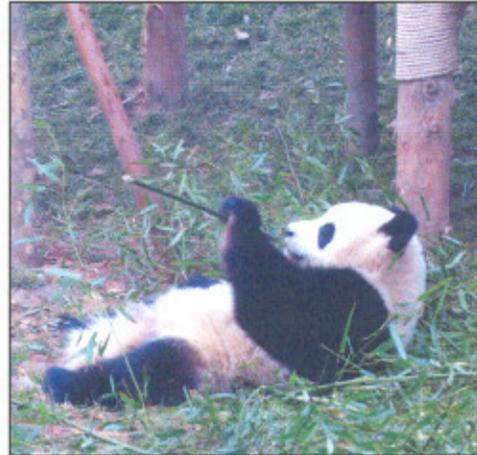




# Peace Corps Office of Inspector General



*Entrance to the Peace Corps/China Office in  
Chengdu, China*



*Giant Panda Breeding Research Base near  
Chengdu, China*

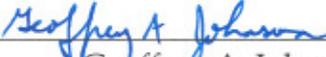


*Flag of China*

## **FOLLOW-UP AUDIT REPORT**

**Peace Corps/China**

**IG-08-06-FUA**

  
\_\_\_\_\_  
Geoffrey A. Johnson,  
Acting Inspector General

**March 2008**

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## **INTRODUCTION**

The Office of Inspector General conducted an audit of Peace Corps/China March 7 - 26, 2006 and issued our report in March 2007.<sup>1</sup> As part of our continuing oversight responsibilities, we conducted a follow-up audit February 12 - 22, 2008 to verify the status of the audit recommendations included in the report.

Management had concurred with 18 of the 19 audit recommendations in our original report. Based on management's responses, we had closed 17 of the 19 audit recommendations and one open recommendation was subsequently closed by the chief compliance officer. One audit recommendation was left open pending action to be taken.

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

## **BACKGROUND**

Over 500 Peace Corps Volunteers have served in China since the inception of the program in 1993. The post's activities were suspended due to the Severe Acute Respiratory Syndrome (SARS) outbreak in April 2003, and Volunteers returned in summer 2004. At the time of our visit, 114 Volunteers were teaching English in colleges and universities.

## **SUMMARY OF FINDINGS**

As the result of our follow-up audit, we verified that appropriate action had been taken on 15 of the 19 audit recommendations. We determined that recommendation numbers 5, 10, 13, and 15 required additional actions, and we reopened them. Prior to the follow-up audit's completion, the post took appropriate action on recommendation 15, and we subsequently closed it. Three recommendations remain open pending the completion of the required actions 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 Audit Report, Peace Corps/China (IG-07-07-A) was issued in March 2007.

**Table 1. Status of Audit Recommendations as the Result of our Follow-up Audit**

| <b>Audit Area</b>                                  | <b>Number of Recommendations</b> | <b>Number of Recommendations Closed</b> | <b>Open Recommendation Number</b> |
|--|----------------------------------|---|-----------------------------------|
| <b>Accounting for Obligations and Liquidations</b> | 5                                | 4                                       | 5                                 |
| <b>Volunteer and Trainee Allowances</b>            | 1                                | 1                                       |                                   |
| <b>Billings and Collections</b>                    | 3                                | 3                                       |                                   |
| <b>Imprest Fund</b>                                | 3                                | 2                                       | 10                                |
| <b>Vehicle Management</b>                          | 1                                | 0                                       | 13                                |
| <b>Contracts</b>                                   | 3                                | 3*                                      |                                   |
| <b>Credit Card Management</b>                      | 2                                | 2                                       |                                   |
| <b>Personnel</b>                                   | 1                                | 1                                       |                                   |
| <b>Total</b>                                       | <b>19</b>                        | <b>16</b>                               | <b>3</b>                          |

\* One recommendation was reopened during 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.

### Accounting for Obligations and Liquidations

**1. That Office of Accounts Receivable and Cash Management work with the post to clear the four outstanding travel advances reflected on the 2002 Status of Obligations.**

**Management’s Response:** CONCUR: The outstanding travel advances from 2002 were items related to the financial system conversion and have been cleared. Item was verified as matched to headquarters records on February 20, 2007.

