



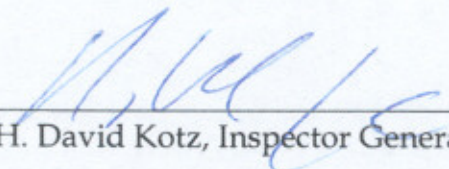
Peace Corps  
Office of Inspector General

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**FOLLOW-UP AUDIT REPORT**

**Peace Corps/Armenia**

**IG-08-01-FUA**

  
H. David Kotz, Inspector General

October 2007

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## **INTRODUCTION**

The Office of Inspector General conducted an audit and program evaluation of Peace Corps/Armenia August 9 – 27, 2004 and issued our report in February 2005.<sup>1</sup> As part of our continuing oversight responsibilities, we conducted a follow-up audit September 6 – 12, 2007 to verify the status of the audit recommendations included in the report.

Management concurred with all 12 audit recommendations in our prior report. Based on management's responses, we closed nine audit recommendations upon issuance of our report. Three audit recommendations were left open pending action to be taken and were subsequently closed by the chief compliance officer.

Appendix A provides a description of our follow-up audit objective, scope, and methodology.

## **BACKGROUND**

Approximately 600 Peace Corps Volunteers have served in Armenia since the inception of the program in 1992. At the time of our 2007 visit, 87 Volunteers were working in four program areas: English language education (TEFL), community and business development, community health education, and environmental education. The post's 25 full-time staff included three U.S. direct hires, one foreign service national, and 21 personal services contractors.

## **SUMMARY OF FINDINGS**

At the post, we verified that appropriate action had been taken on nine of the 12 audit recommendations. We determined that three required additional action, and we reopened these recommendations. The post subsequently provided us with documentation showing that, following our visit, it had taken appropriate action on two of the three recommendations that we reopened and, accordingly, we closed them.

We determined that recommendation number six still requires additional action. This recommendation will remain open pending the completion of the required action and confirmation from the chief compliance officer.

A summary of the status of the audit recommendations as the result of our follow-up audit is shown in Table 1 below, followed by the results of our verification of each recommendation.

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<sup>1</sup> Final Report, Program Evaluation and Audit of Peace Corps/Armenia (IG-05-02-AE) was issued in February 2005. The report contained a combined total of 20 audit and program evaluation recommendations with 12 of the recommendations being audit ones.

**Table 1. Status of Audit Recommendations as the result of our follow-up audit and subsequent action taken by the post.**

<b>Audit Area</b>	<b>Number of Recommendations</b>	<b>Number of Recommendations Closed</b>	<b>Open Recommendation Number</b>
<b>Imprest Fund</b>	3	3	
<b>Billings and Collections</b>	2	2	
<b>Volunteer Allowances</b>	2	1	6
<b>Furniture and Equipment</b>	1	1*	
<b>Vehicle Management</b>	1	1*	
<b>Procurement</b>	2	2	
<b>Medical Supplies</b>	1	1	
<b>Total</b>	<b>12</b>	<b>11</b>	<b>1</b>

\* Recommendation was reopened as the result of our follow-up audit and subsequently closed as a result of additional action taken by the post.

## **RESULTS**

Each item below includes the recommendation, management’s response, and the results of our verification.

### **Imprest Fund**

**1. That the country director obtain authorization for its pass-through bank account from Fiscal Services.**

**Management’s Response:** CONCUR: Post has requested HQ’s assistance in obtaining USDO approval for its pass-through account. Upon receipt of the authorizing cable from the USDO in Bangkok, Post will forward document to Fiscal Services for its records. STATUS: Request made by Post to HQ on December 14, 2004.

**OIG Verification: Recommendation closed.** The post obtained authorization for its pass-through account from Fiscal Services in the Office of the Chief Financial Officer (OCFO) and from the Financial Service Center (FSC). We reviewed the June 2006 request from the acting cash manager of Fiscal Services to the FSC in Charleston requesting approval for a pass-through account. We also reviewed the letter of approval from the FSC’s Chief, International Banking, dated August 23, 2006.

