



Peace Corps Office of Inspector General



Housing Compound in Swaziland



Flag of Swaziland

FINAL AUDIT REPORT IG-09-01-A

Peace Corps/Swaziland

November 2008



**Final Audit Report:
Peace Corps/Swaziland
IG-09-01-A**

A handwritten signature in blue ink, reading "Gerald P. Montoya". The signature is fluid and cursive, with a horizontal line extending from the end of the name.

Gerald P. Montoya
Assistant Inspector General for Audits

November 2008

EXECUTIVE SUMMARY

Peace Corps/Swaziland's financial and administrative operations were generally functioning effectively and complied with agency policy and federal regulations. We found no reportable conditions in the areas of post's filing system, imprest fund verification, International Cooperative Administrative Support Services (ICASS), communications and IT Security. However, we identified some areas that need improvement. The more significant findings are summarized below.

Obligations

The post approved and recorded travel-related obligations after the travel occurred.

Imprest Fund

The cashier did not personally set the combination to her safe. Imprest funds were not kept in cash boxes within the safe in accordance with Peace Corps policy.

Property Management

The general services assistant maintained the inventory records and also performed the physical inventory. Receipting for issuing and returning loaned non-expendable property was inconsistent.

Medical Supplies

Medical inventory was not accurately or consistently maintained and physical verifications were not performed monthly. Separation of duties was inadequate and disposals were not documented.

Purchase Card

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

Host Country Contributions

Valuation of post's in-kind host country contributions was not documented.

The section "Post Staffing" includes a summary of comments from post staff and Volunteers whom we interviewed.

Our report contains 22 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

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INTRODUCTION

The Office of Inspector General conducted an audit of Peace Corps/Swaziland June 9 – July 1, 2008. We have not conducted an audit of the post since its reopening in 2003.

The Peace Corps began its program in Swaziland in 1969. Post operations were closed in 1996 due to budgetary constraints and reopened in 2003. Five staff members have been with Peace Corps since its reopening. At the time of our visit, 32 Volunteers were working in the health sector's HIV/AIDS Prevention and Mitigation project.

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

Peace Corps/Swaziland's financial and administrative operations were generally operating effectively. We found no reportable conditions in the areas of post's filing system, imprest fund verification, ICASS, communications and IT Security. However, the post's compliance with Peace Corps policies and federal regulations in other areas required some improvement.

Administrative Operations

The post approved and recorded obligations after the related expenditure occurred. The cashier did not personally set the combination to her safe. In addition, purchases made with the post's purchase card were not approved before they were made.

Internal Controls

The post lacked segregation of duties between billing and collection activities and between maintaining inventory and conducting the physical verification count. Further, receipts were not used in issuing non-expendable property and disposals of medical supplies were not documented.

Volunteer Support

The post did not appropriately close out finances for one Volunteer who terminated service out of country.

ACCOUNTING FOR OBLIGATIONS AND LIQUIDATIONS

Obligations were not recorded until after travel was initiated.

Overseas Financial Management Handbook (OFMH) section 32.3 states that an obligation is a firm reservation of funds that creates a legal liability on the government for the payment of goods or services ordered. In general terms, the obligation must indicate the requirement (goods/services/other), the vendor, and the cost, and be authorized by staff with delegated procurement authority. For accounting purposes, the term "obligation" includes goods and services that have been ordered, but which may or may not have been received. The obligation is made using funds available at the time the order is placed or contract executed, even though payment may take place in a future fiscal year. Documents used for obligation include contracts, leases, purchase orders, and travel authorizations.

Peace Corps Manual (PCM) section 753.4.1 states:

The controls at Post must be adequate to assure that neither over obligations nor over expenditures occurs both within limitations placed on line items and on the overall amounts available in sections or the budget in total.

OFMH sections 57.2 and 60.2 state the steps to be taken in establishing travel authorizations at the beginning of the year, including obligating the amounts in FOR Post.

We found that expenses for Volunteer and staff travel were incurred prior to obligating funds. Of 26 travel obligations reviewed, eight (three Volunteer and five staff) included travel for which no obligation was recorded in advance of travel.

The administrative officer stated that obligations for Volunteer travel were made only once monthly, in conjunction with ordering the living allowance check.

The post should not commit U.S. government funds without ensuring that they are available. Making or authorizing an expenditure from any appropriation or fund in excess of the amount available could potentially result in a violation of the Anti-Deficiency Act.

We recommend:

1. That the administrative officer ensure that all obligations are recorded before the related expenditure of funds takes place.

The administrative unit did not maintain supporting documentation for some obligations.

OFMH section 32.3 states:

Documents used for obligation[s] include contracts, leases, purchase orders, and travel authorizations. Whenever the PC-2060 is used as the obligating document, relevant supporting documentation should be attached.

Seven of 15 obligations reviewed did not have supporting documentation attached for the obligated amounts, such as quotations, pro-forma invoices, or written documentation of the post's estimations.

As a result, we could not determine whether the obligated amounts for the seven obligations lacking support were reasonable and in accordance with the post's Operating Plan.

We recommend:

2. That the administrative officer ensure that all obligations and de-obligations are supported by fully documented calculations, written explanations, and other support.

VOLUNTEER ALLOWANCES

The administrative unit did not properly settle the finances of a stateside Volunteer termination in accordance with Peace Corps policy.

