



# Peace Corps Office of Inspector General

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*Peace Corps/Peru Office in Lima, Peru*



*Flag of Peru*

## **FINAL AUDIT REPORT**

**Peace Corps/Peru**

**March 2008**



**FINAL AUDIT REPORT**

**Peace Corps/Peru**

**IG-08-07-A**

*Geoffrey A. Johnson*

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Geoffrey A. Johnson,  
Acting Inspector General

March 2008

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# EXECUTIVE SUMMARY

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## 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 Peace Corps/Peru’s financial and administrative operations were generally in compliance with agency policies and federal regulations. However, we identified a number of areas in need of improvement. Some of the more important findings are summarized below.

Imprest fund management – Verification of the post’s cash accountability during the audit disclosed an overage in local currency of 4,900.75, equivalent to \$1,545.97. Also, the combination to the safe had not been changed after a change in cashiers.

Volunteer allowances – The post did not conduct independent settling-in allowance and living allowance surveys.

Billings and collections – The post did not maintain a billing register. Additionally, there was not adequate separation of duties in the billings and collections process.

Obligations and Liquidations – The post’s accounting records contained obligations that were no longer valid and should have been liquidated.

Property Management – The post’s inventory listing did not contain the location of the inventoried items.

Procurement – The post’s procurement files contained deficiencies, including intelligence background information certifications, statements of work, and security clearances.

Vehicle management – Staff did not review the daily vehicle usage logs. In addition, the post did not keep vehicle maintenance records and did not submit an updated vehicle status report following the acquisition of a vehicle.

Information Security – Several staff had not completed the annual security awareness training and the required computer user verification forms.

Personnel management – The post’s time and attendance records and practices were deficient and not in accordance with agency and post policy and procedures.

The section “Post Staffing” includes a summary of comments from post staff whom we interviewed.

Our report contains 24 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

# INTRODUCTION

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## **GENERAL**

The Office of Inspector General conducted an audit of Peace Corps/Peru April 30 - May 25, 2007. This is the first audit since the Peace Corps returned to Peru in 2002.

## **BACKGROUND**

The government of Peru and the Peace Corps signed a country agreement in 1962. Volunteers worked in grassroots development projects targeting health, agriculture, education, and business. The Peru program supported 2,646 Volunteers from 1962 until 1975. The Peace Corps left Peru in 1975 and was invited to reopen the program in 2001. Peace Corps Volunteers serve in Peru by providing support to communities in four primary sectors: small business development, community health promotion, youth development and environmental education. At the time of the audit, there were 132 Volunteers in country.

## **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 full description of our audit objective, scope, and methodology.

# AUDIT RESULTS

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Peace Corps/Peru's financial and administrative operations were operating effectively and efficiently and the administrative staff had successful administrative processes and systems in place. We also found that the post was generally in compliance with agency policies and federal regulations.

However, the following administrative actions need to be implemented to enhance the post's operations:

- Address imbalances in the imprest fund.
- Change the combination to the safe after a change in cashiers.
- Conduct independent surveys to evaluate the adequacy of the Volunteer settling-in allowances and living allowances in accordance with Peace Corps policy.
- Maintain a billing register to ensure that debts are properly billed and collected.
- Perform quarterly reviews of obligations to verify that only valid obligations are recorded in the post's accounting records.
- Improve contract file documentation.
- Improve oversight of post vehicles.
- Strengthen information security ensuring that all staff receives the required annual security awareness training, and that all users sign user verification forms.

## IMPREST FUND MANAGEMENT

### IMPREST FUND ACCOUNTABILITY

*Verification of the post imprest fund accountability showed an overage in local currency equivalent to \$1,545.97.*

Overseas Financial Management Handbook (OFMH) section 13.23 states that posts should contact the responsible cashier liaison regarding any imprest overages. For most overage collections, the cash should be retained in the imprest fund. If the overage is a very large amount, the post is instructed per this regulation to deposit these funds into the USDO account.

Verification of the post's cash accountability during the audit disclosed an overage of Nuevo Sol 4,900.75, equivalent to \$1,545.97. The post was aware of the overage and had contacted the cashier liaison in PC/Washington as soon as the overage was discovered. After further research, the post cashier stated that the overage resulted from a voucher which was processed in error by the Office of Global Accounts Payable (OGAP). Instead of processing the transaction as a deposit, the OGAP voucher examiner erroneously processed

## **IMPREST FUND SECURITY**

the transaction to issue a replenishment check to the post in the amount of \$1,545.97 which was sent to the post resulting in an increase in accountability. However, it appears to be an isolated error that was quickly corrected.

***The combination to the safe had not been changed after a change in cashiers.***

Peace Corps Manual (PCM) section 760.9.4 requires that the cashier personally set the combination to the safe. The security officer or technician is not authorized to set or know the combination of the safe. The combination should be changed annually, whenever there is a change in cashiers, or whenever the combination becomes known to a person other than the cashier.

