



Peace Corps Office of Inspector General



Peace Corps office in Baku, Azerbaijan



Flag of Azerbaijan

Final Audit Report **Peace Corps/Azerbaijan**

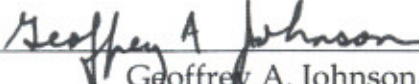
March 2008



FINAL AUDIT REPORT

Peace Corps/Azerbaijan

IG-08-09-A



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EXECUTIVE SUMMARY

OUR MISSION

“TO PROMOTE AND PRESERVE THE EFFECTIVENESS, INTEGRITY, AND EFFICIENCY OF THE PEACE CORPS”

The Office of Inspector General conducts regular audits of Peace Corps operations at the agency’s headquarters, regional recruitment offices, and overseas posts.

We found that, in general, Peace Corps/Azerbaijan’s financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. However, there were a few areas in need of improvement. Some of the more important findings are summarized below.

Use of Appropriations – Appropriated funds were used for counterpart training.

Imprest Fund – The cashier was not performing daily imprest fund reconciliations and was not performing the reconciliation using the correct documents. In addition, the cashier did not always have adequate access to equipment to perform her duties. Further, bank reconciliations were not being performed properly.

Medical Supplies – The country director or designee did not inventory medical supplies monthly.

Host Country Contributions – Host country contributions were not reflected in the post’s Operating Plan.

INTRODUCTION

GENERAL

The Office of Inspector General conducted an audit of Peace Corps/Azerbaijan between September 19 - October 5, 2007. This is the first audit of PC/Azerbaijan. A program evaluation (IG-07-11-E) was conducted in FY 2007.

BACKGROUND

The Peace Corps opened its program in Azerbaijan in 2003. At the time of our visit, 87 Volunteers were working in three projects: English Education (TEFL), Community Economic Development, and Youth Development.

OBJECTIVE

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 description of our audit objective, scope, and methodology.

AUDIT RESULTS

Peace Corps/Azerbaijan's financial and administrative operations, in general, were functioning effectively and complied with Peace Corps policies and federal regulations. However, we found that:

- The post provided transportation and per diem for counterparts using appropriated funds.
- Imprest fund operations were not conducted in accordance with Peace Corps policies.
- The country director or designee did not perform the inventory of medical supplies monthly.
- Host country contributions were not reflected in the Operating Plan.
- Lease and contract files did not contain all required documentation.

APPROPRIATED FUNDS

MISUSE OF APPROPRIATED FUNDS

PC/Azerbaijan provided transportation and per diem to Volunteer counterparts using appropriated funds.

OFMH section 46.7 prohibits the use of appropriated funds, provided in the post's budget, for counterpart training costs because Peace Corps does not have legislative authority for such expenditures. The use of reimbursable funds would be appropriate.

OFMH section 46.7 also states:

... counterparts (or other HCNs) may participate in Volunteer training activities:

- if no additional cost is involved;
- if they serve as trainers;
- if their presence does not increase the cost of training to the Peace Corps and does not disrupt or dilute unduly the training of the Volunteers; or
- in any other circumstance in which, in the judgment of the Peace Corps, their participation enhances the training of the Volunteers.

One of the 13 obligations that we reviewed showed that the post provided transportation and per diem, totaling approximately \$43, to Volunteer counterparts for the purpose of attending a pre-service training event.

The administrative officer stated that the post paid for Volunteer counterparts' per diem and transportation for pre-service training based upon the same rationale used to pay transportation and per diem of host country national (HCN) stakeholders to attend three Project Advisory Committee meetings (allowed by PCM section 813.4.1).

However, because the obligation in question specifically involved training activities, additional documentation supporting its purpose under OFMH section 46.7 is required in order to use appropriated funds.

RECOMMENDATION

We recommend:

- 1. That the post prepare written justification each time appropriated funds will be used for costs related to counterparts' participation in training before the costs are incurred.**

VOLUNTEER/TRAINEE ALLOWANCES

SUPPORT FOR VOLUNTEER PAYMENTS

PC/Azerbaijan could not support payments to Volunteers relating to World Wise Schools.

PCM section 221.5.1 states:

Volunteers are entitled to a living allowance in order that they may serve effectively and safely overseas... living allowances should be based on local living standards and costs...

The financial specialist, who prepared the living allowance payment schedule, paid a postage allowance every month to Volunteers using a list of World Wise Schools (WWS) participants.

We found that the post did not have a process in place to advise the financial specialist when Volunteers entered or exited the WWS program. As a result, there may have been Volunteers who continued to receive payments but were no longer participating in the program, or Volunteers who were participating in the program but were not yet receiving payments.

During the audit, the administrative officer instructed the post's WWS coordinator to provide an updated list of WWS participants monthly to the financial specialist.

RECOMMENDATION

We recommend:

- 2. That the financial specialist utilize monthly reports from the post's WWS coordinator to provide appropriate payments to Volunteers for WWS postage.**

BILLINGS AND COLLECTIONS

BILLING OFFICER DUTIES AND RESPONSIBILITIES

PC/Azerbaijan's billing log was incomplete.

PCM section 777.5.0 provides agency policy and procedures for the control of billings and settlement transactions as follows:

For activities where the initial entry and accounting control is by manual means a Register of Billing and/or Collection Transactions, Peace Corps Form No. PC-1565 (Attachment E) will be used. Each billing will be listed on the register to identify the transaction and its disposition....The control registers will serve as source documents for periodic reports, required reviews, reconciliation or in support of subsidiary records used for accounting purposes.

The billing officer maintained a billing log that included the General Receipt numbers of collections made by the cashier. However, we found that the log did not include the date of collection as required by the PC-1565. The billing officer and the administrative officer disclosed to us that they were not aware of this requirement.

The billing officer should track the time that bills of collection (BOCs) are outstanding by using the billing log. In order to do this, the date of collection must be included in the billing log.

PC/Azerbaijan was not billing for personal calls in a cost-effective manner.

PCM section 834.4.2 states:

Country Directors have the discretion to set up a call collection system for unauthorized calls if it is cost-effective to do so.