PCM section 221.5.9 states:

At the time of a Volunteer's departure from post, any overpayments of in-country Volunteer allowances should be collected directly from the Volunteer or recipient bank, if the Volunteer has already departed post. Overpayments should be recovered by the Collections Officer at the overseas post, who shall issue a receipt upon payment.

OFMH section 7.2.1 states that the first step in the billing process is to "determine the amount owed based on...Allowance overpayments to Volunteers..."

During our review of Volunteer allowances, we found that one Volunteer whose service was interrupted while out of country was not billed emalangeni 1,825.99 (approximately \$240), for overpaid living allowance. This occurred because the post collected the balance of the Volunteer's personal in-country bank account but did not determine the

number of days the allowance was paid in comparison to how many should have been paid and calculate the amount owed resulting from the overpayment.

Because the post did not follow normal policies and procedures in place to reconcile Volunteer allowance accounts at termination of service a debt went unbilled and was not noticed by staff responsible for billing. It is important that all Volunteer allowance accounts be promptly reconciled at service termination so that any amounts due the Peace Corps or owed to a Volunteer can be determined and collected or paid in a timely manner.

We recommend:

3. That the administrative officer follow the established Peace Corps policies and procedures for closing out the finances of Volunteers terminating service out of country.

BILLINGS AND COLLECTIONS

The post did not have adequate separation of duties in billing and collections.

OFMH section 7.1 requires posts to maintain separation of responsibilities in the performance of billing and collection functions to ensure that adequate internal controls are in place. Further, OFMH section 7.2.1 provides that billing officers monitor the Bills of Collections (BOC) account and prepare a reminder for any BOCs that have been outstanding for 30 days.

The post reported that the cashier was responsible for reminding debtors to pay their outstanding bills. However, this practice is a violation of Peace Corps policy regarding separation of duties.

Having adequate separation of duties between duties and responsibilities related to billing and collection functions minimizes risks that funds could be lost through misappropriation.

We recommend:

4. That the administrative officer transfer the responsibility for issuing follow-up bills for unpaid BOCs older than 30 days from the cashier to the billing officer in accordance with OFMH section 7.2.1.

HOST COUNTRY CONTRIBUTIONS

The valuation basis of post's in-kind host country contributions was not documented.

According to PCM section 722.7.2.1:

The recorded value of in-kind contributions shall be based on a rational estimate of the cost of the contributed supplies or services to the Peace Corps. The following are acceptable bases for making estimates:

- The actual cost to the Peace Corps of purchasing similar supplies or services in the same time period;
- The documented cost to other organizations (Embassy, USAID, PVO's) of purchasing similar supplies or services in the same time period; and
- A survey of the local offering price for similar supplies or services. Such a survey may be made informally, but should be documented at the time.

The post did not document the basis for valuing in-kind host country contributions in its Operating Plan. Although the country director, who formerly served as the administrative officer at the post, was able to explain her basis for having valued the in-kind contributions for fiscal year 2008, this information was not documented. As a result, the current administrative officer had no supporting documentation for the valuations that were presented in the Operations Plan. During the audit, the country director documented her basis of valuation for in-kind contributions for fiscal year 2008, noting her references and bases for conclusions.

Because the inclusion of host country contributions in the post's Operating Plan reflects all available resources used to operate the post, it is necessary to document the basis upon which the post values the contributions.

We recommend:

5. That the administrative officer document, in a memorandum to the host country contribution file, the basis for valuation of in-kind host country contributions as presented in the FY 2009 Operations Plan.

IMPREST FUND

The cashier did not personally set the combination to the imprest fund safe.

PCM section 760.9.4 states "The cashier must 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 cashier must memorize the lock combination for the safe or other security lock..."

The U.S. Department of State Foreign Affairs Handbook (4 FAH-3 H-317.3-2) states:

The lock combination is changed by the employee to whom the equipment is assigned. When an employee having knowledge of a combination is succeeded in office, the successor employee changes the combination. When, due to emergency conditions, the safe is opened in the absence of the responsible employee, the responsible employee upon return to duty immediately changes the combination, and verifies the funds. It is the responsibility of the resident regional security officer or the post security officer to instruct the responsible employee in the technique for changing the safe combination.

Contrary to Peace Corps and State Department policy, the post relied on a representative from the U.S. embassy's regional security office to change the safe combination annually because the cashier did not know how to change it.

As cashiers are responsible for security over the imprest fund they must be able to efficiently change the safe combination annually, in instances where the fund is temporarily transferred to an alternate cashier, or whenever else she deems it is appropriate and necessary, without depending on the availability of an outside party.

We recommend:

6. That the country director request that a representative of the Embassy regional security office provide training to ensure that the cashier is proficient in changing the safe combination.

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

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

Cash was kept loose within the safe drawers rather than within lockable cash boxes. The cash tray in which the cashier kept the local currency remained atop the safe and was exposed to view during cashier hours. In addition, the day before the cashier was to travel off site with cash to pay allowances to Trainees, she did not have a plan for safeguarding the funds while outside of the cashier's cage.

The cashier did not have lockable cash boxes for each of the currencies in accordance with policies. However, the post did subsequently obtain a small lockable cash box and provided it to the cashier to transport the Trainee allowances.

To minimize risks associated with theft, all funds should be kept out of sight and secured in accordance with Peace Corps policy.

