

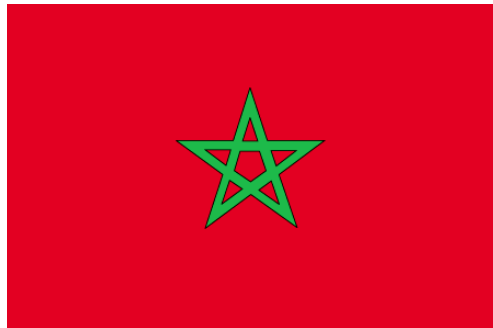


# Peace Corps Office of Inspector General

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*Peace Corps office in Rabat*



*Flag of Morocco*

## **Final Audit Report: Peace Corps/Morocco**

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July 2009



**Final Audit Report:  
Peace Corps/Morocco  
IG-09-10-A**

A handwritten signature in blue ink, reading "Gerald P. Montoya". The signature is fluid and cursive, with a long horizontal stroke extending from the end of the name.

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Gerald P. Montoya  
Assistant Inspector General for Audits

July 2009

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## EXECUTIVE SUMMARY

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This audit was performed in July 2008, and the results were briefed to management August 6, 2008. Briefing slides detailing our findings were provided to Peace Corps/Morocco and the regional director for Europe, Mediterranean, and Asia.

Peace Corps/Morocco's financial and administrative operations were in compliance with agency policy and federal regulations. In addition, internal control over post operations was in place and effective. As a result, we are not making any recommendations in this report. The following provides a summary of the audit findings.

### ***Imprest Fund***

The post did not perform quarterly imprest fund verifications, did not have an alternate cashier, and the cashier did not personally set the combination to the safe. The post took appropriate corrective action; therefore, we are making no recommendation at this time.

### ***Property Management***

The post did not maintain adequate separation of duties over management of the property inventory records and performance of the physical inventory verification. We confirmed that the post has taken action to strengthen internal controls over property management including segregation of duties in key activities. Therefore, we are not making any recommendations at this time.

### ***Medical Supplies***

The post did not maintain adequate separation of duties over its medical supplies. Because of new guidance issued after our initial field work, we are not making any recommendation at this time to allow the post to transition to the new guidance.

### ***Personnel Management***

The post did not include a copy of the most recent performance evaluations in the personal services contractor (PSC) files and security clearances for some PSCs needed updating. The post had already taken action to update security clearances and we confirmed that all clearances were obtained. Therefore, we are not making any recommendations at this time.

Our audit disclosed that the post was generally in compliance with Peace Corps policies and federal regulations and internal control over certain operations was effective. Our audit identified only minor deficiencies. The audit results can be attributed to the proactive management approach of the country director and the post's administrative officer in place at the time of the audit fieldwork. We did not make any recommendations. Since there are no recommendations contained in this report, comments are not requested.

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## INTRODUCTION

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In accordance with Government Auditing Standards issued by the Comptroller General, different forms of audit reports include written reports, letters, briefing slides, or other presentation materials. Because only minor deficiencies were identified during our audit and immediate corrective actions were taken, we did not make any recommendations. As a result, we did not prepare a formal audit report, deeming it sufficient to present our results to Peace Corps management using briefing slides on August 6, 2008. However, the post has experienced turnover in key positions in recent months and has requested that we issue a formal audit report.

The Office of Inspector General (OIG) performed an audit of Peace Corps/Morocco covering the period October 1, 2004 – July 1, 2008. We conducted a site visit to Peace Corps/Morocco July 1 – July 18, 2009.

The Peace Corps/Morocco program was established in 1963. Since the first Volunteers arrived, over 3,800 Volunteers have served in Morocco. Currently there are 192 Volunteers working in four project areas: Environment, Health, Small Business Development, and Youth Development.

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

Since we are not making any recommendations in this report, we do not request comments.

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## AUDIT RESULTS

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Our audit disclosed that the post was generally in compliance with Peace Corps policies and federal regulations, and internal control over operations was effective. As a result we identified only a few minor deficiencies.

The positive audit results can be attributed to the proactive management approach of the country director and the post's administrative officer.<sup>1</sup> In preparation for our audit, the administrative officer systematically assessed the post's operations to identify and correct deficiencies and improve economy, efficiency and effectiveness of most financial and administrative functions. This diligence was evidenced in our audit results, disclosing there were only minor deficient conditions in four of 16 areas reviewed. Further, we

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<sup>1</sup> The country director during the time of the audit fieldwork left the post September 2008, and the current country director arrived at the post August 2008. The administrative office at the time of the audit fieldwork left the post June 2009, and the current administrative officer arrived at the post July 2009.

determined that the post had taken or initiated corrective action on three of four areas during the time of the audit fieldwork. The fourth deficient area was impacted by changes in guidance for internal control over medical supplies and will be addressed through implementation of the related new procedures. Therefore, this report contains no recommendations. The following is a summary of our audit results:

#### Imprest Fund

The post did not perform quarterly imprest fund verifications, did not have an alternate cashier, and the cashier did not personally set the combination to the safe. The post took appropriate corrective action during the audit; therefore, we are making no recommendation at this time.