The Director of the Office of Global Accounts Payable issued a clarification email to all administrative officers on July 29, 2007 reminding them that "... agency policy authorizes country directors to establish written, post-specific policy... which sets a threshold for billing, based on a consideration of the costs incurred in the billing and collection process – i.e., is it cost effective to bill for an amount less than 'x'... we have noticed that many, many collections are made – often for very small amounts – and are wondering why."

The purpose of this policy is that the country director eliminate the billing of small amounts, thus increasing the cost-effectiveness of the billing process. The desired result is that the billing officer will reduce the number of BOCs issued without materially reducing the amount collected with a secondary result that staff members be encouraged to make fewer unauthorized calls.

The country director had established a 5 manat¹ (approximately \$5.88) allowance for staff personal calls, i.e., all debts for personal calls were reduced by 5 manat. As a result, we found that the billing officer was producing approximately six fewer BOCs for personal calls per month (a reduction of 25%). However, the post continued to bill for small amounts (e.g., a 5.50 manat bill became a 0.50 manat bill). In addition, for those whose bills for personal calls consistently exceed 5 manat per month, the post was simply losing money (e.g., a 20 manat bill became a 15 manat bill).

¹ Azerbaijan's currency is called the manat.

RECOMMENDATIONS

We recommend:

3. That the billing officer include the date of collection from the General Receipt in the billing log.²
4. That the country director, with the help of the administrative officer, revise the post's policy regarding the phone call allowance to eliminate the billing of small currency amounts.

IMPREST FUND

CASHIER OPERATIONS

Imprest funds were not kept in cash boxes within the safe in accordance with Peace Corps policy.

PCM section 760.9.5 states that "each cashier should maintain a cash box with its own key or combination lock." PCM section 760.9.5.1 states, "if a post operates with both dollar and local currency funds, the two funds must be kept in separate cash boxes, accounted for separately, and must not be intermingled."

We found that the cashier had only one cash box and it was used for local currency coins as it was not large enough to hold bills. USD coins were kept in an open coin tray and bills of both currencies were rubberbanded and separated within the safe drawer.

The cashier and administrative officer stated that they were aware of agency policy. However, the cashier claimed that cash boxes with a lock and of sufficient size were not available for purchase in country.

The cashier was not provided with adequate equipment.

OFMH section 13.2.1.1 requires that the country director ensure "that equipment and facilities [related to imprest fund management] are adequate and secure... that regular operating hours are established and adequate time is set aside for the proper maintenance of accounting records, verification of funds, and preparation of required fiscal reports."

² Guidance issued by FORPost support after the audit field work states that the BOC log will now be accessed through FORPost due to updated processes and controls within that system. However, a manual log must continued to be maintained for certain outstanding BOCs entered before June 2007.

The laptop computer that the cashier uses in the cashier cage is loaned by management for the use of pre-service training personnel for approximately three months of each year. In addition, the cashier was not provided with a printer in the cashier cage.

As a result of the cashier's insufficient access to a computer and printer in the cashier cage, the following occurred:

- The cashier cannot print out General Receipts at the time she receives payment for a bill of collection without leaving the cashier cage. At the time of the audit, the cashier was waiting until the end of her cashier hours of operation to print, sign, and deliver the General Receipts.
- The cashier was at risk of misplacing cash-equivalent documents such as vouchers because she takes them out of the cashier's cage to enter the information into FORPost at another computer.
- The cashier was not utilizing the PC-365 and PC-99 forms during her imprest fund reconciliations and monthly verifications in accordance with policy.
- The cashier waited until the end of her cashier hours of operation to perform FORPost entries because she used a computer in the finance office.

To comply with policy and procedure, the cashier should use her open cashier hours to perform these tasks.

There was insufficient oversight over cashier disbursements and bank deposits as well as over bank withdrawals and collections.

OFMH section 5.4.2 states:

The reconciling officer (normally the American Cashier Supervisor) must review the bank statement on a monthly basis, to verify that the account is maintained... at a zero balance and to monitor the timeliness of transfers into and from the account.

The cashier stated that in order to make a deposit in one of the post's bank accounts, for example, to reimburse Volunteers for various expenses, the cashier processed a cash disbursement from the imprest fund that had been approved by the administrative officer and then the cashier deposited the cash into the bank account.

IMPREST FUND VERIFICATIONS

In order to withdraw funds, for example, to collect overpayment of Volunteer living allowances and to return the account balance to zero, the cashier cashed a check signed by the administrative officer, physically entered the cash into the imprest fund, and performed the collection in FORPost.

Due to the nature of the post's process, it was possible that the cashier could be in possession of the cash and delay the deposit or recording of the cash by a day or more.

In our opinion, the administrative officer should, in his monthly review of bank statements and bank reconciliations, review transaction dates to ensure that there is no unexplained delay between the deposit and withdrawal transactions and the dates that are recorded in FORPost.

The administrative officer's oversight of the imprest fund will reduce the post's risk of imprest fund irregularities. Also, as the cashier is personally responsible for imprest fund irregularities, additional oversight would offer the cashier additional protection.

The cashier was not performing imprest fund reconciliations daily in accordance with Peace Corps policy.

PCM section 760.12.1 states:

A daily reconciliation of the status of the fund by the cashier is required and will improve fund control, as well as quickly identify any oversight or errors in transactions.

PCM section 760.4.3.1 states that it is the country director's responsibility to identify in writing specific imprest fund procedures, e.g., cashier's hours. It also notes that the need for the cashier to have adequate time to prepare reimbursement vouchers and other required paperwork should be considered in setting cashier's hours.

The cashier was performing imprest fund reconciliations weekly. She stated that she may reconcile the imprest fund more frequently if there were a high volume of transactions. The administrative officer stated that he was concerned that a daily reconciliation by the cashier would be excessively time-consuming and would limit her ability to perform her other assigned tasks.

Daily reconciliations are the most timely and efficient means of detecting errors in imprest fund accountability. The administrative officer should monitor the cashier's reconciliations to ensure that they are conducted daily.

The country director was not performing quarterly imprest fund verifications in accordance with Peace Corps policy.

OFMH section 13.2.1 states that a country director has responsibility for imprest fund management, and though a country director may delegate daily supervisory responsibilities, the country director should remain directly involved with imprest fund management responsibilities.