**OIG Verification: Recommendation closed.** We determined, by inquiry of the ForPost system, that there were no outstanding obligations from the 2002 status of obligations.

*2. That the post process collections for outstanding travel advances not cleared by a travel voucher.*

**Management's Response:** CONCUR: The one outstanding travel advance has been closed (No. 366020011250041).

**OIG Verification: Recommendation closed.** We determined, by inquiry of the ForPost system, that the outstanding travel advance had been closed. Further, we ascertained, by review of the travel advances file maintained by the cashier, that there were no outstanding travel advances at the time of the audit.

*3. That the post maintain documentary evidence for all obligations.*

**Management's Response:** CONCUR: Policy implemented April 2006.

**OIG Verification: Recommendation closed.** We obtained the status of obligations report and selected a sample of obligations for review. We found that the post maintained documentary evidence supporting the obligations selected. We noted that the financial assistant maintained this documentation in orderly and easy-to-access files.

*4. That the post work with headquarters to clear the FY 2003 and FY 2005 outstanding unliquidated obligations.*

**Management's Response:** CONCUR: All outstanding unliquidated obligations except one have been cleared. FY03 items were done by HQ and FY05 items were done jointly by HQ and post during 2006. The one remaining open obligation is \$3,100 in connection with the PCMO contract, which is still active until March 2008. According to PC Contracts Office, the contractor is not obliged to submit final claims under this contract and obligation until after the contract had ended. Estimate completion date: April 30, 2008.

**OIG Verification: Recommendation closed.** We determined, by inquiry of the ForPost system, that outstanding obligations for fiscal years 2003 and 2005 have been cleared. At the time of the audit, the system showed no obligations remaining for these years.

**5. That the post implement a system to assure that staff comply with the regulation to submit travel vouchers within five working days after completing travel.**

**Management's Response:** CONCUR: System implemented December 2006. New post policy outlines Cashier, AO, and FA responsibilities for monitoring and follow-up on outstanding travel vouchers.

**OIG Verification: Recommendation reopened.** Peace Corps Manual (PCM) section 812.18.10 requires that travel vouchers be submitted within five days after the trip's completion. We selected a sample of 21 international and in-country travel vouchers for the fiscal years 2006, 2007, and 2008 through January 31, 2008. For the travel vouchers selected, we reviewed the timeliness of submission by comparing the completion date of travel with the date that the traveler signed the voucher. We found that seven travel vouchers were signed between two and 16 work days after the required submission date. All but one of the late travel vouchers were for international travel.

The post set up a system to monitor and follow up outstanding travel vouchers. Under the system, the financial assistant was to follow up on travel vouchers not submitted within three working days after the trip's completion. Further, the administrative officer was to review outstanding travel advances with the cashier on a weekly basis and follow up as needed. However, the financial assistant informed us that he is not using a control log or other mechanism to provide an indication when travel vouchers are due in order to effectively monitor their status and follow up in a timely manner.

During the course of the audit, the administrative officer issued a memo to all staff reminding them of agency travel voucher submission policy and issued a memo to the financial assistant reinforcing the need to follow up on travel vouchers three working days after staff members' return from travel, and requesting a control log to track staff travel and anticipated return dates be set up.

This recommendation will remain open pending submission to the chief compliance officer of examples of travel vouchers documenting that staff are complying with the five working day submission requirement.

## Volunteer and Trainee Allowances

6. *That the post obtain a Memorandum of Agreement with the bank which handles Volunteer allowance distributions, and that the MOA include the information in PCM section 221.6.1, Attachment F.*

**Management's Response:** DO NOT CONCUR: Bank of China (primary post bank) and other financial institutions are unable to sign a Memorandum of Agreement due to national, regional and local banking protocols and regulations. Post will attempt to obtain an MOA with the Bank of China if this national policy changes. Post has sought and received approval for an exception from the Chief Financial Officer through the Director of Global Accounts Payable.

**OIG Verification: Recommendation closed.** The post attempted but was unable to obtain a Memorandum of Agreement with the Bank of China. Accordingly, following PCM section 221.6.1.1, the post requested and received a waiver from the Director of Global Accounts Payable. The waiver was dated January 24, 2007; a continuing waiver through fiscal year 2008 was issued December 18, 2007. We obtained and reviewed the waiver and the continuing waiver. The reasons given in the waiver were "the unique circumstances in China, which preclude signing of a Memorandum of Agreement, and the stringent internal controls established by Peace Corps/China which effectively monitor the status of allowances."