**2. *That the post have an audit of the imprest fund performed annually.***

**Management's Response:** CONCUR: The Class B Cashier from the U.S. Embassy in Yerevan performed an outside imprest audit at the request of post. STATUS: Completed November 5, 2004.

**OIG Verification: Recommendation closed.** We verified that the post had outside audits of its imprest fund performed annually. We reviewed the results of the audits, which were maintained in the post's administrative files. The audits were performed by the U.S. embassy cashier on November 5, 2005, April 17, 2006, and September 7, 2007. The audited cash reconciliations showed zero difference between required and actual accountability.

**3. *That the cashier keep signatures of approving officials on file.***

**Management's Response:** CONCUR: A signature card with original signatures of approving officials will be signed. STATUS: Completed.

**OIG Verification: Recommendation closed.** We reviewed the listing of original signatures of approving officials on file with the cashier. The signatures included the country director, administrative officer, and programming and training officer.

### **Billings and Collections**

**4. *That bills of collection be prepared for all items.***

**Management's Response:** CONCUR: Post has implemented a system to provide for issuance of bills of collection for all items. STATUS: Completed August 26, 2004.

**OIG Verification: Recommendation closed.** We reviewed the billings register and verified that billings had been made on a regular basis for such items as personal telephone usage, unused Small Project Assistance (SPA) funds, and partial living allowance payments for early terminating Volunteers.

*5. That the billing officer monitor the status of outstanding items and conduct timely follow-up.*

**Management's Response:** CONCUR: Post has implemented a process to assure that the billing officer monitors the status of outstanding items on a bi-monthly basis to ensure timely follow-up. STATUS: Completed August 26, 2004.

**OIG Verification: Recommendation closed.** The post's procedure has been that the billing officer reviews the status of outstanding items on a weekly basis, every Monday, and follows up as needed at that time. We noted that a recurring item on the billing officer's Monday morning electronic calendar was: "Print collections." We reviewed the billings register (billing log) and verified that collections were current.

In addition, we obtained the "Outstanding Collections" reports for the five months ending August 31, 2007. These reports were submitted to the OCFO at the end of each month. We selected several entries on the reports and verified that the information had been properly recorded in the billings register, and we reviewed the related bills of collection and general receipts. Two billings on August 17, 2007 remained outstanding as of September 6, 2007, the date of our review.

## Volunteer Allowances

**6. *That the country director use independent surveys and Volunteer surveys to determine the adequacy of Volunteer settling-in and living allowances.***

**Management's Response:** CONCUR. Concurrent with the 2005 Living Allowance Survey (conducted in December 2004) staff conducted independent surveys to determine the adequacy of Settling-In and Living Allowances. Surveys will be analyzed on or before January 30, 2005. STATUS: To be completed by January 30, 2005.

**OIG Verification: Recommendation reopened.** We verified that the post has been conducting Volunteer living and settling-in allowance surveys on an annual basis, by reviewing the survey results maintained in the administrative files. However, the results for the Volunteer settling-in allowance survey distributed to new Volunteers in August 2005 were not on file. The post's Volunteer support specialist, who conducted the survey and maintains the files, stated that the survey had been performed, but she was unable to locate the folder containing the results. Alternatively, we confirmed with three Volunteers that swore in August 2005, that they had participated in the settling-in allowance survey.

We verified that the post has been conducting independent living allowance surveys on an annual basis, by reviewing the survey results. However, we noted that the post conducted the surveys only in the capital, Yerevan, where no Volunteers are situated. In order to achieve the objective of the independent survey as stated in Peace Corps Manual (PCM) section 221.5.5.2, "to verify the results of the living allowance survey," the independent surveys should be performed in representative locations where Volunteers are situated. We noted, for example, that Volunteer rent allowances differed for cities, towns, and villages; this may well indicate differing prices of goods as well.

Further, we noted that the post did not conduct independent settling-in allowance surveys. Such surveys, which are required by PCM section 221.4.2, are an important tool in assisting the country director to determine whether the settling-in allowance is adequate. The Volunteer support specialist stated that she thought independent surveys were needed only for living allowances.