OFMH section 13.2.1 requires that the country director ensure that:

... an unannounced, monthly verification of the imprest fund is conducted.... It should be conducted annually by a qualified, external U.S. Government employee, quarterly by the Country Director, and in the remaining months it may be delegated to the Administrative Officer.

Our review of FY 2006 and FY 2007 reconciliations disclosed that during this two-year period, only three verifications were performed by the country director.

Despite agency requirements, imprest fund verification was not performed quarterly by the country director.

The cashier was not using the appropriate forms for imprest fund reconciliations.

OFMH section 13.24.1 states:

the [imprest fund] verification includes a complete reconciliation, with a cash count and verification of supporting documents for all balances on the 365 (line by line) and a completion of the Checklist for Verifying Officers.

OFMH section 13.2.1 states:

Verification includes a cash count; verification of all accountable documents, including receipts,

vouchers in transit, etc; review of interim advances; and completion of the PC-365, PC-99, and the Verifying Officer's Checklist.

We found the following deficiencies with the cashier's reconciliation process:

- The cashier used an Excel spreadsheet to reconcile her accountability, which did not show the detail of reconciling items but rather only summed amounts.
- The cashier was not entering all required information into FORPost to produce accurate PC-365s and PC-99s and therefore did not use PC-365s and PC-99s in her bank account reconciliations.

As a result, we found that not all documentation supporting the cashier's accountability was being reconciled by her or verified on a monthly basis by the administrative officer. In addition, the post's reconciliation process was time-consuming and reported less detail than the PC-365.

The administrative officer was not performing the monthly unannounced imprest fund verifications in accordance with Peace Corps policy.

OFMH section 13.2.1 states:

Verification includes a cash count; verification of all accountable documents, including receipts, vouchers in transit, etc; review of interim advances; and completion of the PC-365, PC-99, and the Verifying Officer's Checklist.

As previously noted, the cashier was not utilizing the PC-365 and PC-99 forms during her monthly imprest fund verifications.

The administrative officer disclosed that he was not aware of the requirement to review the detail of the PC-365.

IMPROPER INTERIM ADVANCE

The administrative officer was acting as an unauthorized alternate cashier.

OFMH section 13.3 states:

Cashiers must meet specific qualifications standards before being designated. Cashiers are

recommended by the Country Director to the Director of Accounts Receivables and Cash Management, who in turn will request designation from the USDO [U.S. Disbursing Officer]...alternate cashiers are authorized to receive amounts up to the cashier's maximum authorized advance and operate under the Principal Cashier's code, in the absence of the Principal Cashier. It is strongly discouraged that administrative officers serve as Alternate Cashiers, due to internal control issues.

The financial specialist had been designated as the alternate cashier by the country director. Although she had a designated safe in the cashier's cage, she did not maintain any funds separate from the imprest fund.

However, we found that the administrative officer took an interim advance for emergency imprest fund operations. He closed this interim advance within the regulated five days; however, when the cashier cleared this advance she did not view the actual cash and merely cancelled one interim advance form and reissued another. The administrative officer stated that during the times when he used this emergency fund for imprest fund operations, the alternate cashier was in the office performing her normal duties.

In effect, the administrative officer was acting as an alternate cashier, but was not designated as such. He was paying vouchers which he had approved, effectively eliminating the internal control of segregation of duties.

BANK ACCOUNT RECONCILIATIONS

The administrative officer was not submitting monthly bank account reconciliations in accordance with Peace Corps policy.

OFMH section 5.4.2 states:

The reconciling officer (normally the American Cashier Supervisor) must review the bank statement on a monthly basis, to verify that the account is maintained... at a zero balance and to monitor the timeliness of transfers into and from the account. For purposes of reconciling this account, the Statement of Designated Depositary Account, DS-7629 (formerly SF-1149) should be used. Additionally, the American Cashier

Supervisor should submit the bank statement and DS-7629 to their cashier monitor as part of the monthly unannounced reconciliation package.

The post was not submitting bank account reconciliations monthly as required. Our review of the monthly imprest fund verification documents submitted by the post to the overseas cashier liaison for the nine-month period of February – October 2007 showed that the post had submitted only four reconciliation forms for the local currency account and five for the USD account. The October reconciliations were submitted after the monthly imprest fund package.

Further, only six of the nine submitted forms were signed by the administrative officer as proof of review and only two of the seven forms had bank statements attached.

In addition, the overseas cashier liaison stated that she did not request that posts submit the monthly bank account reconciliations.

The agency did not provide guidance or access to a required form.

OFMH section 5.4.2 states:

For purposes of reconciling this [pass through] account, the Statement of Designated Depositary Account, DS-7629 (formerly SF-1149) should be used. Additionally, the American Cashier Supervisor should submit the bank statement and DS-7629 to their cashier monitor as part of the monthly unannounced reconciliation package.

The OIG, overseas cashier liaison, and the Director of Global Accounts Payable were unable to obtain a copy of the DS-7629. The DS-7629 and the SF-1149 were not included on the Peace Corps Forms webpage or on the Forms.gov website.

The bank account reconciliations submitted by the post were incomplete.

The post had two USDO-approved bank accounts (one in USD and one in local currency), both of which should be reconciled monthly according to OFMH section 5.4.2. Although they

were both pass through accounts, the post was provided checkbooks by the bank in order to withdraw cash.

We found that the post was not performing the bank account reconciliations correctly. In June 2007, the USD account had a balance of \$13,377.85. However, for both currencies, the checkbook balance on the SF-1149 was consistently reported as “N/A.” In addition, no transaction information was given for the check book balance. Although the account was a pass-through account, the post did maintain a check book and therefore this section of the reconciliation is applicable.

Even though the post was using the recommended reconciliation form, they were not performing a complete reconciliation, which consists of verifying the bank statement balance against the post’s checkbook register balance and explaining any discrepancies between the two.

As previously noted, the overseas cashier liaison stated that she did not request that posts submit the monthly bank account reconciliations. In addition, it does not appear that the overseas cashier liaison reviewed these submissions for completeness or accuracy.