## Billings and Collections

7. *That the billing officer issue individual bills of collection to each debtor.*

**Management's Response:** CONCUR: Billing system implemented December 14, 2006. Bills of collection with multiple payees on a single BOC are no longer issued.

**OIG Verification: Recommendation closed.** We obtained the billings registers ("billings logs") for fiscal years 2006, 2007, and 2008 through January 31, 2008 and reviewed the billing descriptions to verify that billings were made to single payees. We also reviewed a sample of the bills of collections for these years to verify single payee billing. No discrepancies were noted.

8. *That the post maintain a "date paid" column in the Bill of Collection Log.*

**Management's Response:** CONCUR: Bill Collection Logs revised as of October 17, 2006. Bill of Collection Log now includes a "date paid" column.

**OIG Verification: Recommendation closed.** We obtained the post's billings registers and found that they included a column for "date paid."

**9. That the post complete monthly billings for authorized personal use of Peace Corps vehicles.**

**Management's Response:** CONCUR: Monthly billings implemented December 2006. Billings for personal use of vehicles are completed monthly.

**OIG Verification: Recommendation closed.** We reviewed the billings registers for fiscal years 2006, 2007, and 2008 through January 31, 2008. We also inquired of the country director and administrative officer as to which staff members have used Peace Corps vehicles for authorized personal use. We noted one billing was made three months after the personal use of the vehicle, and another billing that was made two months after the personal use. Usage took place in October and November 2006; related bills of collection were issued on January 9, 2007.

However, we found that bills of collection for personal authorized use of post vehicles issued subsequent to the above two billings were handled timely. Accordingly, we have closed this recommendation.

### **Imprest Fund**

**10. That the Chief Financial Officer (CFO) obtain authorization from the USDO to allow a non-direct hire staff member to be the PC/China cashier.**

**Management's Response:** CONCUR: Director of Financial Policy and Compliance has contacted USDO in Bangkok to determine status and obtain written copies of original verbal approval. Director of Global Accounts Payable scheduled to meet with USDO while in Bangkok in early February 2007 and will pursue. EMA Region Director and PC Chief Financial Officer discussed matter on March 16, 2007; ultimate resolution may depend upon change in Chinese Government's policy regarding employment of Chinese nationals by entities such as Peace Corps.

**OIG Verification: Recommendation remained open.** At the time of our visit, this issue was being followed up in headquarters. Correspondence dated February 5, 2008 from the Director of Financial Policy and Compliance to the post's administrative officer, stated: "Our Office of General Counsel is working with State's General Counsel to get approval for the current cashier situation in China."

This recommendation will remain open pending submission to the chief compliance officer of documentation indicating a resolution to the matter.

**11. That the post rewrite the contract to include responsibility for the imprest fund for host country staff appointed as cashier or alternate cashier.**

**Management's Response:** CONCUR: A signed modification to Contract # 366-07-2001 was completed in January 2007, including the Cashier's responsibility for the imprest fund.

**OIG Verification: Recommendation closed.** We obtained the contract and noted that the cashier's responsibility for the imprest fund, including her personal accountability, was included therein.

**12. That the country director request approval for the appointment of an alternate cashier.**

**Management's Response:** CONCUR: Country Director requested approval; cable request from HQ to FSC Bangkok sent January 23, 2007.

**OIG Verification: Recommendation closed.** The administrative officer was appointed alternate cashier. We obtained and reviewed the cable from the U.S. Disbursing Officer in Bangkok authorizing the appointment and noting the administrative officer's successful completion of the cashier's exam on December 20, 2007.

### Vehicle Management

**13. That the country director ensure that the person responsible for initiating vehicle repairs and billing for personal vehicle use review and initial the vehicle logs on a weekly basis.**

**Management's Response:** CONCUR: Policy/practice implemented April 2006. All logs are now signed on a weekly basis by GSA/GSM.