We recommend:

7. That the cashier obtain lockable cash boxes to secure both U.S. and local currencies used in the operation of the imprest fund.

PROPERTY MANAGEMENT

The post did not maintain adequate separation of duties over management of the property inventory records and performance of the physical inventory verification.

PCM section 511.5.6 states that the property inventory physical count and verification should be conducted by an individual other than the property officer.

We found that the general services assistant maintained the property inventory records and also conducted the annual physical inventory verification. In addition, U.S. direct hire staff members were occasionally performing the inventory counts within their own residences.

The general services assistant was unaware of the need for these duties to be segregated.

Effective internal control requires that the individual conducting the inventory count be independent of the inventory management and recording process. The inventory verification validates the accuracy of the Peace Corps property inventory records.

We recommend:

8. That the administrative officer segregate the duties of maintaining the inventory records and conducting the annual physical inventory count and verification.

The post did not implement controls for assigning Peace Corps property to Volunteers and staff in accordance with agency policy.

PCM section 511.6.2 and the related Attachment A explain the process to be used when issuing Peace Corps property to employees, contract staff, or Volunteers. Custody receipts are required when releasing non-expendable property to Volunteers, staff, or contractors.

The general services assistant and the information technology specialist were responsible for distributing Peace Corps non-expendable highly pilferable property. We found that, other than for cell phones, the post was not maintaining appropriate inventory tracking control over Peace Corps property loaned to staff and Volunteers. The general services assistant stated that Peace Corps property loaned to Volunteers, such as water filters and bicycles, is considered homogenous. Therefore, Volunteers were not asked to sign individual items out. The property was only tracked when Volunteers returned it to the post at their close of service. Further, there was no process in place to ensure that all property maintained by the IT specialist was signed in and out. For example, the IT specialist did not require that staff sign out such valuable inventory as cameras and a projector. Although staff did sign request forms for loaner laptops, the IT specialist did not document when the laptops were returned to him.

Because there was not a sufficiently documented chain of custody for Peace Corps property, staff or Volunteers who have returned property may inappropriately be held liable for loss or damage. Additionally, staff or Volunteers who have accepted custody of Peace Corps property may not be held accountable.

We recommend:

9. That the country director ensure that the post follow Peace Corps policy regarding implementation of controls over the issuance of Peace Corps property to Volunteers and staff.

MEDICAL SUPPLIES

Medical inventory was not accurately or consistently maintained.

PCM section 734.2.1.6 and Medical Technical Guideline 200.6 state: “The PCMO [Peace Corps Medical Officer] is responsible for establishing the accuracy of inventories, maintaining appropriate controls, and ensuring the proper usage of all medical supplies and equipment.”

We performed a test count using a judgmental sample of 32 medical inventory items and found 20 (62.5%) instances of errors or inconsistencies:

Number of Items	Description of Deficiencies Found
8	Items were found to exist in the inventory but not on the inventory records.
5	Counts recorded in the inventory records were not in accordance with PCMO's stated practice for counting open containers.
2	Description of the item appearing in the inventory records did not match the item kept in the actual inventory.
1	Physical test count did not match inventory records.
4	Other: Counts recorded in the inventory records were not reflective of disposition according to the PCMO and Medical Assistant.

In addition, we found that the medical unit tracked medical inventory using three separate documents: (1) records for pharmaceuticals maintained manually in a binder; (2) a listing for the medical supplies room maintained in electronic format; and (3) a listing for the outside storage area, also maintained in electronic format. In one case, the medical unit could not locate an item selected in our judgmental sample on the supplies listing; however the auditor subsequently located the item listed in the pharmaceuticals binder.

To better serve the Volunteers and to maintain greater efficiencies within the medical unit, it is essential that an accurate and complete medical supplies inventory listing be consistently maintained.

We recommend:

10. That the PCMO establish and implement a written policy regarding counting open containers.
11. That the PCMO ensure that the inventory listing is updated, including making entries on a new page to reflect different descriptive identifiers in cases where new items received will replace existing items.
12. That the PCMO establish a single accurate and complete inventory listing.

A medical supplies inventory count was not performed monthly.

According to PCM section 734.2.1.6:

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

We found that inventories of medical supplies were not performed in accordance with Peace Corps policy. Our review of inventory records disclosed that a physical inventory was performed only once in 2007 and four times in 2006. However, with one exception, we noted that inventories were being performed monthly in 2008.

Monthly inventory counts enable posts to maintain accurate inventory records, assist with identification and timely disposal of expired items and indicate when orders of additional supplies are needed. Not performing periodic counts to confirm the existence of inventory allows for the misappropriation of assets to go unnoticed.

We recommend:

13. That the country director or designee consistently perform monthly medical inventory counts.

The post did not maintain adequate separation of duties over its medical supplies.

According to PCM section 734.2.1.6:

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

There was inadequate separation of duties between the staff members who ordered, received, and tracked the inventory and those who performed the periodic inventory counts. We found that the PCMO and medical assistant were performing the periodic medical supplies inventories together. The medical assistant was also responsible for updating inventory tracking documents, receiving medical supplies shipments, physically placing those items in the storage areas, creating the disposal listing and transporting expired supplies for disposal. The PCMO also had full access to the inventory tracking documents.

The medical staff indicated that they were unaware of the necessity to separate these duties.

The country director's designee must be independent of the inventory receipt, distribution, and recording process. Inventory verifications validate the accuracy of the Peace Corps medical inventory records and minimize risks related to pilferage or other causes for inventory loss.