RECOMMENDATIONS

We recommend:

- 5. That the post purchase a cash box in accordance with Peace Corps policy for each currency large enough to contain all bills and coins.**
- 6. That the country director designate a computer for the sole use of the cashier within the cashier’s cage.**
- 7. That the post provide a dedicated printer for the cashier’s cage.**
- 8. That the administrative officer, in the review and approval process of the bank reconciliation, specifically ensure that there are no unexpected delays between bank transactions and their recording in FORPost.**
- 9. That the cashier perform daily imprest fund reconciliations and that the administrative officer monitor that they are being completed daily.**

10. That the country director perform quarterly imprest fund verifications.
11. That the cashier review the PC-365 and the PC-99 forms in her daily imprest fund reconciliations.
12. That the administrative officer review the PC-365 and PC-99 forms during his monthly unannounced imprest fund verifications.
13. That the administrative officer cease acting as alternate cashier.
14. That the Director of Global Accounts Payable provide the proper bank reconciliation forms and instructions to the post by including them as an attachment in the OFMH and/or on the Peace Corps Forms webpage.
15. That the administrative officer submit complete bank account reconciliations for both accounts with the monthly imprest fund verification documents to PC/Washington using the Designated Depository Account (DS-7629).
16. That the overseas cashier liaison review submitted bank reconciliation documents to ensure they are complete and accurate.

MEDICAL SUPPLIES

INVENTORY OF MEDICAL SUPPLIES

Medical inventory was not being conducted in accordance with agency policy.

According to PCM section 734.2.1.6:

The PCMO is responsible for establishing the accuracy of inventories... a general inventory of supplies must be taken at least every month by the Country Director or designee. The PCMO/PCMC must inventory controlled medical substances monthly.

The country director's designee must be independent of the inventory distribution and recording process.

The country director conducted the inventory of the controlled substances monthly; however, neither the country director nor a designee regularly inventoried supplies and medicines. We found that the medical assistant conducted an inventory of supplies and medicines monthly. The medical assistant also maintained the inventory records, including a detailed perpetual inventory listing. The PCMOs performed spot checks of inventory quarterly.

We found that there was inadequate separation of duties between the staff who tracked the inventory and those who performed the periodic inventory counts.

PCMOs did not have oversight over first aid kits in Peace Corps vehicles.

PCM section 522.6.2 states that “the authorizing official shall ensure that each vehicle includes a safety (first aid) kit.”

Medical Technical Guideline (MTG) 130.2 states:

The Peace Corps Act authorizes Peace Corps to provide medical care for Volunteers and Trainees. Peace Corps does not authorize medical care for non-Volunteers. Care to non-Volunteers is provided only in exceptional circumstances.”

MTG 130.5 states, “Medical supplies and drugs purchased with Peace Corps funds are for Volunteer use only;” however, MTG 130.7 states, “In a life-threatening situation, the PCMO may be asked to provide emergency care to a non-Volunteer, including Peace Corps staff, Embassy personnel or an RPCV.”

The drivers for PC/Azerbaijan were given the responsibility of maintaining the first aid kits in the official vehicles because the PCMOs were strictly following the guidance that they not provide any medical care or supplies to non-Volunteers.

Before the audit, the GSO obtained advice from a PCMO regarding what items should be included in the kits. Instead of the medical office supplying items for the vehicle first aid kits, the drivers were submitting procurement requests and accepting interim advances to purchase the supplies from local drug stores.

First aid kits provided in Peace Corps vehicles are to be used in emergency situations only. Any accident, whether it involved a Volunteer, U.S. direct hire or local staff would be considered an exceptional circumstance and therefore the use of the medical kit by any passenger would be permitted.

In our opinion, drivers do not have the expertise to decide what should be kept in the first aid kits, nor should they be expected to monitor expiration dates of any medicines included in the kits.

RECOMMENDATIONS

We recommend:

- 17. That the country director assign a staff person to conduct the monthly inventory of medical supplies as required in the PCM.**
- 18. That the medical office supply and monitor the first aid kits kept in the official Peace Corps vehicles.**

HOST COUNTRY CONTRIBUTIONS

REPORTING OF HOST COUNTRY CONTRIBUTIONS

PC/Azerbaijan was not reporting Host Country Contributions in its annual budget.

PCM section 722.4.0 defines a Host Country Contribution (HCC) as a contribution that, “must defray an expense which the Peace Corps otherwise would have to pay from appropriated funds, or which advances purposes authorized by the Peace Corps Act.”

PCM section 722.5 examples of HCCs include:

- Exemptions from taxes and fees:
 - Visa fees for Trainees;
 - Visas for vacation travel;
 - Identity/residence card fees;
 - Vehicle registration, license, insurance;
 - and Customs and import duties.

Accurate presentation of the existence (or absence) of HCCs (both cash and in-kind) provides PC/Washington with assurance that the post has evaluated and included all information for inclusion in its annual budget. In-kind

contributions must be presented as a valid addition to the post's appropriated budget.

The post received exemption from value-added tax and no-fee visas for Volunteer and U.S. direct hire staff and family. Volunteers also received no-fee identification cards in their sites. We found that the post did not include any of these HCCs in its annual Operations Plan; the administrative officer stated that he did not consider the exemption of value-added tax and visa fees to be host country contributions. As a result, the post's Operations Plan was incomplete as it did not reflect the entire cost of post operations.

RECOMMENDATIONS

We recommend:

- 19. That the post accurately record the value of in-kind HCCs in its budget.**
- 20. That the post document the basis for the valuation of in-kind host country contributions and include this in a HCC file.**

LEASES

LEASE FILES

The post did not request the regional director's approval for a residential lease greater than \$20,000.

OFMH section 30.1 states that "Residential leases over \$20,000 per year must also receive Regional Director approval."

We found that one of the three files for residential leases greater than \$20,000 did not contain evidence of regional director approval.

The post did not conduct a market survey for two leases.

PCM section 733.4.2 requires that a market survey be conducted before awarding a lease.

We found that two of the ten lease files, the Peace Corps office and country director residence, did not contain documentation that a market survey was conducted prior to awarding the lease.

One lease was signed before the amount was fully obligated.