The cashier stated that when she assumed her duties, there was a problem in setting the combination of the safe. As a result, the combination continues to be set to the combination used by the previous cashier. The post used the services of a commercial company to set the combination of the safe. It was unclear whether the company retained knowledge of the combination in addition to the cashier.

At the time of the audit, post management was unaware of any issue regarding setting the combination of the safe and pledged to correct any security vulnerabilities that may exist.

## **ALTERNATE CASHIER**

***The administrative officer also serves as the alternate cashier contrary to internal control guidelines.***

OFMH section 13.3 strongly discourages that administrative officers serve as alternate cashiers, due to internal control issues.

Potential internal control issues are outlined in PCM section 760.5.4 which details specific rules to protect the cashier from any conflicts in responsibilities which could lead to misuse of funds.

According to PCM section 760.5.4, the following rules must be adhered to:

- A cashier may not both approve and make payments from the imprest fund;

- A cashier may not act as an Authorized Certifying Officer unless there are unusual circumstances and the Chief Disbursing Officer of the Department of the Treasury has concurred.

As an alternate cashier, the administrative officer would be able to both approve and make payments from the imprest fund resulting in inadequate separation of duties. Based upon the rules described above, the administrative officer should not serve as an alternate cashier.

## RECOMMENDATIONS

We recommend:

1. **That the Office of Global Accounts Payable review voucher examination procedures to determine whether current procedures need revision to prevent processing errors and erroneous payments.**
2. **That the post determine if the cashier's safe is operating properly.**
3. **That the post change the combination to the cashier's safe as required by Peace Corps policy.**
4. **That the administrative officer discontinue serving as an alternate cashier.**
5. **That the post appoint an alternate cashier in accordance with Peace Corps policy.**

## VOLUNTEER ALLOWANCES

### INDEPENDENT SETTLING-IN ALLOWANCE AND LIVING ALLOWANCE SURVEYS

*The post did not conduct independent settling-in allowance and living allowance surveys in accordance with Peace Corps policy.*

**Settling-In Allowances.** PCM section 221.4 requires that the post conduct surveys on the prices and items commonly purchased by Volunteers with their settling-in allowance for each incoming group of Volunteers. The survey process requires that Volunteers complete the settling-in allowance Volunteer survey within three months after receipt of the

allowance. The country director should analyze the results of the survey within 90 days of receipt of the survey and determine whether an increase or decrease in the amount is justified for the next group of Volunteers.

**Volunteer Living Allowance Survey.** PCM section 221.5.5.1 requires that the post conduct a living allowance survey annually. This survey is intended to help the country director determine the most appropriate level of goods and services needed to ensure the health and effective service of Volunteers. It is essential that the survey establish a market basket of major legitimate living allowance items and their current prices so that subsequent surveys can track price changes of each market basket item identified in the survey.

The post erroneously viewed Volunteer settling-in allowance surveys and the Volunteer living allowance surveys as one in the same. No separate Volunteer living allowance survey was conducted annually. As a result, the post conducted settling-in surveys tied to each group of new Volunteers.

It was unclear how the post intended to use the results for both settling-in allowances and living allowances since the survey was tied primarily to new incoming Volunteer groups. Therefore, the information gathered provided limited value for determining the adequacy of both settling-in and living allowances provided to Volunteers throughout the country.

Although the post conducted a separate analysis of certain commodities, similar to a market basket survey, to validate their survey results, it was unclear how the information could be used to verify flawed survey results.

These surveys are important because they provide the country director with a verification of price trends and support the results of the Volunteer surveys for determining the amount of allowances.

## **RECOMMENDATIONS**

**We recommend:**

- 6. That the post conduct independent settling-in allowance surveys in accordance with Peace Corps policy.**

7. **That the post conduct annual Volunteer living allowance surveys in accordance with Peace Corps policy.**
8. **That the post conduct market basket surveys to verify the results of living allowance surveys.**

## **BILLINGS AND COLLECTIONS**

### **BILLINGS REGISTER**

*The post did not maintain a billing register (PC-1565).*

PCM section 777.5.0 describes procedures for control of billings and collections. The purpose of these procedures is to ensure that debts are properly billed and collected. 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 (A.K.A. “Billings Register”) should be used. Each billing should be listed on the register to identify the transaction and its disposition.

The post did not maintain a billing register PC-1565. According to the post, the billing register was not needed because there were few if any debts in need of collection. However, we noted numerous collections for various debts recorded in ForPost that indicated the need for a separate control using a billing register to ensure that all bills of collection are properly recorded and collected.