We recommend:

14. That the country director or designee outside of the medical office conduct the monthly inventory counts of medical supplies as required in the Peace Corps manual.

Disposed medical supplies were not documented in accordance with agency policy.

Per PCM section 511.8.8:

Certified documentation should be kept by the office to support destruction action and recorded on the appropriate inventory record card. Under no circumstances will medicines be donated to any organizations because liability issues may arise from tainted or expired medical supplies.

Prior to January 2008, the post's medical unit did not appropriately document the disposal of medical inventory. The medical assistant stated that since she began working for Peace Corps in October 2005, she has been consistently transporting expired medical supplies to the local clinic for incineration. According to the medical assistant the expired supplies were disposed in the presence of a physician. However, she did not begin preparing a listing to document disposal of the items or obtain the physician's signature as a witness until January 2008.

Because the post did not have disposal records signed by a witness prior to 2008, there is no documentary evidence that the medical office followed appropriate procedures and that the medical inventory was disposed of in accordance with Peace Corps policies.

We recommend:

15. That the country director ensure that the medical unit consistently document the proper disposal of medical inventory in accordance with Peace Corps policy.

VEHICLE MANAGEMENT

The post's Vehicle Status Report contained inaccurate fuel consumption data and other data inconsistencies.

The agency's Vehicle Fleet Management Guide (referenced in PCM section 527.5.6) contains instructions to posts for the completion and submission of the annual Vehicle Status Report (VSR). The report requires vehicle-specific information, including kilometers driven, number of gallons of fuel consumed, and average price per gallon (in US dollars).

We found several numbers reported in the post's 2007 VSR that were unreasonable and appeared to be inaccurate. For example, the average price of fuel per gallon was reported as \$25.

The motor pool coordinator, who prepared the report, agreed that certain conversions from liters to gallons or local currency to U.S. dollars had been overlooked or calculated incorrectly.

We determined that the post overstated their "number of gallons used" on their 2007 VSR by approximately 280%. Fuel consumption and other related data that is reported on the VSR is used by the Office of Overseas Building Operations in completing a periodic report required by the U.S. General Services Administration and Department of Energy.

We recommend:

16. That the administrative officer ensure that accurate VSRs are submitted to the Office of Overseas Building Operations.

TRAVEL

Travel authorization amendments were not issued in accordance with Peace Corps policy.

OFMH sections 57.2 and 60.1.2 instruct posts to amend each quarterly authorization to extend the period of travel and to serve as the basis for increasing the obligations.

Rather than creating a separate document for each travel authorization amendment, the post made edits to the electronic version of the original travel authorization. In some cases, the post was unable to provide the original printed travel authorization from the files.

Travel authorization amendments are individual documents. By overriding initial travel authorizations, the post was in effect destroying original documents. Without complete travel documentation on file, it is difficult to monitor compliance with Peace Corps and federal travel policy and unnecessarily exposes the agency to the potential for fraud, waste, and abuse.

We recommend:

17. That the administrative officer ensure that post staff create travel authorization amendments as separate documents and maintain file copies.

Travel vouchers were not submitted timely.

OFMH section 57.6 states that it is the responsibility of the traveler to personally prepare his/her travel voucher within five days of completion of the travel. The post administrative unit is required to review and approve travel vouchers.

Seven of 26 travel obligations we reviewed included several travel vouchers that were submitted more than five days after return from travel.

Vouchers must be submitted timely in order to reimburse staff for their travel expenses, to clear debts from interim cash advances for travel and to more effectively manage the travel budget.

We recommend:

18. That the country director enforce Peace Corps policies regarding the timely submission of travel vouchers.

PURCHASE CARD

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

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

The administrative officer is the designated purchase cardholder and the country director is the approving official. The cardholder stated that she did not seek approval before purchases were made.

There was no supervisory review of the purchases until after they were made. Without the control requiring a pre-approval of all purchases made with the purchase card, there is the risk that the purchase cardholder could misuse the card and purchases will be made which the country director would not have approved.

We recommend:

19. That the cardholder receive signature authorization from the approving official before purchases are made on the purchase card in accordance with Peace Corps policy.

TIMEKEEPING

A supervisor did not create time sheets for a PSC.

PCM section 742.5.3 states that it is a staff person's responsibility to record his time daily on an individual time certification sheet.

We determined through review of the post's timekeeping process that time sheets had not been prepared for one personal services contractor (PSC) assigned as a driver. The motor pool coordinator, responsible for creating the time sheets of the drivers, thought that time sheets were not required because the PSC was within his new hire 90-day probationary period. He maintained a separate system for tracking the driver's time and stated that he planned to begin creating time sheets when a full contract was signed. The administrative officer stated that she was unaware that timesheets were not being created for this PSC.

The submission of timesheets is required for time and attendance recording and reporting to ensure that the preparation of payroll is accurate and timely.

We recommend:

20. That the administrative officer ensure that a timesheet is created for each staff member, regardless of contract status, in accordance with Peace Corps policy.

Supervisors did not review PC-57s semiannually.

PCM section 742.6.1 states:

Each leave record (PC-57) shall be routinely reviewed for accuracy by the supervisor as of June 15th and December 15th of each leave year and

audited by the timekeeper at the end of each leave year or upon an employee's termination or transfer.