OFMH section 30.2 states, “The period of the lease, as awarded, must be fully obligated using current year funds. Agency policy allows posts to sign a one year lease, with options to renew.” An audit concern included in OFMH section 30.10 states, “leases are not fully obligated when signed.”

PCM section 733.4.3 states:

Country Directors must be aware that their exercise of delegated procurement authority is also subject to the availability of funds in the post budget for obligation purposes.

We found that one of the ten leases reviewed was signed before the amount was fully obligated. The signing officer should not commit US government funds by signing a lease without first ensuring that there are funds to pay the lease. The lack of funding for a signed lease could lead to a violation of the Anti-Deficiency Act.

RECOMMENDATIONS

We recommend:

- 21. That the post obtain all required approvals before signing a lease.**
- 22. That the post conduct and document market surveys before signing a lease and maintain the documentation in the lease file.**
- 23. That the post obligate all lease amounts before the leases are signed.**

CONTRACTS

PERSONAL SERVICE CONTRACTS

The contractor’s release form was not signed for two cancelled contracts.

PCM section 743.9.3 states, “The Personal Services Contract Template in Attachment E of this manual section shall be used for all Personal Services Contracts awarded under this manual

NON-PERSONAL SERVICE CONTRACTS

section.” Attachment E includes Attachment II, the contractor’s release form.

We found that this form was not signed for two cancelled contracts. Both contracts were for staff members who cancelled their original contract in order to sign a new one for a different position at the post.

The contractor’s release form must be signed as it is an acknowledgement that the contractor has completed the work under the contract and has been fully compensated.

Several personal services contractor files did not contain evidence that the contracts were competitively awarded.

PCM section 743.9.2.1 states:

...offers are to be requested from at least three potentially qualified candidates. If three qualified candidates cannot be identified without advertising, the contract must be advertised locally in accordance with Embassy/Post practice for direct-hire employees or PSCs (e.g., Post/Embassy bulletin board or website, in a general circulation newspaper) or using some other method that would reasonably be expected to produce at least three potentially qualified candidates.

Our review of nine of 29 personal services contractor (PSC) files disclosed that five PSC files did not contain evidence of competition. The post subsequently provided evidence for four PSCs.

Without evidence of appropriate competition, there is no assurance that a contract was awarded in accordance with Peace Corps policy requiring fair and open competition.

Two non-personal service contracts were signed before the amounts were fully obligated.

PCM section 732.6.1.6 states, “No acquisition shall be executed unless sufficient funds are available. PCM section 732.6.3.9.5 states that, “[The] Country Director should issue purchase orders and contracts, and obligate funds to cover the total cost of the acquisition...”

We found that two of the three non-personal service contracts that we reviewed were signed before the obligations were made.

As a result, the post legally obligated Peace Corps to pay an amount without first ensuring that the post would have the funds to pay the full amount.

RECOMMENDATIONS

We recommend:

- 24. That the administrative officer verify that all PSCs sign contractor's release forms upon termination of the contract.**
- 25. That the post obtain offers from at least three candidates for all new personal services contracts.**
- 26. That the contracting officer verify that funds are fully obligated prior to signing all contracts.**

TIMEKEEPING

TIME AND ATTENDANCE RECORDING AND REVIEW

Supervisors did not review PC-57s semiannually.

PCM section 742.6.1 states:

Each leave record (PC-57) shall be routinely reviewed for accuracy by the supervisor as of June 15th and December 15th of each leave year and audited by the timekeeper at the end of each leave year or upon an employee's termination or transfer.

Our review of PC-57s for USDHs revealed that the post did not conduct a semiannual review of PC-57s. The PC-57s were reviewed at the end of the leave year (January) but not mid-year as required.

The administrative officer disclosed that he was not aware of this requirement.

The required semiannual review provides the supervisors an opportunity to review all time sheets within the six-month period for consistency and accuracy.

RECOMMENDATION

We recommend:

27. That supervisors review staff PC-57s every six months in accordance with Peace Corps policy.

CREDIT CARDS

APPROVAL OF PURCHASES

Purchases made with the post's purchase card were not approved before they were made.

OFMH section 45.4 requires that the approving official approve purchases before the purchase card is used.

We found that the purchase card holder made purchases with the purchase card prior to obtaining the country director's approval. The administrative officer is the designated purchase card holder and the country director is the approving official. The administrative officer stated that the country director was always aware of purchases before they were made. There was no supervisory review of the purchases until after they were made. Without the control of a pre-approval, there is the risk that the purchase card holder could misuse the card and purchases will be made which the country director would not have approved.

RECOMMENDATION

We recommend:

28. That the approving official approve purchases before they are made with the purchase card.

LIST OF RECOMMENDATIONS

WE RECOMMEND:

1. That the post prepare written justification each time appropriated funds will be used for costs related to counterparts' participation in training before the costs are incurred.
2. That the financial specialist utilize monthly reports from the post's WWS coordinator to provide appropriate payments to Volunteers for WWS postage.
3. That the billing officer include the date of collection from the General Receipt in the billing log.³
4. That the country director, with the help of the administrative officer, revise the post's policy regarding the phone call allowance to eliminate the billing of small currency amounts.
5. That the post purchase a cash box in accordance with Peace Corps policy for each currency large enough to contain all bills and coins.
6. That the country director designate a computer for the sole use of the cashier within the cashier's cage.
7. That the post provide a dedicated printer for the cashier's cage.
8. That the administrative officer, in the review and approval process of the bank reconciliation, specifically ensure that there are no unexpected delays between bank transactions and their recording in FORPost.
9. That the cashier perform daily imprest fund reconciliations and that the administrative officer monitor that they are being completed daily.
10. That the country director perform quarterly imprest fund verifications.
11. That the cashier review the PC-365 and the PC-99 forms in her daily imprest fund reconciliations.
12. That the administrative officer review the PC-365 and PC-99 forms during his monthly unannounced imprest fund verifications.
13. That the administrative officer cease acting as alternate cashier.

³ Guidance issued by FORPost support after the audit field work states that the BOC log will now be accessed through FORPost due to updated processes and controls within that system. However, a manual log must continued to be maintained for certain outstanding BOCs entered before June 2007.