Subsequent to the follow-up audit, the post submitted to us documentation that it had conducted an independent settling-in allowance survey and that the survey included representative locations where Volunteers are living. However, the post is awaiting the return of Volunteers' settling-in allowance surveys.

This recommendation will remain open pending confirmation to us from the chief compliance officer that the post has used the results of the independent settling-in allowance survey in conjunction with the results of the Volunteer settling-in allowance survey to determine the adequacy of the settling-in allowance and that the post's independent living allowance survey is performed in representative locations where Volunteers are situated.

**7. That the post obtain a memorandum of understanding from the bank handling Volunteer allowances that is in accordance with the Peace Corps manual**

**Management's Response:** CONCUR: PCVs are now required to have regional banking accounts at one of two banks. All PCVs will have opened regional bank accounts no later than January 15, 2005 in order to receive their February and March allowances during the last week of January 2005. Post is presently in discussions with these two banks regarding memoranda of understanding that are in accordance with the Peace Corps Manual. STATUS: To be completed by March 30, 2005.

**OIG Verification: Recommendation closed.** The post was unable to obtain memoranda of understanding (MOUs) from the two banks handling Volunteer allowances. Alternatively, the post requested and received a waiver from the OCFO. We reviewed the memo dated February 21, 2007 from the director, Office of Global Accounts Payable, granting the exception consistent with PCM section 221.6.1.1. We also reviewed a memo from the post's administrative officer to the agency's chief compliance officer explaining that the banks did not wish to execute MOUs because the post maintained only pass-through accounts with the banks.

### **Furniture and Equipment**

**8. That the post conduct a complete physical inventory.**

**Management's Response:** CONCUR: Post conducted a complete physical inventory and resubmitted an updated inventory log using the new Excel format to the Office of Administrative Services. Post will henceforth conduct a semi-annual spot check of the inventory logs to ensure that the physical inventory log is accurate. STATUS: Completed October 27, 2004.

**OIG Verification: Recommendation reopened as the result of our follow-up audit and subsequently closed as the result of additional action taken by the post.** The post last conducted a physical inventory in October 2006. We reviewed a confirmation to headquarters that was signed by the administrative officer and the country director and dated November 1, 2006 which stated, "a 100% physical inventory was conducted."

On September 7, 2007, we obtained the current inventory listing and performed a limited review on a test basis. We noted the following:

- A safe and an armchair each had duplicate tags.
- A two-door cabinet in the reception area, was tagged but not on the listing.
- The clothes dryer, which was listed as "disposed," had, in fact, been repaired and was in use.



- Three safes, which the GSA informed us were not repairable, were in the storage room. One had been in storage since 2001; the GSA stated that there was confusion on how to dispose of it. The other two safes, which were placed in storage in fiscal year 2007, were shown on the inventory listing as “in use.” During the course of our audit, the administrative officer contacted the U.S. embassy’s regional security officer (RSO) for guidance on how to properly dispose of the safes. The RSO responded that he would handle their removal. Subsequent to the audit, the post confirmed to us that the RSO had removed the defective safes from the post’s premises.

Management, in its response to our audit recommendation, stated that the post would conduct semi-annual spot checks of the inventory. However, the administrative officer told us that these were not performed during the last year, and there was no documentation on file that these were performed in prior years. Following our discussion, the administrative officer told us that the post would initiate quarterly spot checks.

The post received a memo from the OCFO stating that posts’ inventory listings were due in headquarters by September 20, 2007. However, as of September 12, 2007, the completion date of our follow-up audit, PC/Armenia had not conducted its physical inventory. The administrative officer informed us that the post would immediately begin the physical inventory and intended to meet the headquarters due date. With the departure in July 2007 of the post’s general services manager, who had been responsible for physical inventories, the administrative officer appointed several staff members, working under her supervision, to perform this physical inventory; the general services assistant (GSA) is unable to conduct it because he maintains the inventory records. The administrative officer stated that she would perform spot checks before forwarding the inventory listing to headquarters.