### **SEPARATION OF DUTIES**

*The cashier was performing billing officer duties contrary to Peace Corps policy.*

OFMH section 7.1 specifies that posts maintain separation of responsibilities in the performance of billing and collection functions, to ensure that adequate internal controls are in place. The same individual who performs collection activities should not perform billing activities. The administrative officer normally serves as the billing officer, although other staff may perform this function. Personal services contractors (PSCs) may serve as billing officers (but may not serve as collection officers). A cashier may only serve as the collection officer. Cashier collection activities are limited to receipt of funds into the imprest fund and clearing of the debt.

The cashier performed both billing and collections activities. Their activities included sending requests for payment of outstanding bills to debtors in addition to receiving the funds collected. Requests were often made via email or phone calls. These activities should be performed by the administrative officer independent of the actual collection (receipt) of funds by the cashier. The administrative officer normally serves as the billings officer.

## RECOMMENDATIONS

We recommend:

9. That the post maintain PC-1565 (billings register) in accordance with Peace Corps policy.<sup>1</sup>
10. That the post establish separation of duties for billings and collection activities.

## OBLIGATIONS AND LIQUIDATIONS

### OUTSTANDING OBLIGATIONS

*The post's status of obligations report contained balances that were no longer required.*

PCM section 753.8.2 requires that a review to adjust obligations be conducted at least quarterly in order to match, as closely as possible, final expected liquidation levels. The review ensures that the post's records reflect only valid obligations.

The post's status of obligations report for FY 2004 showed an outstanding travel advance of \$3,679.86 which should have been investigated and cleared. The administrative officer stated that he had made attempts to clear the travel advance but that he had been unsuccessful. It is unclear why the obligation remained outstanding since the post had supporting documentation to clear the obligation.

An additional outstanding obligation of \$708.00 for value added tax (VAT) was identified that should have been cleared. The amount had remained outstanding due to a mismatch in the offsetting expense.

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<sup>1</sup> During the preparation of this report, Billings and Collection procedures were being revised. Post should follow the current procedures in effect including any updated procedures in the PCM and the OFMH.

## RECOMMENDATIONS

We recommend:

- 11. That the post request ForPost assistance to trace the transaction and resolve the discrepancy and clear the outstanding travel advance obligation.**
- 12. That the post conduct quarterly reviews of outstanding obligations to ensure that records reflect only valid obligations.**

## PROPERTY RECORDS

### INVENTORY

*The post's inventory listing did not contain the location of inventoried items.*

PCM section 511.5.2 states that “each office must take an inventory at least once a year, physically counting each item to verify that all property is on hand and properly recorded in the property management database.” This cannot be accomplished without the documented locations of items to be inventoried. Any person should be able to identify with ease the location of any item based on the inventory listing. Also, the inclusion of location on an inventory list helps to distinguish between several similar items on the list.

PC/Peru was using a spreadsheet based upon an example provided to the post by the Facilities Management Division (FMD) for the annual Personal Property Inventory Report. FMD's spreadsheet was sent via email to all overseas administrative officers and the three regional chief administrative officers at headquarters on October 5, 2006 for the annual conduct of the Personal Property Inventory Report. FMD's spreadsheet did not include a column for location of the items inventoried. As a result, we were unable to conduct an inventory to verify the accuracy of the post's property records.

## RECOMMENDATIONS

We recommend:

- 13. That the post include the current location for each item on future inventory control listings.**
- 14. That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.**

## PROCUREMENT

### PERSONAL SERVICES CONTRACTOR FILES

*The post's contractor files contained deficiencies.*

Our review of the post's personal services contractor (PSC) files disclosed the following discrepancies:

- Signed intelligence background information certifications, required by PCM section 743.8.1, were not found for seven of 25 personal service contractors.
- Statements of work, required by PCM section 743.9.4 for the purpose of acknowledging by contractual signature the work required, were not attached to or included in the contracts that the PSCs signed. Rather, they were filed loose in the PSC files.
- There was no documentation on file of the results of security clearance investigations performed for 8 of 25 of the personal service contractors as required by PCM section 743.8.0. It appeared that clearances were not obtained for some of the PSCs because they had previously worked for the U.S. Embassy and therefore, the post did not obtain security clearance updates for these staff members.

### RECOMMENDATIONS

**We recommend:**

- 15. That the post obtain signed intelligence background information certifications for each personal services contractor.**
- 16. That the post attach statements of work to, or include the statements of work within, the signed personal services contracts.**
- 17. That the post obtain security clearances for each PSC and maintain security clearance status in the files.**

## VEHICLE MANAGEMENT

### VEHICLE LOG REVIEW

*Staff did not review the daily vehicle usage logs.*

PCM section 522.4.1.7 requires that the administrative officer review the daily vehicle usage logs on a weekly basis and maintain the log for review by the country director on a monthly basis. Additionally, PCM section 527.6.1 requires that staff members responsible for keeping vehicle maintenance records, initiating vehicle repairs, and billing for authorized non-official use review, initial, and date the log weekly.