14. That the Director of Global Accounts Payable provide the proper bank reconciliation forms and instructions to the post by including them as an attachment in the OFMH and/or on the Peace Corps Forms webpage.
15. That the administrative officer submit complete bank account reconciliations for both accounts with the monthly imprest fund verification documents to PC/Washington using the Designated Depositary Account (DS-7629).
16. That the overseas cashier liaison review submitted bank reconciliation documents to ensure they are complete and accurate.
17. That the country director assign a staff person to conduct the monthly inventory of medical supplies as required in the PCM.
18. That the medical office supply and monitor the first aid kits kept in the official Peace Corps vehicles.
19. That the post accurately record the value of in-kind HCCs in its budget.
20. That the post document the basis for the valuation of in-kind host country contributions and include this in a HCC file.
21. That the post obtain all required approvals before signing a lease.
22. That the post conduct and document market surveys before signing a lease and maintain the documentation in the lease file.
23. That the post obligate all lease amounts before the leases are signed.
24. That the administrative officer verify that all PSCs sign contractor's release forms upon termination of the contract.
25. That the post obtain offers from at least three candidates for all new personal services contracts.
26. That the contracting officer verify that funds are fully obligated prior to signing all contracts.
27. That supervisors review staff PC-57s every six months in accordance with Peace Corps policy.
28. That the approving official approve purchases before they are made with the purchase card.

POST STAFFING

At the time of our visit, the post had 34 staff positions. The positions included three U.S. direct hire employees (USDH), two foreign service nationals and 29 personal services contractors.

We interviewed seven staff (including two USDHs and one PCMO), who all stated that they very much enjoyed working for the Peace Corps. Many cited, in particular, the improvements that have been seen in the office regarding teamwork and friendliness since the post's opening just a few years ago.

PC/Azerbaijan Positions

Position	Status
Country Director	USDH
Executive Assistant	PSC
Administrative Officer	USDH
Program and Training Officer	USDH
Program Managers/TEFL (2)	PSC
Program Manager/CED	PSC
Program Manager/YD	PSC
Training Manager	PSC
Language and IRC Coordinator	PSC
Program Assistant	PSC
Volunteer Housing Coordinator	PSC
Peace Corps Medical Officer	PSC
Peace Corps Medical Officer	PSC
Medical Assistant	PSC
Safety and Security Coordinator	PSC
Cashier	FSN
Financial Specialist	FSN
General Services Officer	PSC
IT Specialist	PSC
Driver (4)	PSC
Admin Assistant	PSC
Senior Guard	PSC
Guards (6)	PSC
Cleaner	PSC
Maintenance Person	PSC

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. 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/Azerbaijan covered fiscal years 2006 and 2007. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and one of the two medical officers. 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.

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


**REGION'S RESPONSE TO
THE PRELIMINARY REPORT
INCLUDING
THE OFFICE OF THE CHIEF FINANCIAL OFFICER'S
RESPONSE TO RECOMMENDATION NOS. 14 AND 16**



**Peace
Corps**

MEMORANDUM

To: Geoffrey Johnson, Acting Inspector General

From: Jay Katzen, EMA Regional Director 

Date: March 27, 2008

Subject: **Regional Response to the Preliminary Report on the Audit of Peace Corps/Azerbaijan (February 2008)**

It is with pleasure that EMA Region and PC/Azerbaijan respond to the Preliminary Audit Report on Peace Corps/Azerbaijan. EMA and Post concur with all twenty-eight recommendations.

Attached is our response to each recommendation with a description of the back-up documentation if applicable.

Please do not hesitate to contact us with further questions.

Responses to Peace Corps Office of Inspector General Audit Findings & Recommendations - Azerbaijan

Preliminary Audit Report, February 2008

Audit conducted September 19 – October 5, 2007

Appropriated Funds

1. PC/Azerbaijan provided transportation and per diem to Volunteer counterparts using appropriated funds.

Recommendation – *That the post prepare written justification each time appropriated funds will be used for costs related to counterparts' participation in training before the costs are incurred.*

- **Concur** – Post, in fact, does regularly prepare written justifications. The one instance identified by the finding, for \$43, was a mistake.

Volunteer/Trainee Allowances

2. PC/Azerbaijan could not support payments to Volunteers relating to World Wise Schools.

Recommendation – *That the financial specialist utilize monthly reports from the post's WWS coordinator to provide appropriate payments to Volunteer for WWS postage.*

- **Concur** – A memo was sent from the Administrative Officer to the Financial Specialist and Program Manager in charge of WWS on September 21, 2007. The PM is to provide monthly reports to the FS who will use these reports as backup for our LA liquidation. In addition, all WWS payments prior to November 1, 2007 were reconciled by the FS and WWS PM.
- **See Attachment A**

Billings and Collections

3. PC/Azerbaijan's billing log was incomplete.

Recommendation – *That the billing officer include the date of collection from the General Receipt in the billing log.*

- **Concur** – An email sent to the Financial Specialist from the Administrative Officer on October 5, 2007 requested this change, although recent updates to FOR Post appear to make this finding obsolete.
- **See Attachment B**

4. PC/Azerbaijan was not billing for personal calls in a cost-effective manner.

Recommendation – *That the country director, with the help of the administrative officer, revise the post's policy regarding the phone call allowance to eliminate the billing of small currency amounts.*

- **Concur** – New policy was sent to all staff members by the Country Director on February 26, 2008, effective March 1, 2008, established billing that will eliminate the collection of small currency amounts above a given monthly allowance for incidental personal use of phones.
- **See Attachment C**

