



Peace Corps Office of Inspector General

FOLLOW-UP AUDIT REPORT

Peace Corps/Panama

IG-07-09-FUA

H. David Kotz, Inspector General

June 2007

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INTRODUCTION

The Office of Inspector General conducted an audit of Peace Corps/Panama October 17-November 5, 2004 and issued our report March 31, 2005 (IG-05-09-A). As part of our continuing oversight activities, we conducted a follow-up audit March 19 - 23, 2007 to verify the status of the recommendations included in our audit report.

Our report contained 24 recommendations for management action. Management concurred with all 24 recommendations. Based on management's responses, we closed 23 recommendations upon issuance of our report. One recommendation was left open pending action to be taken and was subsequently closed by the chief compliance officer.

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

BACKGROUND

Peace Corps Volunteers began working in Panama in 1963. The program was closed in 1971 for political and security reasons and resumed in 1990. Since inception, approximately 1,400 Volunteers have served in Panama. At the time of our visit, 130 Volunteers were working in four program sectors: community environmental conservation, community economic development, environmental health, and sustainable agricultural systems.

SUMMARY OF FINDINGS

As the result of our follow up audit, we verified that appropriate action had been taken on 20 of the 24 recommendations. We determined that four recommendations required additional action, and we reopened these recommendations 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.

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(s)
Imprest Fund	6	5	4
Procurement	5	3	6 and 11
Billings and Collections	5	5	0
Host Country Contributions	2	2	0
Personnel Management	3	3	0
Vehicle Management	1	1	0
Volunteer Allowances	1	0	23
Medical Supplies	1	1	0
Total	24	20	4

RESULTS

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

Imprest Fund

1. That the post submit cashier vouchers at least weekly.

Management’s Response: Concur. Since January 2004 Post has been submitting cashier vouchers at least weekly. Date of Implementation: January 2004 and on-going.

OIG Verification: Recommendation closed. We reviewed the “Cashier Vouchers Request Log” and determined that the post had submitted vouchers at least weekly. We also traced postings in the log on a sample basis to copies of voucher packages maintained in the post’s administrative files.

2. That the country director arrange for an annual audit of the imprest fund by a qualified and independent person.

Management's Response: Concur. While conducting a financial audit at Post in November 2004, the visiting IG Auditor conducted the annual audit of the imprest fund. The Administrative Officer has added the imprest fund audit to the annual administrative calendar and asked the Embassy cashier to conduct future annual audits of the imprest fund. Date of Implementation: November 2004 and on going.

OIG Verification: Recommendation closed. We reviewed documents showing that annual outside audits of the imprest fund were conducted on March 24, 2006 and January 18, 2007. We found no discrepancies noted in the related audit reports.

3. That the cashier maintain on file a record of signatures of approving officials.

Management's Response: Concur. The cashier now has on file a record of signatures of approving officials and her current performance plan has been amended to include this task. See attached documentation [not included herein]. Date of Implementation: March 11, 2005 and on going.

OIG Verification: Recommendation closed. We reviewed the signature cards maintained by the cashier and found that they were current.

4. *That the combinations to the cashier's safe be changed annually, whenever there is a change in cashiers, or whenever the combination becomes known to a person other than the cashier.*

Management's Response: Concur. Post will annually change the cashier's safe combinations and will also ensure that combinations are changed with the change of the cashier or whenever the combination becomes known to a person other than the cashier. The Regional Security Officer has agreed to send an employee to change the combination. See attached documentation [not included herein]. Date of Implementation: This will be completed by the end of Q4, FY2005 and will be implemented at least annually or as warranted.

OIG Verification: Recommendation open. We verified that the post has had the combination to the imprest fund safe changed at least annually. However, we noted that the combination changes were performed by a U.S. embassy technician rather than by the cashier as required by Peace Corps Manual (PCM) section 760.9.4 and Overseas Financial Management Handbook (OFMH) section 8.5.1.

