. Disbursing Officer (USDO) for the entire amount of the advance received.

A Sub cashier is an individual who has been designated in writing by the Country Director or DMO and approved by the Director, Global Accounts Payable to receive an imprest fund from the Principal Cashier and is accountable to the Principal Cashier for the funds received. Payment limitations and safekeeping requirements, which apply to the Principal Cashier, also apply to Sub cashiers

Section 7.2.1 “Billing steps” states, “For internal control reasons, BOCs are entered as soon as it is known that Peace Corps will be receiving funds, even if the exact amount is not known (for example, HCC or VAT). It is very important that this Bill be entered in FOR Post at the moment it is identified.”

### CASHIER USER GUIDE

#### Chapter 6 “Collections,” states

Cashiers or officially designated collection agents are the only individuals authorized by the Department of State to collect funds... Class A and B, both Principal and Alternate, cashiers are automatically authorized to accept collections based on their position description. Sub-cashiers can only accept collections when authorization in writing to do so has been provided by the FMO, MO or Agency supervisor. If Sub-cashiers are provided the authority to accept collections, this must be indicated in the Sub-cashier’s official letter of designation

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## APPENDIX D: AGENCY'S RESPONSE TO THE PRELIMINARY REPORT

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Since 1961.

**MEMORANDUM**

**To:** Kathy Buller, Inspector General

**Through:** Anne Hughes, Chief Compliance Officer *AH*

**From:** Emily Untermeyer, Acting Regional Director, IAP  
Ken Yamashita, Associate Director, Global Operations  
Geraldyn Sheehan, Country Director, PC/Colombia *ES*

**Date:** September 19, 2016

**CC:** Carrie Hessler-Radelet, Director  
Laura Chambers, Chief of Staff  
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Angela Kissel, Compliance Officer  
Casey Welch, Director of Management and Operations, Colombia

**Subject:** Preliminary Report on the Audit of Peace Corps/Colombia (Project No. 16-AUD-04)

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Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/Colombia as outlined in the Preliminary Report on the Audit of Peace Corps/Colombia (Project No. 16-AUD-04) sent to the Agency on August 4, 2016.

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

**Recommendation 1**

**That the director of management and operations conduct periodic reviews of departed Volunteers' bank accounts to ensure that the accounts are closed and any remaining funds are collected.**

**Concur**

Peace Corps Colombia consistently collects overpayments of living allowances paid to volunteers. After six years of Peace Corps operations in Colombia the audit uncovered only one incident where a collection was not made. Immediately upon discovery a BOC was created to address the outstanding collection.

The audit did uncover five incidents where, due to bank negligence in not properly closing out PCV bank accounts, the post became vulnerable to illegal activity. This situation has resulted in additional procedures being established between the post and the post's bank to assure that no such opportunity occurs in the future.

Post, within 24-hours of a Volunteer medevac, early termination, or administrative separation, formally informs the bank to close the PCV's bank account immediately. The same day, the post receives a signed and stamped bank memo confirming the closed account, and this document is maintained at post. Once a PCV bank account is closed, any attempted deposit of funds through VICA should bounce back through the Department of State's system due to the PCV account being closed. For this reason, there should never need to be a BOC to collect. In the five incidents where the post reportedly failed to collect overpayments to Volunteers, the post had been working with a negligent bank, which did not properly close PCV accounts.

To prevent the bank's negligent behavior from occurring again, the post has established the following controls (see "Bank Account Closure SOP"), which the bank has agreed to:

1. The Director of Management and Operations (DMO) will review departed Volunteers' bank accounts by reviewing bank statements of the departed Volunteers and contacting the bank to ensure that the accounts are closed and any remaining funds are collected.
2. The bank has been notified to call the DMO to verify the closure of account.
3. Peace Corps will receive an email with the screen shot of the closed account.

**Documents Submitted:**

- Bank screen shot that bank account is closed
- Bank Account Closure SOP

**Status and Timeline for Completion:** Completed, May 2016

## **Recommendation 2**

**That the country director acquire approval from the Office of Global Accounts Payable to designate a sub-cashier and ensure the sub-cashier receives the necessary training.**

### **Concur**

Since the Peace Corps re-entered Colombia, the post has operated through cash advances to adequately support the Peace Corps Volunteers and staff in the field. Peace Corps Colombia follows this policy as it is within the boundaries of the regulation set out by the Overseas Financial Management Handbook (OFMH) 13.18.2, and Department of State regulations.

