



Peace Corps Office of Inspector General

FOLLOW-UP AUDIT REPORT

Peace Corps/Honduras

IG-07-08-FUA

A handwritten signature in black ink, appearing to read "H. David Kotz".

H. David Kotz, Inspector General

June 2007

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INTRODUCTION

The Office of Inspector General conducted an audit and program evaluation of Peace Corps/Honduras March 14 - April 6, 2004 and issued our report September 30, 2004.¹ As part of our continuing oversight responsibilities, we conducted a follow-up audit March 26 - 30, 2007 to verify the status of the 29 audit recommendations included in the report.

Management concurred with all 29 audit recommendations. Based on management's responses, we closed 26 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

Since 1962, over 4,500 Peace Corps Volunteers have served in Honduras. Volunteer strength peaked at over 400 in the mid-1980s. At the time of our visit, 158 Volunteers were working in six program sectors: child survival and HIV/AIDS, water and sanitation, youth development, business development, municipal development, and protected areas management.

SUMMARY OF FINDINGS

As the result of our follow-up audit, we verified that appropriate action had been taken on 28 of the 29 audit recommendations. We determined that recommendation number eight requires additional action, and we reopened this recommendation 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.

¹ Final Report Program Evaluation and Audit of Peace Corps/Honduras (IG-04-02-AE) was issued September 30, 2004. The report contained a combined total of 48 audit and program evaluation recommendations.

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

Audit Area	Number of Recommendations	Number of Recommendations Closed	Open Recommendation Number
Imprest Fund	12	11	8
Accounting for Obligations and Liquidations	2	2	
Billings and Collections	4	4	
Communication	3	3	
Procurement	6	6	
Vehicle Management	2	2	
Total	29	28	1

RESULTS

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

Imprest Fund

1. That the post issue bills of collection for the unallowed expenses totaling \$2,793.13.

Management’s Response: Concur. Post issued bill of collections H-522-4-094, H-522-4-094 A, H-522-4-095, and H-522-4-096, to CD, PTO and AO on May 18, 2004. Additional bills of collection H-522-4-157, H-522-4-094A were issued to the PTO and the former CD on August 31, 2004. Portion of the collections is pending. Date Implemented: Projected completion September 30, 2004.

OIG Verification: Recommendation closed. We verified that the post issued bills of collection for the unallowed expenses.

2. That the country director advise the cashier to challenge questionable payments.

Management's Response: Concur. The cashier and alternate cashier were advised to challenge questionable payments by CD Hernandez on August 18, 2004. Date Implemented: Completed August 18, 2004.

OIG Verification: Recommendation closed. We reviewed memos issued August 17, 2004 and March 9, 2007 from the respective country directors advising the cashier to challenge questionable payments.

3. That the cashier obtain and maintain signature cards for approving officials.

Management's Response: Concur. The cashier obtained signature cards for all approving officials on August 18, 2004; these cards will be updated as staffing changes. Date Implemented: Completed August 18, 2004.

OIG Verification: Recommendation closed. We reviewed the signature list maintained by the cashier. It had been properly updated to reflect the newly-arrived country director and other changes.

4. That the post designate a new alternate cashier.

Management's Response: Concur. Alternate Cashier/Executive Secretary Julia Funes was granted temporary designation as alternate class B cashier and has been given the 180 day period from July 21, 2004 through January 19, 2005 in order to pass the cashier's examination. If she does not pass the exam, a new alternate cashier will be named in January of 2005. Date Implemented: To be completed by January 19, 2005.

OIG Verification: Recommendation closed. We reviewed the letter of designation from the U.S. Disbursing Officer (USDO). The designation occurred in January 2005, within the 180-day period.

5. That the post not allow personnel who have exceeded the 180-day temporary authorization period to act as an alternate cashier until they pass the cashier's exam.

Management's Response: Concur. Please refer to PC/H response to OIG Recommendation # 4. Date Implemented: To be completed by January 19, 2005.

OIG Verification: Recommendation closed. The alternate cashier passed the cashier's exam within the 180-day period and was appropriately designated by the USDO. We reviewed the letter of designation from the USDO.