The cashier stated that she was aware of the requirement for her to change the combination but that she had not been trained on how to do it.

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 from the chief compliance officer that the cashier has personally changed the combination to the imprest fund safe.

5. *That the post correct the PSC and the insurance agency accounts in ForPost to reflect the actual payments.*

Management's Response: Concur. Post will work with the appropriate offices in Peace Corps Washington to make the necessary corrections. Date of Implementation: April 30, 2005

OIG Verification: Recommendation closed. We reviewed correspondence with headquarters personnel which documented that the necessary corrections had been made.

6. That the cashier review the “Outstanding Travel Advances” report from ForPost before issuing new advances.

Management’s Response: Concur. Post will review all international travel advances using the ForPost “Outstanding Travel Advances” report prior to issuing new international travel advances. Additionally, on a weekly basis, post will review in-country travel cash advances, issued on Cashier Interim advances, and will be documented by the SF-1165, “Receipt for Cash – Sub-Voucher,” PC-1612, “Interim Cash Advance” (per OFMH section 43.3). Date of Implementation: April 1, 2005

OIG Verification: Recommendation open. The cashier stated that she has not been able to run the ForPost “Outstanding Travel Advances” report, but has instead been maintaining an advances file which she reviews before issuing new advances.

In response to our inquiry on March 22, 2007, a ForPost support representative informed us: “The cashier should be able to access the report now.” The representative has contacted the post’s administrative officer and cashier to determine and resolve the problem.

This recommendation will remain open pending confirmation to us from the chief compliance officer that the cashier is accessing and reviewing the “Outstanding Travel Advances” report.

Procurement

7. That the post provide administrative staff with training to ensure compliance with contracting policies and procedures.

Management’s Response: Concur. Post has reviewed the findings with the Administrative Staff. Prior to Q4 FY2005, Post will seek guidance from Office of Contracts and will provide additional training based on the guidance at the weekly administrative staff meetings. Date of Implementation: Q4 FY2005.

OIG Verification: Recommendation closed. We reviewed memoranda and a training agenda documenting that the post has provided staff with training on contract policies and procedures.

8. That the post fully obligate funds for current year PSC contracts.

Management's Response: Concur. Post has fully obligated funds for current year PSC contracts. Date of Implementation: April 1, 2005.

OIG Verification: **Recommendation closed.** We reviewed the status of obligations reports and related detail and verified that the post has been fully obligating funds for personal services contractor contracts as required.

9. That the post take immediate action to dispose of unused and unneeded property.

Management's Response: Concur. See attached documentation [not included herein]. Date of Implementation: A sale of the property is scheduled for April 2, 2005.

OIG Verification: **Recommendation closed.** We conducted a physical review of the post's warehouse facility; we did not observe any unused and unneeded property.

10. That a certification of acceptance be prepared and included with each lease contract.

Management's Response: Concur. A certification of acceptance will be prepared and included with all future lease contracts. Date of Implementation: Post will implement this recommendation for future lease contracts.

OIG Verification: **Recommendation closed.** We reviewed the lease files and determined that certificates of acceptance were prepared and included with the related leases.

11. That the post use the standard Peace Corps lease template.

Management's Response: Concur. The two storage leases were terminated at the end of FY 2004. All other leases currently use the standard Peace Corps lease format. Date of Implementation: Post will implement this recommendation for future lease contracts.

OIG Verification: Recommendation open. We verified that the post is using the standard Peace Corps lease format; however, we noted that the total lease amount on the front page of the leases did not include option periods as required.

We also noted that the lease for the country director's residence, which has an annual rent over \$20,000, did not have regional director approval as required by OFMH section 31.1.

Further, this lease showed two different amounts for "Lease Payments": \$1,800 in words and \$1,900 (the correct amount) in figures. The administrative officer stated that the error resulted from the post's carrying over the written-out amount from the prior lease; the error was not caught during the post's lease review process. As the post is paying the correct lease amount, we are not requesting action to be taken for this item.