The post's general services officer (GSO) stated that he cannot review the logs weekly because the logs are submitted to him on a monthly basis. This is because the most of the post's vehicles are located in other areas of Peru. Therefore, the employees assigned to the vehicles are sending the vehicle usage reports by mail or fax to PC/Peru at the end of the month to minimize work. However, we could not find evidence of review by the GSO even for vehicles located locally. We did note that logs appear to be reviewed monthly by the county director.

Review of the logs is essential in order to verify that the post's vehicles are being used appropriately.

### VEHICLE MAINTENANCE RECORDS

*Vehicle maintenance records were not maintained.*

PCM section 527.60 requires that a maintenance record must be prepared for each vehicle and updated whenever maintenance is performed or maintenance expenses are reported.

The post did not maintain vehicle maintenance records. According to the GSO, they relied upon their outside mechanic to keep records for tune-ups, oil changes, and other routine maintenance. Additionally, since several vehicles are located away from Lima, he was unclear of his responsibility regarding vehicles outside his control. We noted that there were no vehicle maintenance records for any vehicles, no matter where they were located.

## VEHICLE STATUS REPORTING

*The post did not submit an updated vehicle status report following the acquisition of a new vehicle.*

PCM section 527.6.2 states: “An updated report should be submitted whenever a significant change in the fleet occurs.” Submission of an updated report ensures that headquarters’ vehicle records are current and in line with those of the post.

The post acquired a new vehicle in December 2006. However, at the time of audit in May 2007, the vehicle had not been included in the vehicle status report. The administrative officer stated that he did not realize that an updated report was required. Instead, the post was planning to wait until the annual report was prepared in order to report the new vehicle.

## RECOMMENDATIONS

**We recommend:**

- 18. That the post review the vehicle status reports on a weekly basis in accordance with Peace Corps policy. To accomplish this, the post may require that vehicle usage logs for vehicles not based in Lima be mailed or faxed to the post on a weekly basis.**
- 19. That the post establish vehicle maintenance records in accordance with Peace Corps policy.**
- 20. That the post submit an updated vehicle status report upon changes in the fleet.**

## INFORMATION SECURITY

### IT SECURITY AWARENESS TRAINING

*Several staff had not completed the required annual security awareness training.*

PCM section 542 subsection J – 76.1.b requires that every system user attend refresher awareness programs on an annual basis. Refresher program activities may be in the form of seminars, briefings, videotapes, or computer-based products delivered via CD-ROM, Intranet, Internet, or local area network (LAN).

Eighteen of 32 staff members had not completed the required annual security awareness training. This situation occurred

## **IT VERIFICATION FORMS**

because post management relied upon verbal assurances from the IT staff that all training had been completed.

***Several staff had not completed the required computer verification forms.***

PCM section 542 subsection C.20.3.1 describes Peace Corps policy and procedures regarding access to Peace Corps network systems, which includes file and print sharing, electronic mail and mainframe access. New users of network systems are required to read PCM sections 542.5.0 – 542.7.2.4 which set out the agency’s basic IT security guidelines, and users must sign verification forms certifying that they have done so before they may have access to the network.

We found that 25 of 32 staff members have not completed the required verification forms. The forms require employees with access to IT systems to read security restrictions and understand rules governing use of Peace Corps computer systems. By signing these forms, computer users acknowledge that they have been notified of the security principles, based in federal laws and regulations, which underlie the security policies and rules of behavior set out in the PCM section. These rules apply to all Peace Corps system users.

***Volunteers are not signing Volunteer Guideline Signature Forms to access Peace Corps computers.***

PCM section 542 subsection A describes the mandatory guidelines for Volunteer/Trainee use of Peace Corps IT equipment. PCM section 542.2.3 requires that Volunteers/Trainees review the mandatory guidelines set out in the manual, and sign the form in Attachment A verifying that they will abide by the guidelines.

The post was not requiring Volunteers or Trainees to sign the required forms. As a result, Volunteers may be unaware of the strict rules governing the use of government IT equipment and access to Peace Corps systems. IT staff stated that they were unaware of this requirement.

## RECOMMENDATIONS

We recommend:

21. That the post staff complete the annual security awareness training.
22. That the post obtain completed user verification forms for employees with access to Peace Corps IT systems.
23. That the post require every Volunteer or Trainee to sign the Volunteer Guidelines Signature form prior to being granted access to Peace Corps IT equipment.