6. That formal transfers be used to transfer the imprest fund to an alternate cashier.

Management's Response: Concur. A formal transfer, as outlined in the agency's OFMH and in the Peace Corps manual, will be used to transfer the imprest fund for all future transfers. The first formalized transfer was completed on August 31, 2004, including funds verification. Date Implemented: Completed August 31, 2004.

OIG Verification: Recommendation closed. We reviewed the cash reconciliation file and verified that formal transfers were used when needed. Advances to the alternate cashier were used for short duration periods.

7. That the country director support compliance by staff and Volunteers with the cashier's hours.

Management's Response: Concur. On March 24, 2004, PTO Cohen sent an e-mail to all Volunteers and staff and posted in the PC/Honduras office a policy statement requiring full compliance with the cashier's posted hours, which are 10 a.m. to 12 noon, and 2 p.m. to 4 p.m. In addition, the cashier's window was approved on August 11, 2004, in order to diminish interruptions during non-service hours. Date Implemented: Completed March 24, 2004.

OIG Verification: Recommendation closed. We obtained and reviewed the notice issued by the programming and training officer, in the absence of the country director, stating the cashier's hours and the requirement to respect them.

8. *That safe combinations be changed annually and whenever there is a change in the country director and the cashier.*

Management's Response: Concur. The cashier was shown how to change the combinations in May 2004. Safe combinations were changed on August 30, 2004, with the arrival of CD Hernandez. These responsibilities were included in the Cashier position description on August 30, 2004. Date Implemented: Completed August 30, 2004.

OIG Verification: Recommendation open. We reviewed documents at the post that indicated that the combination to the imprest fund safe was changed on September 27, 2004; however, it had not been changed subsequently.

We had closed the recommendation based upon management's response to us that the combination to the imprest fund would be changed at least annually. However, the post did not execute the required action with which management had concurred.

Further, the combination was changed by a technician from the U.S. embassy rather than the cashier as required by Peace Corp Manual section 760.9.4 and Overseas Financial Management Handbook section 8.5.1. The cashier told us that she has not been trained how to change the combination to the safe.

In response to a request from the post dated March 29, 2007, the regional security officer (RSO) stated that he would "make every effort" to have an embassy technician train the cashier to change the safe combination during the technician's next visit to Tegucigalpa in April 2007.

The country director, in an e-mail to us dated June 15, 2007, reported that the embassy security officer (ESO) visited the post on June 12, 2007 to change the safe combination. According to the country director's e-mail, the ESO declined to train the cashier "and stated that his guidance is that he is not supposed to do this.... At this time, our plan is to have the visiting ESO change the cashier's safe combination at least annually depending on his scheduled visits to the embassy."

To comply with agency policy and to ensure that the safe combination can be changed on an immediate basis, we believe that the post's cashier should be able to perform this function.

This recommendation will remain open pending confirmation to us by the chief compliance officer that the cashier has personally changed the combination to the imprest fund safe.

9. *That non-imprest fund related items not be stored in the imprest fund safe.*

Management's Response: Concur. As of May 2004, only imprest fund related items are being stored in imprest fund safe. Date Implemented: Completed May 2004.

OIG Verification: Recommendation closed. We examined the contents of the imprest fund safe on March 27, 2007 and found only imprest-related items.

10. *That the country director obtain the services of a qualified person to complete annual audits of the imprest fund.*

Management's Response: Concur. Post will obtain a qualified person to complete annual audits of the imprest fund by September 30, 2004. Date Implemented: To be completed September 30, 2004.

OIG Verification: Recommendation closed. We reviewed auditor letters documenting the completion of annual audits by qualified outside persons.

11. *That shortages in the imprest fund reconciliation be immediately determined as to the cause and, if not corrected, be reported to the OIG if the amount is greater than \$10.00.*

Management's Response: Concur. As of March 2004, a procedure was put into place to ensure that all discrepancies in the imprest fund reconciliation will be resolved as quickly as possible. If not resolved within 24 hours, the discrepancies will be reported to IFO, IAP Region, and the OIG. Date Implemented: Completed May 2004.

OIG Verification: Recommendation closed. We reviewed cash reconciliations on file and determined that there were no shortages that were not immediately investigated and corrected.

12. That staff conducting imprest fund verifications review the supporting documentation.

Management's Response: Concur. Staff conducting imprest fund verifications review all supporting documentation. This practice began as of April 2004 and will in the future utilize a detailed checklist developed by the cashier for imprest fund verification. Date Implemented: Completed May 2004.