#### Property Management

The post did not maintain adequate separation of duties over management of the property inventory records and performance of the physical inventory verification. We confirmed that the post had taken action to strengthen internal control over property management including segregation of duties in key activities. Therefore, we are not making any recommendations at this time.

#### Medical Supplies

The post did not maintain adequate separation of duties over its medical supplies. At the time of our audit, the post had taken measures to correct this condition. New guidance on internal control over medical supplies was issued after our field work was completed. The significant changes in policy and procedures have likely resulted in other non-compliance issues. However, we are not making any recommendations at this time to allow the post to transition to the new guidance.

#### Personnel Management

The post did not include a copy of the most recent performance evaluations in the personal services contractor (PSC) files and security clearances for some PSCs needed updating. Prior to concluding our site visit the post had taken action to update security clearances, and we confirmed that all clearances were obtained. Therefore, we are not making any recommendations at this time.

### **A. IMPREST FUND**

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#### ***1. The country director did not perform the required quarterly imprest fund verification.***

Peace Corps Manual (PCM) section 760.16.1 states:

Fund Verification, which accounts for all funds advanced to the cashier, is a basic supervisory responsibility to assure protection of U.S. funds. Unannounced verifications must be completed on a monthly basis for all Class B cashiers and alternate cashiers. Monthly reconciliations are required for sub-cashier funds of U.S. \$1,000 (LCU equivalent) or more;

quarterly reconciliations are required for sub-cashier funds of less than U.S. \$1,000 (LCU equivalent).

In rare instances, with a well documented justification explaining why reconciliation cannot be performed by the sub-cashier, the post may submit a waiver request to the Director of ARCM. If the Director of ARCM approves the waiver request, the waiver will be forwarded to the Director of the Office of Financial Policy and Management Control at the Department of State for a final decision.

The country director is specifically responsible for conducting the verification at least once per quarter. The cashier supervisor/CVO may perform the verification during the other months.

Quarterly verifications were not performed because the country director opted to monitor the imprest fund by reviewing the monthly verifications performed by the other verification officers. Nevertheless, the post acknowledged this important internal control and subsequent to the audit, was performing the required quarterly verifications. Subsequent to our audit, we confirmed that that the verifications were performed as required. Therefore, no recommendations are made.

***2. The cashier did not personally set the combination to the imprest fund safe.***

PCM section 760.9.4 states "The cashier must personally set the combination to the safe. The security officer or technician is not authorized to set or know the combination of the safe. The cashier must memorize the lock combination for the safe or other security lock..."

The U.S. Department of State Foreign Affairs Handbook (4 FAH-3 H-317.3-2) states:

The lock combination is changed by the employee to whom the equipment is assigned. When an employee having knowledge of a combination is succeeded in office, the successor employee changes the combination. When, due to emergency conditions, the safe is opened in the absence of the responsible employee, the responsible employee upon return to duty immediately changes the combination, and verifies the funds. It is the responsibility of the resident regional security officer or the post security officer to instruct the responsible employee in the technique for changing the safe combination.

Since cashiers are responsible for security over the imprest fund, they must be able to efficiently change the safe combination annually, in instances where the fund is temporarily transferred to an alternate cashier, or whenever the cashier deems it is appropriate and necessary, without depending on the availability of an outside party.

We found that the cashier had not personally set the combination to the safe used to maintain cash related to the imprest fund. However, we confirmed that the post took corrective action to require that the cashier change the combination to the safe. Therefore, no recommendations are made.

**3. *The post did not have an alternate cashier.***

PCM section 760.8.0 states:

Each principal (Class B) cashier must have an alternate cashier at the same location. If assisting in regular cashier duties, the alternate must have his or her own safe or a separate drawer with a separate three-tumbler, government approved security lock in a shared safe.

In most cases, an alternate cashier will only serve in the absence of the principal cashier, normally using funds from an interim advance from the Class B cashier. The country director or his/her designee must determine if the absence of the principal cashier will be of such length as to justify the transfer of the imprest funds to the alternate cashier. In such cases, a formal transfer of funds, including imprest fund reconciliation, must be accomplished and the combination of the safe must be changed.

In addition, PCM section 760.9.0 requires that cashiers be direct hire employees, either foreign personnel or foreign service nationals (FSN); speak and read English fluently; meet embassy security requirements; and have appropriate experience and abilities. As indicated in Peace Corps policy, the alternate cashier must be a U.S. direct hire or FSN.