## PERSONNEL MANAGEMENT

### TIME AND ATTENDANCE

*The post did not prepare PC-57 forms for all employees.*

PCM section 742.6.0 provides general guidance for recording time and attendance. The PC-57, Annual Attendance Record (Attachment D), is the official leave record for all employees. The PC-57 form ensures that employee vacation and sick leave is accurately accounted and recorded. Additionally, each leave record (PC-57) should 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 the post's time and attendance records and practices found PC-57s were prepared, reviewed, and audited for only three U.S. direct hire employees. PC-57s were not prepared to track attendance, and leave balances for the remaining staff. The post management was unaware that PC-57s were required for the remaining staff.

### RECOMMENDATION

We recommend:

24. That the post prepare PC-57s in accordance with Peace Corps policy.

## LIST OF RECOMMENDATIONS

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### **WE RECOMMEND:**

1. That the Office of Global Accounts Payable review voucher examination procedures to determine whether current procedures need revision to prevent processing errors and erroneous payments.
2. That the post determine if the cashier's safe is operating properly.
3. That the post change the combination to the cashier's safe as required by Peace Corps policy.
4. That the administrative officer discontinue serving as an alternate cashier.
5. That the post appoint an alternate cashier in accordance with Peace Corps policy.
6. That the post conduct independent settling-in allowance surveys in accordance with Peace Corps policy.
7. That the post conduct annual Volunteer living allowance surveys in accordance with Peace Corps policy.
8. That the post conduct market basket surveys to verify the results of living allowance surveys.
9. That the post maintain PC-1565 (billings register) in accordance with Peace Corps policy.
10. That the post establish separation of duties for billings and collection activities.
11. That the post request ForPost assistance to trace the transaction and resolve the discrepancy and clear the outstanding travel advance obligation.
12. That the post conduct quarterly reviews of outstanding obligations to ensure that records reflect only valid obligations.
13. That the post include the current location for each item on future inventory control listings.
14. That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.
15. That the post obtain signed intelligence background information certifications for each personal services contractor.

16. That the post attach statements of work to, or include the statements of work within, the signed personal services contracts.
17. That the post obtain security clearances for each PSC and maintain security clearance status in the files.
18. That the post review the vehicle status reports on a weekly basis in accordance with Peace Corps policy. To accomplish this, the post may require that vehicle usage logs for vehicles not based in Lima be mailed or faxed to the post on a weekly basis.
19. That the post establish vehicle maintenance records in accordance with Peace Corps policy.
20. That the post submit an updated vehicle status report upon changes in the fleet.
21. That the post staff complete the annual security awareness training.
22. That the post obtain completed user verification forms for employees with access to Peace Corps IT systems.
23. That the post require every Volunteer or Trainee to sign the Volunteer Guidelines Signature form prior to being granted access to Peace Corps IT equipment.
24. That the post prepare PC-57s in accordance with Peace Corps policy.

## POST STAFFING

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At the time of our visit, the post had 41 staff positions. The positions included three U.S. direct hire employees, two foreign service nationals, 37 personal services contractors, and the Peace Corps Safety and Security Officer.

We interviewed nine staff, who all stated that they enjoyed working for the Peace Corps. Many cited, in particular, the close working relationships, teamwork, and congenial working environment within the office. Several local staff asked about training opportunities to strengthen their job performance skills and to grow professionally. Volunteers we interviewed praised the active involvement and encouraging manner of the program staff and acknowledged the administrative unit's positive attitude, availability, and helpfulness.

### PC/Peru Positions

| Position                                | Status |
|---|--------|
| Country Director                        | USDH   |
| Receptionist                            | PSC    |
| (2) Drivers                             | PSC    |
| Programming and Training Officer        | USDH   |
| Peace Corps Safety and Security Officer | USDH   |
| PC Medical Officer                      | PSC    |
| PC Medical Officer                      | PSC    |
| Medical Assistant                       | PSC    |
| APCD/Small Business Development         | PSC    |
| APCD/Youth Development                  | USDH   |
| (2) Program Assistants – Lima           | PSC    |
| Administrative Assistant - Travel       | PSC    |
| APCD/Health                             | PSC    |
| APCD/Environment                        | PSC    |
| (3) Program Assistants – Field          | PSC    |
| Safety and Security Coordinator         | PSC    |
| Administrative Assistant – IT           | PSC    |
| Secretary                               | PSC    |
| Health Technical Trainer                | PSC    |
| Training Manager                        | PSC    |
| Senior Trainer                          | PSC    |
| Community Resource Coordinator          | PSC    |
| Administrative Assistant                | PSC    |
| (3) Janitors                            | PSC    |
| Language Coordinator                    | PSC    |
| (8) Language Facilitators               | PSC    |
| Cashier                                 | FSN    |
| Administrative Officer                  | FSN    |
| General Services Officer                | PSC    |

## APPENDIX A

# OBJECTIVE, SCOPE, AND METHODOLOGY

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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/Peru covered fiscal years 2004 and 2007 through May 31, 2007. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and the medical officer. We also interviewed sixteen Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them. At the end of our review, 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 No. 1  
AND  
THE OFFICE OF MANAGEMENT'S  
RESPONSE TO RECOMMENDATION No. 14**

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MEMORANDUM

To: Geoffrey Johnson, Acting Inspector General

From: Allene Zanger, Regional Director, Inter-America and Pacific

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Date: February 7, 2008

Subject: Preliminary Audit Report on Peace Corps/Peru

Enclosed please find the Regional response to the recommendations made by the Inspector General for Peace Corps Peru, as outlined in the Preliminary Audit Report on Peace Corps Peru.