OIG Verification: Recommendation closed. We reviewed the cash reconciliations on file and determined that they contained evidence that supporting documents were reviewed as part of the verification process.

Accounting for Obligations and Liquidations

13. That the post submit vouchers for reimbursement on a weekly basis..

Management's Response: Concur. Post submits vouchers for reimbursement on a weekly basis. In addition, as of May 2004, reimbursements for Volunteer expenses are being paid out of the imprest fund either directly in cash to the Volunteers or through deposits into their accounts on a weekly basis. Date Implemented: Completed May 2004.

OIG Verification: Recommendation closed. We reviewed voucher reimbursement documents in the cashier's files and verified that they were submitted for reimbursement on a weekly basis.

14. That the post follow up in writing with IFO on outstanding reimbursements that are more than three weeks old.

Management's Response: Concur. As of May 2004, post has followed up in writing with IFO on any outstanding reimbursements. Date Implemented: Completed May 2004.

OIG Verification: Recommendation closed. We selected a sample of reimbursements and verified that they were not more than three weeks old when received.

Billings and Collections

15. That the post follow up on outstanding bills with written notices to debtors.

Management's Response: Concur. As of August 31, 2004, the post billing officer will have provided debtors with written reminders of their outstanding debts and continue to do so on a monthly basis. Copies of the reminders will go to the CD and AO. Date Implemented: Completed August 31, 2004.

OIG Verification: **Recommendation closed.** We discussed the post's billing policies with the administrative officer. These policies require that the cashier send follow-up reminder e-mails one week after billing; we reviewed a sample of these reminders. Further, our review of the post's billings register showed collections to be current.

16. That the cashier provide a copy of the bill of collection to the debtor, dated and marked "paid" when the debt is paid.

Management's Response: Concur. As of June 2004, the collection officer has been providing debtors with copies of their bill of collection, dated and marked "paid" when the debt has been paid. Date Implemented: Completed June 2004.

OIG Verification: **Recommendation closed.** We verified, by inquiry of the cashier and confirmation with a sample of staff members, that the cashier has been providing a copy to the debtor of the bill of collection dated and marked "paid" when the debt is settled.

17. That the post re-assign the billing and collection function for personal phone usage based on OFMH.

Management's Response: Concur. Post clarified the handling of billing and collection for personal phone usage in April 2004. The Travel Assistant is now issuing bills of collection for all personal phone usage, and the Cashier collects amounts due. Date Implemented: Completed April 2004.

OIG Verification: **Recommendation closed.** We verified that different persons are now performing the billing and collection functions for handling personal phone usage. The billing officer issues bills of collection; the collections officer issues general receipts.

18. That a formal bill of collection be issued for personal telephone usage.

Management's Response: Concur. Bills of collection have been issued for all personal telephone usage since April 2004. Date Implemented: Completed May 2004.

OIG Verification: **Recommendation closed.** We reviewed the file of bills of collection and determined that bills of collection had been issued for personal telephone usage.

Communication

19. That the post take steps to ensure that the Volunteers abide by the Volunteer computer usage policy, including discontinuing the Volunteers' access to the internet and administrative separation for individuals.

Management's Response: Concur. As of August 31, 2004, permanent signs were posted in the Volunteer computer room in order to remind Volunteers about the computer usage policy and the consequences for breaking the policy (i.e., administrative separation). The IT Specialist will continue to monitor the situation. In addition, this issue will be discussed with the Volunteer Advisory Committee (VAC) to establish actions to improve the situation. Date Implemented: VAC meeting to be scheduled in October 2004 to develop alternative solutions to the volunteer usage problem.

OIG Verification: **Recommendation closed.** We observed reminder signs posted in the Volunteer computer room. The auditor's review of a sample of computer files with the IT specialist determined that they were free of Volunteer files and games. The IT specialist stated that the computer refresh added blockers to further prohibit downloads of unauthorized programs.

20. That the post stop all further development of the information management system until approval is granted for further work from the Office of the CIO.

Management's Response: Concur. Work on the information management system has been discontinued, effective September 15, 2004. Date Implemented: Completed September 15, 2004.

OIG Verification: **Recommendation closed.** We verified through inquiry of the administrative officer and IT specialist and review of the desktop programs that the development of a local information management system had been halted.