Subsequent to the audit, the post submitted to us documentation that it had conducted a complete physical inventory; that the inventory listing included corrected entries for the cabinet, the clothes dryer, and the safes noted above; that duplicate tags were removed from the inventory; and that the administrative officer had performed spot checks to verify the inventory’s accuracy. Accordingly, we have closed this recommendation.

## Vehicle Management

*9. That the post complete vehicle maintenance record forms for all vehicles.*

**Management's Response:** CONCUR: Post now maintains separate vehicle maintenance record forms for all vehicles in addition to filed copies of maintenance receipts. Post purchases fuel using fuel coupons, and a separate Excel log, which is updated two to four times per week as required, records fuel usage per vehicle. STATUS: Completed December 11, 2004.

**OIG Verification:** Recommendation reopened as a result of our follow-up audit and subsequently closed as the result of additional action taken by the post. We reviewed the post's vehicle maintenance files on a test basis and found them to include receipts and other maintenance documents. However, the post only began to use the "Vehicle Maintenance Record" form, required by PCM section 527.6.1 and included in Attachment C to the policy, as of August 20, 2007. This form itemizes the maintenance on the vehicle and is an important day-to-day and managerial tool to ensure that proper maintenance is being performed.

On October 16, 2007, the post submitted to us copies of completed vehicle maintenance record forms for the period August 20 – October 15, 2007. Accordingly, we have closed the recommendation.

## Procurement

*10. That certifications of acceptance be prepared and included with all lease contracts.*

**Management's Response:** CONCUR: Post issued certifications of acceptance as standard operating procedure for all lease contracts. STATUS: Implemented August 26, 2004.

**OIG Verification:** Recommendation closed. We obtained the lease files and verified that the post's current leases for the office and the U.S. direct hire residences had certificates of acceptance.

*11. That PSC contracts be updated and amended to correct the deficiencies noted.*

**Management's Response:** CONCUR: New one-year contracts have been drafted, which include all the deficiencies noted. These contracts will be signed in January 2005 and will cover the FY05 contract period. STATUS: To be completed January 31, 2005.

**OIG Verification: Recommendation closed.** We selected contracts of five personal services contractors (PSCs), including two drivers, from the administrative files and verified that the deficiencies noted in the prior audit report were corrected. Specifically, we noted that:

- The drivers' overtime rates were correctly shown on the cover page, and overtime rates for other staff were correctly shown as "N/A."
- The current date was used in the text of the contracts.
- The total contract amounts on the cover page included option years.
- The contracts included provisions for fraternization and employee standards of conduct.

We further noted that the post was employing the agency's standard PSC contract template in PCM section 743, Attachment E.

### Medical Supplies

*12. That the country director ensure that the medical unit record all medications given to Volunteers.*

**Management's Response:** CONCUR: The Medical Unit has implemented procedures to record all prescription medications given to Volunteers in both their personal health records and in the prescriptions medications log upon distribution. All over-the-counter medicines are recorded in the OTC/ Medical Disposal Log. STATUS: Completed August 26, 2004.

**OIG Verification: Recommendation closed.** We verified that medications given to Volunteers were being properly recorded by obtaining the listing of medications dispensed to Volunteers and tracing a sample of items to the prescription medication log and the Volunteers' personal health records.

## OBJECTIVE, SCOPE, AND METHODOLOGY

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Our objective in a follow-up audit is to verify the status of our previous audit recommendations. Our conclusions are based on information from three sources: (1) document and data analysis, (2) interviews, and (3) direct observation. Our audit follow-up was conducted in accordance with the governmental auditing standards prescribed by the Comptroller General of the United States. Our scope was limited to verification of the status of previous audit recommendations in the “Final Report, Program Evaluation and Audit of Peace Corps/Armenia” (Report No. IG-05-02-AE), issued in February 2005. At the end of our follow-up audit, we briefed the country director and administrative officer. At headquarters, we conducted a general briefing for regional staff.

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.

## APPENDIX B

# AUDIT COMPLETION AND OIG CONTACT

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### AUDIT COMPLETION

The follow-up audit was performed by senior auditor Steven Kaffen.

### 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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