The country director did not review and sign the U.S. direct hires' PC-57s at the post for the semiannual period ending December 15, 2007. In addition, for the same reporting period the regional director, as the country director's supervisor, did not sign the country director's PC-57 signifying it was reviewed.

The required semiannual review provides supervisors an opportunity to review all time sheets within each six-month period for accuracy. In addition, when leave balances are confirmed semiannually, the scope of employment termination leave audits only require review of the time period since the previous semiannual review.

We recommend:

21. That the country director and regional director review PC-57s in accordance with agency policy.

PERSONAL SERVICES CONTRACTS

PSC files did not contain intelligence background information certification forms.

PCM section 743.8.1 states:

Personal Services Contractors are subject to the policy and eligibility standards set forth in Peace Corps Manual Section 611 concerning eligibility of applicants with intelligence backgrounds. ... Prospective PSCs are required to complete the Intelligence Background form provided as Attachment A to Manual Section 611, in addition to being certified through the appropriate security clearance process.

None of the five PSC files reviewed contained completed intelligence background information certification forms.

The administrative officer stated that she was unfamiliar with this form and the requirement that it be completed. During the course of the audit, the administrative officer found that some signed forms were kept with the Safety and Security Coordinator (SSC); however, the file contained only forms for staff on board as of March 2007. Four of the five PSC files reviewed contained signed forms kept by the SSC; a fifth PSC subsequently signed the form.

It is important for Peace Corps to obtain and maintain completed intelligence background information certification forms for all prospective PSCs because agency policy dictates that individuals who have prior connections with intelligence activities through

employment, related work, or even family relations may be ineligible for a personal services contract.

We recommend:

22. That the country director ensure that all staff members have completed intelligence background information certification forms in accordance with Peace Corps policy, and that they be included in their files.

OTHER MATTERS

During interviews with regional headquarters staff, post staff, and the U.S. Ambassador to Swaziland, we noted that the current limitation of office space for PC/Swaziland is a common major concern. The post is currently operating rent-free in a former residence owned by the U.S. Embassy. However, post staffing has outgrown the facility and there are not enough offices or cubicle space for all staff members. Staff members have had to share cramped offices and use the conference room as permanent work space.

However, the situation is not easily remedied. Because the property is owned by the Embassy, Peace Corps would have to follow State Department practices and abide by State Department regulations if they were to expand the office within the current compound, including receiving approval from the State Department Office of Overseas Building Operations. In addition, funds from the region would be required for the expansion. Alternatively, the Peace Corps would lose the fiscal benefit of rent-free use at the current location if it were to lease a larger facility outside the compound.

The country director stated that resolution of this issue was her highest priority. Although several possible solutions have been suggested, to date a resolution has not been reached.

POST STAFFING

At the time of our visit, the post had 19 staff positions: three U.S. direct hire employees, two foreign service nationals, and 14 personal services contractors.

We interviewed 7 staff, including two U.S. direct hires and the Peace Corps Medical Contractor. They all stated that they very much enjoyed working for the Peace Corps.

PC/Swaziland's Positions

Position	Status
Country Director	USDH
Receptionist/Executive Secretary	PSC
Administrative Officer	USDH
APCD/Health	USDH
APCD/Health	PSC
PEPFAR Technical Coordinator	PSC
Program Assistant	PSC
Financial Assistant	FSN
General Services Assistant	PSC
Cashier	FSN
IT Specialist	PSC
Driver/Messenger (2)	PSC
Motor Pool Coordinator	PSC
Peace Corps Medical Officer	PSC
Medical Assistant	PSC
Safety and Security Coordinator	PSC
Training Manager	PSC
Language and Cross-Culture Coordinator	PSC

LIST OF RECOMMENDATIONS

We recommend:

1. That the administrative officer ensure that all obligations are recorded before the related expenditure of funds takes place.
2. That the administrative officer ensure that all obligations and de-obligations are supported by fully documented calculations, written explanations, and other support.
3. That the administrative officer follow the established Peace Corps policies and procedures for closing out the finances of Volunteers terminating service out of country.
4. That the administrative officer transfer the responsibility for issuing follow-up bills for unpaid BOCs older than 30 days from the cashier to the billing officer in accordance with OFMH section 7.2.1.
5. That the administrative officer document, in a memorandum to the host country contribution file, the basis for valuation of in-kind host country contributions as presented in the FY 2009 Operations Plan.
6. That the country director request that a representative of the Embassy regional security office provide training to ensure that the cashier is proficient in changing the safe combination.
7. That the cashier obtain lockable cash boxes to secure both U.S. and local currencies used in the operation of the imprest fund.
8. That the administrative officer segregate the duties of maintaining the inventory records and conducting the annual physical inventory count and verification.
9. That the country director ensure that the post follow Peace Corps policy regarding implementation of controls over the issuance of Peace Corps property to Volunteers and staff.
10. That the PCMO establish and implement a written policy regarding counting open containers.
11. That the PCMO ensure that the inventory listing is updated, including making entries on a new page to reflect different descriptive identifiers in cases where new items received will replace existing items.
12. That the PCMO establish a single accurate and complete inventory listing.