21. That the region restrict the post from making additional financial expenditures on the information management system until approval for the project is granted by the Office of the CIO.

Management's Response: Concur. Post has been restricted by the Region from any further expenditures on the information management system. Date Implemented: Completed September 30, 2004.

OIG Verification: Recommendation closed. See our verification comments for recommendation number 20.

Procurement

22. That the post only use direct hire staff to supervise and complete staff appraisals.

Management's Response: Concur. As per MS 743, post utilizes only direct hire staff (USDH and FSNs) to complete appraisals of Peace Corps staff; USDH, FSNs and PSCs. Please refer to MS 743, section 6.0 (Limitations on the use of Personal Service Contracts). Date Implemented: Not applicable, as post complies with the policy.

OIG Verification: Recommendation closed. We reviewed a selection of staff appraisals and verified that personal services contractors did not sign staff appraisals as supervisors.

23. That the post not use its staff for collecting or disbursing cash for their training contract.

Management's Response: Concur. As of August 11, 2004, post has not been collecting or disbursing cash for its training contractor. Date Implemented: Completed August 11, 2004.

OIG Verification: Recommendation closed. The post terminated the training contract, which resolved the problem.

24. That the country director request security clearances for all PSC personnel.

Management's Response: Concur. CD Hernandez will request that the U.S. Embassy Regional Security Officer complete appropriate investigations for all PSC personnel. Date Implemented: Completed August 11, 2004.

OIG Verification: Recommendation closed. We verified that security clearance documentation had been obtained and placed in the PSCs' files, except for two PSCs: a mechanic employed for 20 years at the post and a mail clerk employed for three years at the post and previously employed by the post's former training contractor. There was no security clearance documentation on file from the RSO.

In an e-mail to us dated April 30, 2007, the country director indicated that she had followed up with the RSO and "will include, upon receipt from the RSO, the results of these security checks in their files." On June 15, 2007 and June 20, 2007, the country director sent us the results of her follow-up with the RSO and the Regional Human Resources Officer at the U.S. Embassy, indicating that employment of the two PSCs was appropriate.

25. That contract files be maintained with the current information following the OFMH filing guide for overseas posts.

Management's Response: Concur. As of May 2004, all contract files are maintained with current information following the OFMH filing guide. Date Implemented: Completed May 2004.

OIG Verification: Recommendation closed. We reviewed a sample of contract files and found them to be orderly and contain the required current information.

26. That the post obtain signatures on the contract releases when PSC contracts end.

Management's Response: Concur. Post will obtain signatures on the contract releases when PSC contracts end on October 31, 2004 and annually hereafter. Date Implemented: To be completed by November 1, 2004. Date Implemented: To be completed by November 1, 2004.

OIG Verification: Recommendation closed. We reviewed a sample of expired contracts and verified that contract releases were obtained.

27. That the country director request additional procurement authority from the director of contracts for the office lease contract.

Management's Response: Concur. Delegation of additional approval authority to execute office lease with Inversiones y Bienes, S.A. de C.V. was granted on January 29, 2001, by Judy Dawes, Acting Director, Office of Contracts. Date Implemented: Not applicable, as no additional authority is needed.

OIG Verification: Recommendation closed. We reviewed the e-mail from the acting Chief Acquisition Officer authorizing additional procurement authority to the country director for the office lease contract.

Vehicle Management

28. That the post affix the "In Case of Accident" card in a prominent position in each vehicle.

Management's Response: Concur. As of August 31, 2004, signs were posted in a prominent position on all vehicles. Date Implemented: Completed August 31, 2004.

OIG Verification: Recommendation closed. We observed "In Case of Accident" cards in a sample of vehicles.

29. That the post have all the vehicle fire extinguishers checked and periodically maintained.

Management's Response: Concur. Current fire extinguishers are disposable. Post will implement manufacturers' maintenance recommendations or acquire new fire extinguishers. Date Implemented: To be completed by October 31, 2004.

OIG Verification: Recommendation closed. We obtained the post's "Extinguishers Master Control List" and reviewed documentation describing the periodic maintenance of fire extinguishers.

OBJECTIVE, SCOPE, AND METHODOLOGY

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/Honduras” (Report No. IG-04-02-AE), issued in September 2004. 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

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

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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