Imprest Fund

5. Imprest funds were not kept in cash boxes within the safe in accordance with Peace Corps policy.
Recommendation – *That the post purchase a cash box in accordance with Peace Corps policy for each currency large enough to contain all bills and coins.*
 - **Concur** – Cash boxes were ordered and arrived on November 7, 2007. The funds are now kept in separate cash boxes.
6. The cashier was not provided with adequate equipment.
Recommendation – *That the country director designate a computer for the sole use of the cashier within the cashier's cage.*
 - **Concur** – Permanent computer installed in the Cashier Office on October 16, 2007.
7. The cashier was not provided with adequate equipment.
Recommendation – *That the country director designate a printer for the sole use of the cashier within the cashier's cage.*
 - **Concur** – Permanent printer installed in the Cashier Office on October 16, 2007.
8. There was insufficient oversight over cashier disbursements and bank deposits as well as over bank withdrawals and collections.
Recommendation – *That the administrative officer, in the review and approval process of the bank reconciliation, specifically ensure that there are no unexpected delays between bank transactions and their recording in FORPOST.*
 - **Concur** – The Administrative Officer's review and approval process now incorporates this control.
9. The cashier was not performing imprest fund reconciliations daily in accordance with Peace Corps policy.
Recommendation – *That the cashier perform daily imprest fund reconciliations and that the administrative officer monitor that they are being completed daily.*
 - **Concur** – Daily cash counts began as of October 22, 2007.
10. The country director was not performing quarterly imprest fund verifications in accordance with Peace Corps policy.
Recommendation – *That the country director perform quarterly imprest fund verifications.*

- **Concur** – Cashier will remind the Country Director of this obligation and ensure that it is performed at least once during every quarter.
 - **See Attachment D**
11. The cashier was not using appropriate forms for imprest fund reconciliations.
 Recommendation – *That the cashier review the PC-365 and the PC-99 forms in her daily imprest fund reconciliations.*
- **Concur** – New process was implemented as of October 22, 2007.
12. The administrative officer was not performing the monthly unannounced imprest fund verifications in accordance with the Peace Corps policy.
 Recommendation – *That the administrative officer review the PC-365 and the PC-99 forms during his monthly unannounced imprest fund verifications.*
- **Concur** – Process changed with cash counts starting in November 2007.
 - **See Attachment E**
13. The administrative officer was acting as an unauthorized alternate cashier.
 Recommendation – *That the administrative officer cease acting as an alternate cashier.*
- **Concur** – The Administrative Officer returned his advance on October 5, 2007. The Financial Specialist, who is the Alternate Cashier, now has an AZN and USD advance, which she keeps in her drawer of the safe in the Cashier Office.
14. The administrative officer was not submitting monthly bank account reconciliations in accordance with Peace Corps policy.
 Recommendation – *That the Director of Global Accounts Payable provide the proper bank reconciliation forms and instructions to the post by including them as an attachment in the OFMH and/or on the Peace Corps Forms webpage.*
- **Concur** – Post awaits guidance from OCFO/OGAP.
15. The agency did not provide guidance or access to a required form.
 Recommendation – *That the administrative officer submit complete bank account reconciliations for both accounts with the monthly imprest fund verification documents to PC/Washington using the Designated Depositary Account (DS-7629).*
- **Concur** – However, Post believes this finding should be directed to the Global Accounts Payable office, rather than to the post’s Administrative Officer, since post has no access to the form named “DS-7629.”
16. The bank account reconciliations submitted by the post were incomplete.
 Recommendation – *That the overseas cashier liaison review submitted bank reconciliation documents to ensure they are complete and accurate.*
- **Concur** – However, this finding appears to be directed not at Post, but at the overseas cashier liaison in the office of Accounts Receivable and Cash Management. As noted in the findings, “the post was using the

recommended reconciliation form” but “not performing a complete reconciliation” by “verifying the bank statement balance against the post’s checkbook register balance.” The finding further noted that “the overseas cashier liaison stated that she did not request that posts submit the monthly bank account reconciliation,” nor had “the overseas cashier liaison reviewed these submissions for completeness and accuracy.” Post instituted these reconciliations as of November 2007, but this finding actually directed towards the review practices of the overseas cashier liaison.

- **See Attachment F**

Medical Supplies

17. Medical inventory was not being conducted in accordance with agency policy.

Recommendation – *That the country director assign a staff person to conduct the monthly inventory of medical supplies as required in the PCM.*

- **Concur** – Pursuant to assignment of this duty to the Administrative Officer by the Country Director, these monthly inventory reviews by the AO began in February 2008. This augments detailed monthly inventories by the Medical Assistant, the monthly CD inventories of controlled substances, and spot-check inventories by the PCMCs.
- **See Attachment G**

18. PCMOs did not have oversight over first aid kits in Peace Corps vehicles.

Recommendation – *That the medical office supply and monitor the first aid kits kept in the official Peace Corps vehicles.*

- **Concur** – Medical team has begun maintaining these kits as of November 2007.

Host Country Contributions

19. PC/Azerbaijan was not reporting Host Country Contributions in its annual budget.

Recommendation – *That the post accurately record the value of in-kind HCCs in its budget.*

- **Concur** – Post will include this information in its next Operating Plan budget (FY 2009).

20. PC/Azerbaijan was not reporting Host Country Contributions in its annual budget.

Recommendation – *That the post document the basis for the valuation of in-kind host country contributions and include this in a HCC file.*

- **Concur** – Post has created an HCC file and is accumulating the requisite information for use in its next Operating Plan budget (FY 2009).

Leases

21. The post did not request the regional director's approval for a residential lease greater than \$20,000.

Recommendation –*That the post obtain all required approvals before signing a lease.*

- **Concur** – One residential lease was signed prior to the arrival of the current Country Director, and we were unable to contact other staff who opened the post to locate any waiver document for this lease or to obtain an explanation. Post is aware of and respects this regulation, and Post has now requested retroactive approval from the Region for residential lease of greater than \$20,000 per year.
- **See Attachment H**

22. The post did not conduct a market survey for two leases.

Recommendation –*That the post conduct and document market surveys before signing a lease and maintain the documentation in the lease file.*

- **Concur** – This occurred before the arrival of the current Country Director, and it was not possible to contact the staff who opened post to obtain an explanation of whether these surveys were done (or if these were done but not documented to file). In any case, Post is well aware of and respects this requirement.

23. One lease was signed before the amount was fully obligated.

Recommendation –*That the post obligate all lease amounts before the leases are signed.*

- **Concur** – As this audit finding did not identify the lease in question, we cannot address the specific case. Post is aware of and respects this regulation and will ensure that all future leases are properly obligated prior to signing.