This recommendation will remain open pending confirmation to us from the chief compliance officer that the post is including option periods in the total lease amount and that the post has obtained regional director approval for the lease for the country director's residence.

Billings and Collections

12. That the country director ensure segregation of duties between the billing officer and the collections officer.

Management's Response: Concur. The position descriptions reflect the segregation of duties. The Country Director will verify during the quarterly imprest cash counts. Date of implementation: December 1, 2004 and on-going.

OIG Verification: Recommendation closed. We verified through a review of billing and collection procedures that the billing and collection functions have been properly segregated.

13. That the billing officer prepare bills of collection when monies are due the Peace Corps.

Management's Response: Concur. The Senior Administrative Assistant who is the billing officer prepares the BOCs. Date of implementation: December 1, 2004 and on-going.

OIG Verification: Recommendation closed. We reviewed the billing register and the file of bills of collection and verified that the billing officer was preparing bills of collection when monies were due the agency.

14. That the cashier have custody of collected funds, issue general receipts, and deposit checks in the appropriate USDO account.

Management's Response: Concur. The Cashier is the Collection Officer and is the person who has custody of collected funds, issues general receipts, and deposits checks. Date of implementation: December 1, 2004 and on-going.

OIG Verification: Recommendation closed. We reviewed cashier procedures and documents and determined that the cashier had custody of collected funds, was issuing general receipts, and was depositing checks in the USDO account.

15. That the billing officer generate bills of collection using the ForPost system.

Management's Response: Concur. The billing officer generates bills of collection using the ForPost system. Date of implementation: December 1, 2004 and on-going.

OIG Verification: Recommendation closed. According to the ForPost support representative in response to our inquiry, "Bills of collection can not be produced in ForPost at this time. We are considering this enhancement for a future release." Further, OFMH section 9.2.1, "Billing Steps," states that the bill of collection is to be completed using Form PC-1566, which is being used by the post. Thus, the post is in compliance with current agency policy.

16. That the assistant administrative officer be trained immediately on ForPost.

Management's Response: Concur. The Administrative Officer has trained the assistant administrative officer. The assistant administrative officer uses ForPost on a daily basis. Date of Implementation: November 2004.

OIG Verification: Recommendation closed. We observed that the assistant administrative officer uses ForPost on a daily basis to prepare obligations and maintain the status of obligations report.

Host Country Contributions

17. That the post implement a system of records to account for the host country contributions.

Management's Response: Concur. See below [i.e., management's response to #18]. Date of Implementation: March 11, 2005 and on-going.

OIG Verification: Recommendation closed. We reviewed the post's "In Kind Host Country Contributions Quarterly Report," which lists all contributions. Supporting the report are detailed records maintained on spreadsheets, which we reviewed on a sample basis.

18. That the country director prepare an Annual Statement of Estimates at the beginning of each fiscal year, detailing the anticipated host country contributions for that year.

Management's Response: Concur. Post will develop a record system to account for Host Country Contributions that will be incorporated into the ForPost budget and accounting system. Post will prepare an Annual Statement of Estimates at the beginning of each Fiscal Year. Post submitted an Annual Statement of Estimates of Host Country Contributions for FY2005 on March 11, 2005 and will submit the next estimate in October 2005. Date of Implementation: March 11, 2005 and on-going.

OIG Verification: Recommendation closed. The post incorporated an annual statement of estimates in the host country contributions section of its operating plan, which we reviewed.

Personnel Management

19. That senior staff prepare annual appraisals, the appraisals be discussed with staff members, and copies be placed in their files.

Management's Response: Concur. All contractors have received a written performance appraisal within the last year and will be evaluated on a yearly basis. Copies of their appraisals are kept in their files. Date of Implementation: March 31, 2005 and on-going.

OIG Verification: **Recommendation closed.** We reviewed a sample of contractor files and found that they included annual performance appraisals signed by the respective contractors.