The Region concurs with 23 of 24 recommendations.

**RESPONSES TO**  
**THE**  
**INSPECTOR GENERAL'S**  
**PRELIMINARY AUDIT REPORT ON**  
**PEACE CORPS/PERU**

**FEBRUARY, 2007**

**1. That the Office of Global Accounts Payable review voucher examination procedures to determine whether current procedures need revision to prevent processing errors and erroneous payments.**

Concur. This recommendation is addressed to the Office of the Chief Financial Officer. Post does wish to point out that the accounting error cited in the audit report was corrected in June, 2007. OGAP has provided a direct response to the OIG. See attached.

Date of Completion: December, 2007.

**2. That the post determine if the cashier's safe is operating properly.**

Concur. Post has determined that the cashier's safe is operating properly. After the combination was changed on June 12, 2007 (see Recommendation 3), a trained technician made sure that the safe was operating properly. See attached.

Date of Completion: June, 2007.

**3. That the post change the combination to the cashier's safe as required by Peace Corps policy.**

Concur. Post changed the combination to the cashier's safe as required by Peace Corps policy on June 12, 2007. A trained technician worked with post to set the new safe combination. See attached.

Date of Completion: June, 2007.

**4. That the Administrative Officer discontinue serving as an alternate cashier.**

Concur. An FSN Financial Assistant has been hired and started on January 7, 2008. The Administrative Officer will discontinue serving as an alternate cashier once the Financial Assistant has been named as an Alternate Class B Cashier.

Date of Completion: March, 2008

**5. That the post appoint an alternate cashier in accordance with Peace Corps policy.**

Concur. An FSN Financial Assistant has been hired and started on January 7, 2008. The new FSN Financial Assistant will be appointed Alternate Cashier as soon as she completes the Alternate Class B Cashier course and exam.

Date of Completion: March, 2008

**6. That the post conduct independent settling-in allowance surveys in accordance with Peace Corps policy.**

Concur. Post will conduct independent settling-in allowance surveys in accordance with Peace Corps policy. To that end, Post has revised its settling-in allowance survey form. It was reviewed by VAC members and staff in September, 2007, and it has been sent to the most recent training class for completion. See attached.

Date of Completion: December, 2007 and ongoing.

**7. That the post conduct annual Volunteer living allowance surveys in accordance with Peace Corps policy.**

Concur. Post will conduct annual Volunteer living allowance surveys in accordance with Peace Corps policy. Post revised its living allowance survey form, and the form was reviewed by VAC members and staff in September, 2007. Post intends to send it to all Volunteers in country in March, 2008, and to utilize it annually.

Date of Completion: March, 2008 and ongoing.

**8. That the post conduct market basket surveys to verify the results of living allowance surveys.**

Concur. Post will conduct market basket surveys to verify results of living allowance surveys. Post will review from the upcoming living allowance survey the items most commonly purchased by Volunteers and will conduct a market basket survey in May, 2008. Post intends to use Regional Coordinators and other staff to survey costs in the regions of the country where Volunteers are assigned.

Date of Completion: May, 2008 and ongoing.

**9. That the post maintain PC-1565 (billings register) in accordance with Peace Corps policy.**

Concur: Post has been maintaining its PC-1565 billings register in accordance with Peace Corps policy since July, 2007. The enhancement of FOR Post in November 2007 has eliminated the need for separate, manual BOC logs. Post now utilizes the new ForPost log to track dates of collection. See attached.

Date of Completion: July, 2007 and ongoing.

**10. That the post establish separation of duties for billings and collection activities.**

Concur. Post will establish a separation of duties for billings and collection activities. Currently, the Administrative Officer acts as billings officer. The FSN Financial Assistant who started on January 7, 2008, will assume this duty. The Cashier performs all collection activities. See attached.

Date of Completion: January, 2008.

**11. That the post request ForPost assistance to trace the transaction and resolve the discrepancy and clear the outstanding travel advance obligation.**

Concur. Post requested ForPost assistance to trace the transaction and resolve the discrepancy, and to clear the outstanding travel advance. The discrepancy and outstanding travel advance obligation were closed out by June, 2007. See attached.

Date of Completion: June, 2007.