Contracts

24. The contractor's release form was not signed for two cancelled contracts.

Recommendation –*That the administrative officer verify that all PSCs sign contractor's release forms upon termination of the contract.*

- **Concur** – This was for two staff members who were promoted within Peace Corps. The release for their initial contract was not signed at time of cancellation and has since been signed. In the future, the Admin Officer will verify that contractor release forms are signed whenever contracts are cancelled or terminated.
- **See Attachment I**

25. Several personal services contractor files did not contain evidence that the contracts were competitively awarded.

Recommendation – *That the post obtain offers from at least three candidates for all new personal services contracts.*

- **Concur** – As the finding states, “The post subsequently provided evidence for four PSCs,” out of five whose files were insufficient at first review. We believe no further action is needed in the instance of the fifth PSC. In this instance, bidding was performed, but evidence was kept in the General Services Officer files instead of the Financial Specialist files.

26. Two non-personal service contracts were signed before the amounts were fully obligated.

Recommendation – *That the contracting officer verify that funds are fully obligated prior to signing all contracts.*

- **Concur** – This was an oversight and is not Post’s standard practice. We are aware of and respect this regulation.

Timekeeping

27. Supervisors did not review PC-57s semiannually.

Recommendation – *That supervisors review staff PC-57s every six months in accordance with Peace Corps policy.*

- **Concur** – Timekeeper and Senior Staff were unaware of this requirement. The semiannual review began in February 2008, and the PC-57s are in the post personnel files.
- **See Attachment J.** Attached are the PC57s for the three direct hire Americans at the time of the audit. As of March 2008, the Admin Officer and the PTO have left the Agency.


Credit Cards

28. Purchases made with the post’s purchase card were not approved before they were made.

Recommendation – *That the approving official approve purchases before they are made with the purchase card.*

- **Concur** – Although the AO always made the current Country Director aware of purchases before they were made, and no purchase card has been in use since November 2007 due to the hiatus between Administrative Officers, henceforth the AO will obtain written approval before each purchase.



TO: Geoffrey A. Johnson, Acting Inspector General
FROM: 
George Schutter, Chief Financial Officer
DATE: March 28, 2008
SUBJECT: Response to the February 15th, 2008 IG Preliminary Audit Report for Peace Corps/Azerbaijan

Below is the Office of the Chief Financial Officer's (OCFO) response to the Inspector General's (IG) Preliminary Audit Report for Peace Corps/Azerbaijan.

Preliminary Report Recommendation # 14:

That the Director of Global Accounts Payable provide the proper bank reconciliation forms and instructions to the post by including them as an attachment in the Overseas Financial Management Handbook (OFMH) and/or the Peace Corps webpage.

Response to Recommendation #14:

Concur.

Peace Corps/Azerbaijan, as well as all other Peace Corps posts with cashier pass through bank accounts, has been sent reminder guidance regarding what information should be included with their monthly ACS 365, Cashier Reconciliation Statement Report ("365 report"). The Department of State Foreign Affairs Handbook which has been revised in the last year requires posts with pass through accounts to provide a copy of the pass through bank account statement with their monthly 365 report. If the balance in the pass through account was not zero at anytime during the month, the post must also provide an explanation. See OFMH, Chapter 5, Bank Accounts Overseas, Section 5.2.5, Account Reconciliation, which reflects this requirement.

The limited number of Peace Corps posts that have authorized cashier *checking* accounts have more stringent reporting requirements, which include providing a reconciliation report with their 365 report. While this type of account was not addressed in the IG's audit report, OCFO will be sending these posts reminders of their reporting requirements on or before March 31, 2008.

Preliminary Report Recommendation #16:

That the Overseas Cashier Liaisons review submitted bank reconciliation documents to ensure that they are complete and accurate.

Response to Recommendation #16:

Concur.

The Overseas Cashier Liaisons are currently reviewing the 365 reports of posts with approved bank accounts to ensure that all required support documentation is attached to the report. Additionally, the Director of the Office of Accounts Receivable and Cash Management (ARCM) has expanded the *Overseas Cashier Liaison Checklist for Monthly Reconciliation*, the ARCM tool used to review 365 reports for completeness and accuracy, to include check-offs for all documents and follow-up activity required of posts with cashier bank accounts.

If you have questions or need additional information, please contact Stephanie Mitchell at (202) 692-1715.

cc: David Liner, Chief of Staff/Operations
Michelle Brooks, Deputy Chief of Staff/Operations
Zoltan Szigethy, Country Director
John Dimos, Chief Compliance Officer
Carey Fountain, Chief Acquisition Officer
Stephanie Mitchell, Director, Financial Policy and Compliance

APPENDIX C

OIG COMMENTS

The region concurred with all 26 recommendations addressed to the region. The Office of the Chief Financial Officer concurred with the two recommendations addressed to that office. We closed recommendation numbers 3 – 7, 10, 14 – 16, 18 – 26, and 28. Recommendation numbers 1, 2, 8, 9, 11 – 13, 17, and 27 remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation no. 1, a copy of a memorandum reminding staff that the post will not use appropriated funds for host country nationals or that the post will document the support for the use.
- For recommendation no. 2, a copy of the living allowance detail that shows World Wise School payments going only to those Volunteers on the “match” list.
- For recommendation no. 8, documentation specifying what the administrative officer’s “review and approval process” entails.
- For recommendation no. 9, copies of daily cash counts.
- For recommendation no. 11, documentation explaining the cashier’s new daily PC-365 and PC-99 reconciliation review process that was implemented.
- For recommendation no. 12, documentation explaining the administrative officer’s new monthly PC-365 and PC-99 reconciliation review process that was implemented.
- For recommendation no. 13, documentation of the alternate cashier advance to the financial specialist.
- For recommendation no. 17, a copy of a monthly inventory review signed by the administrative officer.
- For recommendation no. 27, a copy of the country director’s PC-57, after it has been reviewed and signed by his supervisor.

In their response, management describes actions they are taking or intend 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 they have taken these actions nor 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.

APPENDIX D

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

The audit was performed by auditor Elizabeth E. Palmer.

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, or call him at (202) 692-2907.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government affect everyone from Peace Corps Volunteers to Agency employees to the general public. We actively solicit allegations of inefficient and wasteful practices, fraud, and abuse related to Peace Corps operations domestically or abroad. You can report allegations to us in several ways, and you may remain anonymous.

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