At the time of audit, the country director and administrative officer had already recognized the need for an alternate cashier and had taken appropriate action by converting an existing employee to an FSN capable to performing alternate cashiering duties.

We confirmed that the post had appointed an alternate cashier in accordance with Peace Corps policy. As a result, we are not making any recommendations related to the appointment of an alternate cashier.

## **B. PROPERTY MANAGEMENT**

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**1. *The post did not maintain adequate separation of duties over management of the property inventory records and performance of the physical inventory verification.***

PCM section 511.5.6 states, “Individuals other than the Property Officer check database property reports against physical inventory of property to confirm the existence of property listed on the inventory record.”



The general services officer (GSO) served as the property officer. The property officer is responsible for receiving and properly recording new property in the property management records. The property officer's duties also include signing for all new property, attaching the bar-code to the property, and recording property disposals. However, the GSO also conducted the annual physical inventory verification. As a result, the post lacked proper separation of duties in this area. The Government Accountability Office, "Standards for Internal Control in the Federal Government," states:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

To ensure effective internal control and comply with Peace Corps and federal policy, an individual assigned to conduct inventory counts must be independent of the inventory management and recording process. Further, the individual assigned to perform an inventory should not be an accountable property holder for the property they the individual will physically count.

We confirmed that the post has taken action to strengthen internal controls over property management including segregation of duties in key activities. Therefore, no recommendations are made.

### **C. MEDICAL SUPPLIES**

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#### ***1. The post did not maintain adequate separation of duties over its medical supplies.***

On November 26, 2008, Peace Corps updated PCM section 734 to improve internal controls over medical supplies. This guidance was issued after our audit field work. The updated guidance assigned a Medical Supply Inventory Control Clerk (MSIC) to perform inventory responsibilities.

PCM section 734.3.4 states:

The Medical Supply Inventory Control Clerk (MSIC Clerk) is designated by the country director. The MSIC Clerk maintains the Medical Inventory Control Log, which houses the inventory status of all medical supplies that are specially designated or controlled substances purchased, received, and stocked at post. The MSIC Clerk must be a person from outside the Medical Unit staff.

The Acceptance Point Clerk (APC) is responsible for receiving medical supplies at post and coordinating their initial inventory and transfer to the Medical Unit. The APC works with both the MSIC Clerk and the PCMO

[Peace Corps Medical Officer] to ensure that medical supplies are delivered and inventoried. The APC must not be an individual assigned to the Medical Unit staff, and cannot serve as the MSIC Clerk. Further, the APC may not perform the quarterly inventory of medical supplies.

According to PCM section 734.3.5.3:

The MSIC Clerk must maintain an accurate and complete set of inventory records for all medical supply items that are specially designated or controlled substances (Medical Inventory Control Log). . .

The PCMO must use form PC-734C to record the item and quantity dispensed, to whom it was dispensed, and when dispensed. . .

Copies of the PC-734C forms and disposal records should be sent to the MSIC Clerk at least monthly. Before providing copies of the form PC-734C to the MSIC Clerk or anyone other than Medical staff, the section of the form containing personally identifiable information must be removed and destroyed.

During the audit we found some issues regarding compliance with the guidance on internal control over medical supplies. Although the post had taken appropriate corrective action subsequent to our audit, significant changes in guidance have been issued since our site visit. It is important that the post implement the revised Peace Corps policy related to medical supplies in a timely manner. Adequate separation of duties is critical to effective internal control and minimizes the risks associated with fraud, waste, and abuse.

We confirmed that the post has begun implementation of the new guidance for medical supplies. Since the guidance was issued after our initial field work, we are not making any recommendations at this time to allow the post to transition to the new guidance and until we have an opportunity to evaluate the post based upon the new guidance.

#### **D. PERSONNEL MANAGEMENT**

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***1. The post did not include a copy of the most recent performance evaluations in the personal services contractor (PSC) files.***

PCM section 743.19 states:

It is U.S. Government policy that a PSC's performance be evaluated during and at the completion of each contract. Only complete and objective written performance evaluations may be utilized in the acquisition process to assess the PSC's past performance and in considering the contractor for future awards.

All PSCs will be evaluated by the country director, or another Peace Corps employee designated by the country director, during and at the completion of their in-country work. A copy of the evaluation should be maintained by the country director. . .

Five of 35 PSC files we reviewed did not contain a copy of the employee's most current performance evaluation.

PCM section 743 includes attachment F, "Personal Service Contract File Checklist." This checklist assists posts in identifying and including all necessary information in PSC files. The checklist includes statement of work, competition documents, security clearance, and intelligence background certification. Although two of the 14 PSC files reviewed contained a checklist, it was not the most current version.