13. That the country director or designee consistently perform monthly medical inventory counts.
14. That the country director or designee outside of the medical office conduct the monthly inventory counts of medical supplies as required in the Peace Corps manual.
15. That the country director ensure that the medical unit consistently document the proper disposal of medical inventory in accordance with Peace Corps policy.
16. That the administrative officer ensure that accurate VSRs are submitted to the Office of Overseas Building Operations.
17. That the administrative officer ensure that post staff create travel authorization amendments as separate documents and maintain file copies.
18. That the country director enforce Peace Corps policies regarding the timely submission of travel vouchers.
19. That the cardholder receive signature authorization from the approving official before purchases are made on the purchase card in accordance with Peace Corps policy.
20. That the administrative officer ensure that a timesheet is created for each staff member, regardless of contract status, in accordance with Peace Corps policy.
21. That the country director and regional director review PC-57s in accordance with agency policy.
22. That the country director ensure that all staff members have completed intelligence background information certification forms in accordance with Peace Corps policy, and that they be included in their files.

APPENDIX A

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing overseas posts is to determine whether the financial and administrative operations are functioning effectively and comply with Peace Corps policies and federal regulations. Our audit conclusions are based on information from three sources: (1) document and data analysis, (2) interviews, and (3) direct observation. Our audits are conducted in accordance with the government auditing standards prescribed by the Comptroller General of the United States.

The audit of Peace Corps/Swaziland covered fiscal years 2006, 2007, and 2008 through May 31, 2008. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and the medical officer. At the end of our audit, we briefed the country director and administrative team. 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

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT



Since 1961.

To: Kathy A. Buller, Inspector General
From: Henry McKoy, Director, Africa Region
Date: November 18, 2008
Subject: Amended Response to the Preliminary Report on the Audit of Peace Corps/Swaziland conducted in June 2008

The Africa Region thanks the Office of the Inspector General for the Preliminary Report on the Audit of Peace Corps/Swaziland. Post is very appreciative of the feedback presented through this audit.

Attached please find our amended response to the OIG report on Peace Corps Swaziland. Post's responses have been reviewed and integrated into this response. The Africa Region will continue to work with Peace Corps Swaziland's staff to ensure full implementation of the OIG recommendations.

Please let me know if you have any questions or comments on any of our responses. Region greatly appreciates your guidance and support as the actions taken to respond to the recommendations presented in this report are fully implemented.

Attachments

cc: David Liner, Chief of Staff
Michelle Brooks, Deputy Chief of Staff/Operations
Nwando Diallo, Country Director
John Dimos, Chief Compliance Officer

Preliminary Audit Report Recommendations – PC/Swaziland

- 1. That the administrative officer ensures that all obligations are recorded before the related expenditure of funds takes place.**

Concur.

Since the audit, Post is ensuring that all obligations are recorded before the related expenditure of funds takes place. Post understands that this recommendation was made primarily in conjunction with travel (both staff and Volunteers) so both staff and Volunteer obligations have been attached as supporting documentation. In the attached examples (Attachment 1) as supporting documentation, the staff travel was obligated prior to the travel date and the Volunteer travel was estimated and obligated for processing with a monthly living allowance check request. In the past (also in Attachment 1), Post would process travel reimbursements after the travel had already occurred with living allowance check requests so the amount obligated in the past was the exact amount calculated based on past travel instead of an estimation of future travel.

- 2. That the administrative officer ensures that all obligations and de-obligations are supported by fully documented calculations, written explanations, and other support.**

Concur.

Since the audit, Post has made significant improvements in ensuring that all obligations and de-obligations are supported by fully documented calculations, written explanations and other support. Copies of three different types of fully documented obligations are attached as supporting documentation (Attachment 2).

- 3. That the administrative officer follow the established Peace Corps policies and procedures for closing out the finances of Volunteers terminating service out of country.**

Concur.

Post has instituted the same close-out procedures for Volunteers who terminate service out of the country, as for those who terminate in country. The Finance Assistant has been designated to complete a bank close out and reconcile finances. Since the audit visit, Post had one such case: Volunteer was medically evacuated to Pretoria and subsequently COS-ed from there. Copies of the Volunteer's COS checklist and cable, as well as the e-mail to the Finance Assistant transferring those responsibilities are attached as supporting documentation (Attachment 3).

- 4. That the administrative officer transfer the responsibility for issuing follow-up bills for unpaid BOCs older than 30 days from the cashier to the billing officer in accordance with OFMH section 7.2.1.**

Concur.

On 24 September, 2008, the Administrative Officer officially transferred the responsibility for issuing follow up bills for unpaid BOCs older than 30 days from the Cashier to the Billing Officer in accordance with OFMH section 7.2.1 (although the Finance Assistant unofficially assumed this responsibility immediately following the IG visit in July). This responsibility was assumed and acknowledged by the Billing Officer. A copy of the e-mail is attached as supporting documentation (Attachment 4).

- 5. That the administrative officer document, in a memorandum to the host country contribution file, the basis for valuation of in-kind host country contributions as presented in the FY 2009 Operations Plan.**

Concur.

During the IG Audit, the former Administrative Officer (now the Country Director), documented in a memorandum to the Host Country file, the basis for valuation of in-kind host country contributions presented in the FY 2008 Operations Plan. Additionally, the current Administrative Officer, similarly documented in a memorandum to the Host Country file, the basis for valuation of in-kind host country contributions presented in the FY 2009 Operations Plan. Post will continue to document its basis for valuation of in-kind host country contributions each year during the development of the Operations Plan. Copies of the FY08 and FY09 memoranda are attached as supporting documentation (Attachment 5).