**12. That the post conduct quarterly reviews of outstanding obligations to ensure that records reflect only valid obligations.**

Concur. Post is conducting quarterly reviews of outstanding obligations to ensure that records reflect only valid obligations. Most recently, post conducted a review in October, 2007 for the 4<sup>th</sup> quarter of FY 2007. It will conduct its next review at the end of 1<sup>st</sup> quarter of FY 2008. See attached.

Date of Completion: October, 2007 and ongoing.

**13. That the post include the current location for each item on future inventory control listings.**

Concur. The post included locations on the Annual Personal Property Inventory Report submitted in October, 2007. See attached.

Date of Completion: October, 2007.

**14. That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.**

Concur. This recommendation is addressed to the Office of Management. The Office of Management has updated the Annual Personal Property Inventory Report spreadsheet to

include a column for location of inventory items. The new spreadsheet was disseminated to posts in September, 2007. See attached.

Date of Completion: September, 2007.

**15. That the post obtain signed intelligence background information certifications for each personal services contractor.**

Concur. Post has completed the process of reviewing all PSC files and obtaining signed intelligence background information certifications in all cases where they are missing. See attached.

Date of Completion: January, 2008 and ongoing.

**16. That the post attach statements of work to, or include the statements of work within, the signed personal services contracts.**

Concur. Post is in the process of reviewing all PSC files and will attach statements of work to all contracts where they are currently missing. Post is currently attaching statements of work to all new personal services contracts at the moment of awarding the contract. See attached.

Date of Completion: February, 2008.

**17. That the post obtain security clearances for each PSC and maintain security clearance status in the files.**

Concur. Post has obtained security clearances for each PSC and maintains security clearance status in the files. Post requested copies of the missing security clearances from the RSO, and those were sent in June, 2007. There are now security clearances in the files for every PSC. See attached.

Date of Completion: June, 2007 and ongoing.

**18. That the post review the vehicle status reports on a weekly basis in accordance with Peace Corps policy. To accomplish this, the post may require that vehicle usage logs for vehicles not based in Lima be mailed or faxed to the post on a weekly basis.**

Concur. For vehicles stationed in Lima, the Administrative Officer is reviewing vehicle status reports on a weekly basis, and the Country Director on a monthly basis. For vehicles not stationed in Lima, in December, 2007, the post acquired scanners and distributed them to the Regional Coordinators, and instructed the Regional Coordinators to

scan the logs and send them by e-mail to the Peace Corps office on a weekly basis. Post expects to be in full compliance by February, 2008.

Date of Completion: February, 2008 and ongoing.

**19. That the post establish vehicle maintenance records in accordance with Peace Corps policy.**

Concur. The post is in process of updating the Vehicle Maintenance Records (PC-1491) and Vehicle Record Cards (PS-318) for each vehicle, and will then maintain these records in accordance with Peace Corps policy. See attached.

Date of Completion: February, 2008.

**20. That the post submit an updated vehicle status report upon changes in the fleet.**

Concur. Post most recently submitted the yearly Vehicle Status Report in August, 2007. Post has had no fleet changes since the audit, but currently is in the process of clearing two new vehicles out of Customs. Post will submit an updated Vehicle Status Report as soon as the vehicles enter service, and then with all other fleet changes.

Date of Completion: March, 2008.

**21. That the post staff complete the annual security awareness training.**

Concur. All staff members with access to Peace Corps IT systems have completed the annual security awareness training. See attached.

Date of Completion: December, 2007.

**22. That the post obtain completed user verification forms for employees with access to Peace Corps IT systems.**

Concur. Post has obtained completed user verification forms for all employees with access to the Peace Corps IT system. See attached.

Date of Completion: December, 2007.

**23. That the post require every Volunteer or Trainee to sign the Volunteer Guidelines Signature form prior to being granted access to Peace Corps IT equipment.**

Concur. Post is providing this form to all Trainees during their pre-service training, prior to being granted access to Peace Corps IT equipment. Post has a complete set of forms from the last three groups to be sworn in. Post will be mailing forms to Volunteers from earlier groups for completion.

Date of Completion: February, 2008.

**24. That the post prepare PC-57s in accordance with Peace Corps policy.**

Do Not Concur. Post and the Region do not concur with the recommendation. Their understanding is that PC-57s are to be prepared only for U.S. Direct Hire staff members, per Peace Corps Manual Section 742.2 and 743.3, in which case the post is compliant with Peace Corps policy.



**TO:** Geoffrey Johnson, Acting Inspector General  
**FROM:**   
George Schutter, Chief Financial Officer  
**DATE:** January 3, 2008  
**SUBJECT:** Response to the November 21, 2007 IG Preliminary Audit Report for Peace Corps/Peru

Below is the Office of the Chief Financial Officer's response to the IG Preliminary Audit Report for Peace Corps/Peru.