20. That the post require intelligence background certifications of all staff and contractors and place the certifications in their files.

Management's Response: Concur. Intelligence background certifications of all staff, including contractors, have been requested and will be included in the personnel files. Date of Implementation: Intelligence background certifications for all contractors were completed on March 15, 2005 and is on-going as new staff are hired.

OIG Verification: **Recommendation closed.** We reviewed staff files and determined that they contained signed intelligence background information certifications.

21. That the country director request additional procurement authority from the Director of Contracts for the personal services contract that exceeds the \$50,000 procurement authority.

Management's Response: Concur. Post had obtained the required approval but had not included a copy of the approval in each personal service contract file. Post will now include a copy of the required approval in each personal service contract file along with the original contract. Date of Implementation: Completed on March 15, 2005 and on-going for future contracts exceeding \$50,000.

OIG Verification: **Recommendation closed.** We reviewed waivers received from the Chief Acquisition Officer (previously titled the Director of Contracts) for personal services contracts exceeding \$50,000.

Vehicle Management

22. That the administrative officer review, monitor, initial, and date vehicle usage logs on a weekly basis.

Management's Response: Concur. The GSO will present the vehicle logs to the administrative officer for her to review, monitor, initial and date on a weekly basis. The current performance plan for the GSO will be revised to reflect this responsibility. Date of Implementation: March 31, 2005 and on-going.

OIG Verification: **Recommendation closed.** We verified that the administrative officer was initialing and dating the vehicle usage logs on a weekly basis, evidencing his review.

Volunteer Allowances

23. That the post conduct a settling in allowance survey within three months of swearing-in, and that the country director use the results, in conjunction with an independent survey, in determining if adjustments are warranted.

Management's Response: Concur. The Administrative Officer at Post will conduct a settling in allowance survey within three months of Trainees' swearing-in, review it and recommend to the CD any adjustments supported by the survey. Date of Implementation: Will be implemented by October 2005, in conjunction with Post's first input for FY05, and on-going with each group that swears-in.

OIG Verification: Recommendation open. We had closed the recommendation based upon management's response that it would conduct settling-in allowance surveys. However, the post did not take the required action that it stated it would.

Four Volunteer groups swore in since April 1, 2005, the date of management's response to our recommendation. Our review of the post's survey files indicated that it had only conducted a Volunteer settling-in allowance survey for the most recent Volunteer group, which swore on October 27, 2006. In addition, an independent survey was not conducted in conjunction with the Volunteer survey as required.

The country director stated that the post would conduct the independent survey and incorporate the results into the final determination of the adequacy of the settling-in allowance.

The administrative officer told us that she thought a settling-in allowance survey was a requirement if there was a question as to the adequacy of the allowance. She also told us that she thought that an independent settling-in allowance survey was required only if the post was not satisfied with the results of the Volunteer survey.

This recommendation will remain open pending confirmation to us from the chief compliance officer that the post has conducted a Volunteer and related independent settling-in allowance survey, reviewed the results, and recommended to the country director any adjustments supported by the survey.

Medical Supplies

24. That the PCMO inventory the medical supplies at the post's medical office and maintain a complete inventory log book.

Management's Response: Concur. At Post there are two inventory control systems – a manual log using a system similar to the Drug Control Card and an automated record system using the File Maker Pro software. The Medical Clerk at Post will update each system weekly and the PCMO will review, verify that the inventory is updated, and initial the manual log weekly. Date of Implementation: March 31, 2005.

OIG Verification: Recommendation closed. We reviewed the inventory listing and performed a sample of test counts; we noted no discrepancies.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in a follow-up audit is to verify the status of the audit recommendations in a previous audit report. 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, Audit of Peace Corps/Panama” (Report No. IG-05-09-A, issued March 31, 2005). At the end of our follow-up audit, we briefed the country director and administrative officer. At headquarters, we conducted a general briefing for regional staff.

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

APPENDIX B

AUDIT COMPLETION AND OIG CONTACT

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.

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