All occasional money holders have received written notification (see Occasional Money Holder Template) where all have signed and acknowledged their responsibilities as an occasional money holder. All occasional money holders fully understand that only the contracting officer and the Country Director may authorize expenditures as per their delegation of authority. This authorization may come written, or verbally as per Peace Corps Colombia internal policy (see "SOP Procurement of Equipment and Supplies"). If a verbal approval is given, it must be subsequently documented by an email or micro purchase form. Employees are expected to present quotes to the contracting officer prior to any spending/contracting for our review, consideration and approval.

To mitigate any future issues with our policy of using occasional money holders, the post has established the following additional control: Post adjusted the SOW for our Training Manager (TM) to be our designated sub-cashier and will ensure that the TM receives the necessary training. All weekend emergency imprest operations will be assumed by the TM as sub-cashier, on evenings and weekends, outside work hours (see "TM SOW").

### **Documents Submitted:**

- Training Manager SOW
- Email to Cash Monitor requesting Sub Cashier Responsibilities to Training Manager
- SOP Procurement of equipment and supplies
- Occasional Money Holder Template

**Status and Timeline for Completion:** Completed, August 2016

## **Recommendation 3**

**That the director of management and operations ensure compliance with Peace Corps policy to issue bills of collection as soon as the amount is due to the Peace Corps, even if the exact amount is unknown, and ensure collection receipts are issued when funds are collected.**

### **Concur**

To mitigate any future issues with policy, the post has established the following controls (see "Billing and Collecting SOP"):

1. Post has created a manual log with all expected reimbursements for bill of collections. This manual log will be maintained in the Admin shared folder with access to the folder pertaining to DMO, FA, AA, and Cashier.
2. Post has begun the process of issuing BOC's as soon as the amount is due to the Peace Corps.

**Documents Submitted:**

- Billing and Collecting SOP
- Screenshot of the Manual Log

**Status and Timeline for Completion:** Completed, May 2016

**Recommendation 4**

**That the director of management and operations establish adequate internal controls to ensure that completion reports are reconciled before closing out the grant projects.**

**Concur**

To mitigate any future issues with policy, the post has established standard operation procedures to ensure grant completion reports are reconciled. The Volunteer Support Manager now serves as backup and support staff for the review, approval, and reconciliation of grants (SPA, Partnership, FOC, etc.). This position also performs secondary verification of SPA receipts and budget before closing out the grant projects

**Documents Submitted**

- Volunteer Support Manager SOW
- SOP CONTROLS FOR SPA COMPLETION REPORTS

**Status and Timeline for Completion:** Completed, August 2016

**Recommendation 5**

**That the director of management and operations work with the Office of Acquisition and Contract Management to properly close out the residential lease contract.**

**Concur**

The Director of Management and Operations has worked with the Office of Acquisition Contract and Management to properly close out the residential lease contract in question. Secondly, to mitigate any future confusion with final leases versus draft leases, the post has established standard operation procedures (see 'SOP CONTROLS FOR FILE MANAGEMENT').

**Documents Submitted:**

- Memo to files: Office of Acquisition and Contract Management to properly close out the residential lease contract #230001; August 1, 2016
- SOP CONTROLS FOR FILE MANAGEMENT

**Status and Timeline for Completion:** Completed, August 2016



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## APPENDIX E: OIG COMMENTS

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Management concurred with all five recommendations. In its response, management described actions it is taking, or intends to take, to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that the agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. 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. All five recommendations remain open. We will review and consider closing these recommendations when the documentation reflected in the agency's response to the preliminary report is received.

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## APPENDIX F: AUDIT COMPLETION AND OIG CONTACT

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### AUDIT COMPLETION

This audit was conducted under the direction of Assistant Inspector General for Audit Judy Leonhardt by Senior Auditor Renita Davis.

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

### 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](mailto:jleonhardt@peacecorpsoig.gov) or 202.692.2914.

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