**OIG Verification: Recommendation reopened.** PCM section 527.5.4 requires that the administrative officer and the staff member(s) responsible for initiating vehicle repairs and controlling the maintenance records (at PC/China, the general services manager) and for billing authorized, non-official use (at PC/China, the financial assistant) review, initial, and date the usage logs. We selected a sample of the post's vehicle usage logs for fiscal years 2006, 2007, and 2008 through January 31, 2008. We noted that the administrative officer and the general services assistant were signing and dating the logs weekly and the country director, monthly, but that the general services manager and the financial assistant were not reviewing, initialing, and dating the logs weekly as required.

This recommendation will remain open pending submission to the chief compliance officer of examples of properly reviewed, signed, and dated vehicle usage logs.

## Contracts

***14. That the post work with the Office of Acquisitions and Contract Management to bring their lease agreements into compliance.***

**Management's Response:** CONCUR: New lease agreements implemented in 2006. Modifications to the lease agreement for the first four floors the fifth floor and lobby were added, and the separate agreement for the fifth floor and lobby (366-03-1106) was allowed to expire. The lease for the former AO Residence (366-04-2203) was allowed to expire. The lease for a storage unit (366-04-2002) was allowed to expire. Option periods were corrected in the lease agreement for the CD Residence (366-03-1102).

**OIG Verification:** **Recommendation closed.** We obtained the post's leases and ascertained that they were prepared using the template in PCM section 733, Appendix A and in compliance with agency policy.

***15. That the post obtain the required documentation for the contractor files.***

**Management's Response:** CONCUR: To the extent possible post obtained documentation that was missing or destroyed in connection with the post's suspension due to SARS epidemic in 2003/2004. Post is working with Consulate RSO to obtain necessary clearances for HCN staff. Completion date will depend on Embassy RSO LOE/workload and staffing. Five new contractor documentation certifications were completed as of January 31, 2007. Estimated completion date: May 31, 2007.

**OIG Verification:** **Recommendation reopened and subsequently closed.** We obtained and reviewed the contractor files, which were secured in a bar-locked cabinet in the office of the executive assistant to the country director. We found that the files contained the required documentation except as follows: The intelligence background information certification for one staff member was missing. Also, while statements of work (SOW) were in the staff members' files, there was no indication that the staff had concurred with the SOWs' requirements, such as by signature thereon.

During the course of the audit, the staff member signed the international background information certification, and it was placed in his file. In addition, all staff members were requested to sign, and signed, their statements of work. Accordingly, we have closed this recommendation.

***16. That the post obtain written approval from the Office of Medical Services for their PCMO.***

**Management's Response:** CONCUR: Approval document dated July 2005 was located at post.

**OIG Verification: Recommendation closed.** We reviewed the approval memo dated July 20, 2005 from the Office of the Medical Services (OMS) referred to in management's response to our recommendation. The memo conveyed "official OMS approval...for the part-time PCMO position in China." A subsequent memo from OMS dated December 13, 2005 stated that "on December 12, 2005, (the PCMO's) status changed from part-time to full-time." Accordingly, we have closed this recommendation.

### **Credit Card Management**

***17. That the administrative officer obtain approval before making purchases with the post's purchase card.***

**Management's Response:** CONCUR: Change in practices implemented April 2006. Country Director approves all purchase card transactions prior to purchase.

**OIG Verification: Recommendation closed.** We inquired of the country director if he was approving purchase card transactions prior to purchase. We then confirmed the response by obtaining the purchase card log and noting the country director's initials, indicating his approval for purchase card transactions.

***18. That the post maintain a purchase card log that includes the signature of the approving official.***

**Management's Response:** CONCUR: Changes to purchase card log implemented April 2006. Purchase card log modified to include signature of the approving official.

**OIG Verification: Recommendation closed.** We obtained the post's purchase card log and noted that the log contained the signature of the approving official.

## Personnel

*19. That the post conduct annual appraisals for all staff and maintain a written copy in their file.*

**Management's Response:** CONCUR: Annual appraisals for all staff were completed by January 2007. Copies are included in each staff file.

**OIG Verification:** **Recommendation closed.** We reviewed the staff files and verified that the files contained annual appraisals.

## 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 Audit Report, Peace Corps/China” (Report No. IG-07-07-A), issued in March 2007. 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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