Evaluations are essential for determining whether PSCs are fulfilling the duties assigned in their contracts. The evaluations also assist in identifying developmental needs. Without proper documentation, the country director may be unable to justify employee promotions, terminations, and other administrative actions. Additionally, use of the Personal Service Contract File Checklist is an effective management tool to ensure compliance with Peace Corps policy.

During the field work, the post took action to complete the performance evaluations. We confirmed that the PSCs' evaluations were updated. Therefore, no recommendations are made.

## ***2. Security clearances for some personal services contractors were not on file or needed updating.***

PCM section 743.8 states:

Foreign nationals are not permitted access to classified information or material. Also, the country director must request the Embassy Security Officer to conduct an appropriate investigation of a proposed PSC prior to executing a Personal Services Contract with a foreign national.

Upon the post's request, the embassy security officer conducts an investigation and issues security clearances if the employee receives a favorable investigative report. The security clearances are valid for five years and list the expiration date on the form provided to the Peace Corps.

Executive Order 10450 states, "The interests of the national security require that all persons privileged to be employed in the departments and agencies of the Government, shall be reliable, trustworthy, of good conduct and character, and of complete and unswerving loyalty to the United States." Security clearances are necessary to safeguard Peace Corps information and resources from untrustworthy or unreliable individuals. Maintaining current security clearances provides reasonable assurance that PSCs are in fact reliable, trustworthy, and of good conduct and character.

During our review of 35 PSC and FSN files, we determined that three PSC files did not contain a security clearance and five of the security clearances on file were more than five years old. However, the post had already requested updated security clearances for the PSCs in question. We have since confirmed that the clearances have been updated. Therefore, no recommendations are made.

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## POST STAFFING

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At the time of our visit, the post had 40 staff positions: three U.S. direct hire (USDH) employees, two FSNs, and 35 PSCs. The following lists the Peace Corps Morocco staff as of July 1, 2009.

### PC/Morocco's Positions

Director	<b>USDH</b>
Executive Assistant & SPA Coordinator	PSC
Safety and Security Coordinator	PSC
Program and Training Officer	<b>USDH</b>
Youth Development Program Manager	PSC
Youth Development Program Assistant	PSC
Health Program Manager	PSC
Health Program Assistant	PSC
Environment Program Manager	PSC
Environment Program Assistant	PSC
Small Business Dev. Program Manager	PSC
Small Business Dev. Program Assistant	PSC
Training Manager	PSC
Homestay Coordinator	PSC
Language & Cross-Culture Coordinator (2)	PSC
APCD/Admin.	<b>USDH</b>
Financial Assistant (Retired FSN and under contract)	PSC
Financial Assistant	<b>FSN</b>
Admin Assistant and Volunteer Support	PSC
Cashier	<b>FSN</b>
PCMC(3)	PSC
Medical Secretary	PSC
Information Resource Coordinator	PSC
Information Technology Specialist	PSC
General Service Officer	PSC
General Service Assistant	PSC
Admin Assistant/Receptionist	PSC
Driver (3)	PSC
Mail Clerk	PSC
Maintenance	PSC
Guard (5)	PSC

## APPENDIX A

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### 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. Our audits are conducted in accordance with the government auditing standards prescribed by the Comptroller General of the United States.

The audit of Peace Corps/Morocco covered the period October 1, 2004 – May 31, 2008. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and the medical officer. At the end of our audit, we briefed the country director and administrative officer. At headquarters, we conducted a general briefing for regional staff.

We relied on computer-processed data from the post's accounting system. While we did not test the system's controls, we believe the information generated by the system and used by us was sufficiently reliable for our audit objective. In addition, we reviewed physical documentation for the transactions provided from the accounting system and did not identify any discrepancies.

Our audit criteria were derived from the following sources: the Peace Corps Manual, the Overseas Financial Management Handbook, current Peace Corps initiatives and policies, and other federal regulations.

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### LIST OF ACRONYMS

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FSN	Foreign Service National
FY	Fiscal Year
GSO	General Services Officer
MSIC	Medical Supply Inventory Control
OFMH	Overseas Financial Management Handbook
PCM	Peace Corps Manual
PCMO	Peace Corps Medical Officer
PSC	Personal Services Contractor
USDH	United States Direct Hire

## APPENDIX B

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# AUDIT COMPLETION AND OIG CONTACT

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### AUDIT COMPLETION

The audit was performed by auditor Gerald P. Montoya, Assistant Inspector General for Audit.

### OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Gerald P. Montoya, Assistant Inspector General for Audit, at [gmontoya@peacecorps.gov](mailto:gmontoya@peacecorps.gov), or call him at (202) 692-2907.

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