**Preliminary Report Recommendation # 1:**

That the Office of Global Accounts Payable review the voucher examination procedures to determine whether current procedures need revision to prevent processing errors and erroneous payments.

**Response to Recommendation #1:**

Concur.

The Office of Global Accounts Payable has reviewed their procedures and determined the procedures are adequate and require no revision. Additionally, as part of the annual financial audit conducted by the OIG/UKW a review of the process was conducted and no corrective actions were stated.

If you have any questions or require additional information, please contact Stephanie Mitchell at 202-692-1715.

cc: David Liner, Chief of Staff/Operations  
Courtney Santonicola, Deputy Chief of Staff/Operations  
Allene Zanger, Regional Director, IAP  
Michael Hirsch, Country Director  
Wil Bryant, Associate Director for Management  
Carey Fountain, Chief Acquisition Officer  
John Dimos, Chief Compliance Officer



Since 1961.

**MEMORANDUM**

**TO:** David Kotz, Inspector General

**FROM:** Wilbert Bryant, Associate Director for Management *WBryant*

**DATE:** November 26, 2007

**SUBJECT:** Preliminary Audit Report on Peace Corps/Peru

Thank you for your recommendation to the Office of Management in subject report. Below is our response.

**Recommendation # 14:**

That the Facilities Management Division include location as a required column in each annual Personal Property Inventory Report.

**Management Response to Recommendation # 14:**

Concur. The Office of Management updated the sample spreadsheet to include a column for location of inventory items for the Fiscal Year 2007 Annual Personal Property Inventory Report. The new spreadsheet, at attachment 1, was disseminated to posts in September 2007.

If you have questions or need additional information, please contact Garry Stanberry at (202) 692-1195.

Attachment – as stated

cc: Allene Zanger, Regional Director, IAP  
David Liner, Chief of Staff/Operations  
A. Courtney Santonicola, Deputy Chief of Staff/Operations  
John Dimos, Chief Compliance Officer  
Michael Hirsh, Country Director  
Tyler Posey, General Counsel  
George Schutter, Chief Financial Officer  
Carey Fountain, Chief Acquisition Officer

## APPENDIX C

# OIG COMMENTS

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The region concurred with 21 of the 22 recommendations addressed to the region. The Office of the Chief Financial Officer and the Office of Management concurred with the two recommendations addressed to their respective offices. We closed recommendation numbers 1 – 5 and 9 – 23. Recommendation numbers 6 – 8 and 24 remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation no. 6, a copy of the completed independent settling-in allowance survey.
- For recommendation no. 7, a copy of the completed annual Volunteer living allowance survey.
- For recommendation no. 8, a copy of the completed market basket survey.
- For recommendation no. 24, copies of the post's basis for maintaining effective internal control over all post employees' time and attendance records.

The primary objectives of internal control in a time and attendance (T & A) system are to ensure that the system complies with applicable legal requirements, supports reporting of reliable financial information, and operates effectively and efficiently. To achieve these objectives, internal control over T & A systems should be guided by General Accountability Office's Standards for Internal Control in the Federal Government (Internal Control Standards) and control activities should provide reasonable assurance that (1) T & A transactions are authorized and approved and (2) T & A information is properly and promptly recorded and retained.

Controls over T & A information should provide reasonable assurance that such information (1) is recorded completely, accurately, and as promptly as practicable, (2) relates to authorized individuals, (3) reflects actual work performed and leave taken or other absences during authorized work- hours and periods, (4) is sufficiently detailed to allow for verification, (5) complies with legal requirements, and (6) is supported by recorded evidence of supervisory review and approval. Typically, to achieve these objectives, agencies record and maintain, for each employee and pay period, the following:

1. employee name and unique identifying number,
2. pay period number or dates,
3. hours worked,
4. hours of premium pay, by type, and overtime to which the employee is entitled, dates and number of hours of leave (by type), credit hours, and compensatory hours earned and used,

## APPENDIX C

5. evidence of approval by an authorized official (usually the supervisor),  
and
6. supporting documentation or records for absences.

Although Peace Corps Manual sections 742 and 743, requiring the use of PC-57, do not apply specifically to overseas non-direct hire employees, many posts use PC-57 as a means to achieve effective internal controls over their T & A systems as discussed above. Because of the importance of accurate official T & A records, there should be supervisory review, regardless of the form used, as this should be part of the post's system of internal control. As a result, this recommendation will be closed when the post provides copies of their basis for maintaining effective internal control over all post employees' T & A records.

In their response, the region 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

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### AUDIT COMPLETION

The audit was performed by Gerald P. Montoya, Assistant Inspector General for Audit.

### 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.

## ***REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT***

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**(202) 692-2901**

***E-Mail:***

**[oig@peacecorps.gov](mailto:oig@peacecorps.gov)**