- 6. That the country director request that a representative of the Embassy regional security office provide training to ensure that the cashier is proficient in changing the safe combination.**

Concur.

There is no local company that deals with safes therefore; the Embassy RSO coordinates 2-3 trips by South African security specialists who change/fix safes and complicated locks annually. The team refuses to train citing company security breaches. The RSO, the Embassy Cashier, nor the Peace Corps Cashier knows how to change safe combinations. Post also called Peace Corps South Africa, Peace Corps Mozambique and Peace Corps Botswana – all three concurred that their Cashiers cannot and do not change their safes. An outside vendor always does it.

After speaking with the RSO, in case of a breach and when the safe combination needs to be changed immediately, Peace Corps can commission the Pretoria-based agency to come in and reset the safe combination(s). Peace Corps benefits by getting the service for free by piggy-backing onto the Embassy's schedule. Peace Corps can engage this company at any time, for a fee, should the need arise.

In November 2007, Post changed the safe combinations for the cashier's safe, the Cashier's door and the Administrative Officer's safe. Post will continue to work closely with the RSO to change safe combinations regularly, in accordance with regulations.

7. That the cashier obtains lockable cash boxes to secure both U.S. and local currencies used in the operation of the imprest fund.

Concur.

On 26 September 2008, Post issued a work order to a local company (referred by the RSO at the US Embassy) to replace the front panels of the two existing internal safes and equip them with new locks (previously, the locks did not work) to secure both U.S. and local currencies used in the operation of the imprest fund. The job was completed on October 14 and the Cashier has been using the safe since then in accordance with regulations. Copies of the photos (before and after) are attached as supporting documentation (Attachment 7).

8. That the administrative officer segregates the duties of maintaining the inventory records and conducting the annual physical inventory count and verification.

Concur.

Post has segregated the duties of maintaining the inventory records and conducting the annual physical inventory count and verification. The Motor Pool Coordinator is now responsible for conducting the annual physical inventory count and verification (except for the IT equipment), the IT Specialist is now responsible for conducting the annual IT equipment count and verification, and the GSA is now responsible for maintaining the database and inventory records. These changes have also been reflected in all three job descriptions of the staff members involved. Copies of the e-mail memo and the updated job descriptions are attached as supporting documentation (Attachment 8).

9. That the country director ensures that the post follows Peace Corps policy regarding implementation of controls over the issuance of Peace Corps property to Volunteers and staff.

Concur.

Post has implemented proper check out procedures, in accordance with Peace Corps policy, to ensure adequate controls are in place when issuing Peace Corps property to Volunteers and staff. All Volunteers and staff are now required to sign a check out log following the receipt of Peace Corps property. Copies of the e-mail memo effecting these changes, as well as the check out logs for IT, language and medical equipment are attached as supporting documentation (Attachment 9).

10. That the PCMO establish and implement a written policy regarding counting open containers.

Concur.

Post's PCMO has established and implemented a written policy regarding counting open containers. This written policy went into effect on October 8 and is posted in the pharmacy of the medical unit. A copy of the written policy is attached as supporting documentation (Attachment 10).

11. That the PCMO ensure that the inventory listing is updated, including making entries on a new page to reflect different descriptive identifiers in cases where new items received will replace existing items.

Concur.

Since the audit, Post has updated its medical inventory listing to include new page entries to reflect different descriptive identifiers in cases where new items received replace or substitute for existing items. This allows for proper tracking of each medication, by brand, manufacturer and dosage. Copies of two examples (for the various Gelusil Antacid tablets and Tetanus vaccines) of newly created entries in accordance with Peace Corps policy, as well as the old non-compliant entries are attached as supporting documentation (Attachment 11).

12. That the PCMO establish a single accurate and complete inventory listing.

Concur.

Since the audit, the Post has consolidated its various medical inventories into one single accurate and complete inventory listing, in accordance with Peace Corps policy. A copy of this comprehensive listing has been express mailed (it was too large to scan) to the CDU for onward submission to the Inspector General's office as supporting documentation (Attachment 12).

13. That the country director or designee consistently perform monthly medical inventory counts.

Concur.

Since November 2008, the Country Director has consistently performed monthly medical inventory counts, and will continue to do so in accordance with Peace Corps policy. Copies of the signed medical inventory logs are attached as supporting documentation (Attachment 13).

14. That the country director or designee outside of the medical office conducts the monthly inventory counts of medical supplies as required in the Peace Corps manual.

Concur.

Since the audit, the Country Director has designated a non-medical employee (the Cashier) to conduct the monthly medical inventory counts. The Cashier conducted her first full monthly medical inventory count in November 2008 after being trained for the task in October. During these monthly medical inventory counts, the Cashier is officially designated as the counter, while the Medical Assistant is officially designated as the recorder. Copies of the memo and signed inventory logs (for narcotics, pharmaceuticals, and supplies) are attached as supporting documentation (Attachment 14).

15. That the country director ensures that the medical unit consistently documents the proper disposal of medical inventory in accordance with Peace Corps policy.

Concur.

To comply with Peace Corps policy, post now requires the PCMO to count, document and sign the medical inventory disposal log at the time when medical supplies are being identified for expiration and disposal. This will ensure that the quantity of medication identified for disposal is what is actually disposed of by the Mbabane Clinic Senior Medical Officer or his/her designee. Copies of a recent disposal, consistent with Peace Corps policy, using the new form that captures both the PCMO and the Clinic's Senior Medical Officer or his/her designee are attached as supporting documentation, (Attachment 15).

16. That the administrative officer ensures that accurate VSRs are submitted to the Office of Overseas Building Operations.

Concur.

Following this audit finding, the Administrative Officer and the Motor Pool Coordinator reviewed and corrected the inaccuracies reflected in the 2007 Vehicle Status Report (VSR). Coincidentally, the 2008 VSR was due after the audit and was completed accurately by the Motor Pool Coordinator and verified by the Administrative Officer per the audit findings. Copies of Post's completed 2007 and 2008 VSRs have been included as supporting documentation (Attachment 16).

17. That the administrative officer ensures that post staff create travel authorization amendments as separate documents and maintain file copies.

Concur.

Following the audit, Post is ensuring that travel authorization amendments are created as separate documents and maintained as file copies. Copies of the memo documenting and initiating these changes, as well as an amended travel authorization created as a separate document are attached as supporting documentation (Attachment 17).

18. That the country director enforces Peace Corps policies regarding the timely submission of travel vouchers.

Concur.

For all travel that has taken place since the audit visit, travelers have submitted travel vouchers within five working days after completion of travel. The Finance Assistant (FA) will send reminders to staff who have traveled to submit their travel voucher within 5 days. If the traveler misses the 5 day deadline, the FA will notify the Country Director. Copies of a travel voucher turned in timely since the audit and a copy of the e-mail detailing this new notification system have been included as supporting documentation (Attachment 18).

19. That the cardholder receives signature authorization from the approving official before purchases are made on the purchase card in accordance with Peace Corps policy.

Concur.

For all purchases made on the purchase card since the audit visit, the cardholder has received signature authorization from the approving official before the purchases were made. The cardholder (i.e. the Administrative Officer) will continue to receive signature authorization from the approving official before any purchases are made on the purchase card, in accordance with Peace Corps policy. Copies of signature authorizations in the purchase card log for all such purchases (i.e. prior to actual purchase) have been included as supporting documentation (Attachment 19).

20. That the administrative officer ensure that a timesheet is created for each staff member, regardless of contract status, in accordance with Peace Corps policy.

Concur.

During the IG audit, a timesheet for the one staff member still in his probation period was created. Currently, all staff members have timesheets. The Receptionist/Executive Assistant will ensure that all new staff members have time sheets even during their probationary period. A copy of the timesheet of the new driver (who was in probationary status during the audit) has been included as supporting documentation (Attachment 20).

21. That the country director and regional director review PC-57s in accordance with agency policy.

Concur.

The Country Director has signed all PC-57 forms for staff for the period ending June 15, 2008 and has also secured the signature of the Regional Director for her own PC-57. Copies of the jointly signed PC-57 for the Country Director and the two US Direct Hires ending June 15, 2008, are attached as supporting documentation (Attachment 21).

22. That the Country Director ensures that all staff members have completed intelligence background information certification forms in accordance with Peace Corps policy, and that they be included in their files.

Concur.

Post has ensured that all staff members have completed intelligence background information certification forms in accordance with Peace Corps policy, and they have been included in each staff member's personnel file. Additionally, Post has added this actionable item to its PSC Checklist (attached to every PSC file folder) to ensure it gets completed with the addition of any new staff. Copies of completed intelligence background information certification forms for all 18 current staff members and copies of the updated PSC Checklist have been included as supporting documentation (Attachment 22).

APPENDIX C

OIG COMMENTS

Management concurred with all 22 recommendations made in our report.

We closed recommendations numbers 1 – 7, 9 – 11, 13, and 15 – 22. Recommendation numbers 8, 12, and 14 remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation number 8, a copy of a memorandum stating that someone without access to inventory records has been assigned responsibility for conduct of the annual physical inventory verification.

Management's response states that the IT specialist would be responsible for performing the physical inventory for all IT equipment. However, since the IT specialist would also have access to the post's electronic inventory records, segregation of duties in the handling of the post's property inventory has not been fully achieved. As a result, we request that the Post designate responsibility for conducting the annual physical inventory for all property, including IT equipment, to the Motor Pool Coordinator. Such designation would ensure that the person responsible for conducting the physical inventory is also not responsible for inventory recordkeeping.

- For recommendation number 12, a copy of the complete medical inventory listing including pharmaceuticals and supplies.
- For recommendation number 14, a copy of an inventory signature log showing that non-medical unit staff has counted and recorded the monthly medical supplies inventory.

Management's response states that the cashier is officially designated as the counter, while the medical assistant is officially designated as the recorder. However, since the medical assistant would also have access to the post's medical inventory records, segregation of duties in the handling of the post's medical inventory has not been fully achieved. As a result, we request that the Post designate responsibility for conducting and recording the monthly physical inventory for medical supplies to staff outside of the medical unit. Such designation would ensure that no one responsible for conducting the physical inventory count, including recording, is also responsible for inventory recordkeeping.

In their response, the management describes actions they are taking or intend to take to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that they have taken these actions nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

APPENDIX D

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

The audit was performed by auditor Elizabeth Palmer.

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Gerald P. Montoya, Assistant Inspector General for Audit, at gmontoya@peacecorps.gov, or call him at (202) 692-2907.

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