




Office of Inspector General

Office
202.692.2900
[Website](#)
[OIG Reports](#)

Hotline
202.692.2915 | 800.233.5874
[Online Contact Form](#)
OIG@peacecorpsig.gov

To: Carrie Hessler-Radelet, Director
Dick Day, Regional Director
Anne Hughes, Chief Compliance Officer

From: Kathy A. Buller, Inspector General 

Date: July 26, 2016

Subject: Final Report on the Audit of Peace Corps/Senegal (IG-16-04-A)

Transmitted for your information is our Final Report on the Audit of Peace Corps/Senegal.

Management concurred with all 21 recommendations. All 21 recommendations will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. In its response, management described actions it is taking or intends 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 the agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities.

Our comments, which are in the report as Appendix E, address these matters. Please respond with documentation to close the remaining open recommendation within 90 days of receipt of this memorandum.

You may address questions regarding follow-up or documentation to Assistant Inspector General for Audit Judy Leonhardt at 202.692.2914, Lead Auditor Snehal Nanavati at 202.692.2929, or Auditor Ann Lawrence at 202.692.2936.

Please accept our thanks for your cooperation and assistance in our review.

cc: Laura Chambers, Chief of Staff
Carlos Torres, Deputy Director
Ken Yamashita, Associate Director, Global Operations
Cheryl Faye, Country Director, Peace Corps/Senegal
Gelila Tsega, Director of Management and Operations, Peace Corps/Senegal
Joseph Hepp, Chief Financial Officer
Tonia Wellons, Associate Director, Office of Strategic Partnership
Alan Price, Associate Director, Management
Kathy Stroker, Acting General Counsel
Linda Brainard, Chief of Acquisition Officer
Paul Shea, Deputy Chief Financial Officer
Suzanne Proctor, Supervisory Budget Analyst

Francisco Reinoso, Chief Information Officer
Patrick Choquette, Director of Innovation
Devin Meredith, Chief Administrative Officer, Office of Health Services
Bob Braganza, Director of Global Accounts Payable
Carol Melo, Acting Chief Administrative Officer, AF Operations
Dee Hertzberg, Chief of Operations, AF Operations
Allison Lange, Regional Security Advisor, AF Operations
Elizabeth Ogunwo, White House Liaison
Senegal Country Desk
IGChron
IG



PEACE CORPS

Office of Inspector General



Peace Corps/Senegal staff

Final Audit Report
Peace Corps/Senegal
IG-16-04-A
July 2016



EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Senegal (hereafter referred to as “the post”) November 2 to November 20, 2015.

Staff:

U.S. direct hires: 4
 Foreign service nationals: 4
 U.S. personal services contractors (PSCs): 3
 Full-time PSCs: 62

Spending (approx.):

Fiscal Year (FY) 2015 post spending: \$2.9 million
 Average regional overhead: \$490,000



Map of Senegal

WHAT WE FOUND

The post’s financial and administrative operations required improvement to comply with agency policies and applicable federal laws and regulations. Specifically, the post:

- Lacked adequate controls over medical supplies, Volunteer allowances, grants, and tracking bank fees.
- Did not comply with Peace Corps policies for imprest funds.
- Did not claim exemption from Value Added Tax (VAT) on vehicle maintenance and utility expenses.
- Did not properly record vendor names, supporting documentation for certain services, and bills of collection for Volunteer bank withdrawals.

The prevalence of these significant conditions put Peace Corps/Senegal at increased risk of fraud, waste, and abuse.

RECOMMENDATIONS IN BRIEF

Our report contains 21 recommendations directed to both the post and headquarters. At the post, our recommendations included: strengthening controls over imprest fund verification, ensuring accurate recording of medical supplies, and improving management of bills of collections.

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	i
BACKGROUND.....	1
AUDIT RESULTS.....	2
IMPREST FUND.....	2
DISBURSEMENTS.....	7
MEDICAL SUPPLIES.....	8
VALUE ADDED TAX.....	10
VOLUNTEER ALLOWANCES.....	11
BANK FEES.....	12
GRANT FUNDS.....	13
PERSONAL SERVICES CONTRACTOR.....	14
VOUCHER AUDITOR DETAIL REPORT.....	14
OTHER AREAS OF CONCERN.....	15
VOUCHERS.....	15
QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE.....	16
LIST OF RECOMMENDATIONS.....	17
APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY.....	19
APPENDIX B: LIST OF ACRONYMS.....	20
APPENDIX C: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT.....	23
FEDERAL REQUIREMENTS.....	23
PEACE CORPS REQUIREMENTS.....	23
APPENDIX D: AGENCY’S RESPONSE TO THE PRELIMINARY REPORT.....	27
APPENDIX E: OIG COMMENTS.....	39
AUDIT COMPLETION AND OIG CONTACT.....	40

BACKGROUND

OIG conducted the audit of the post November 2 – 20, 2015. We previously performed an audit in November 2006 and issued our report in September 2007 (IG-07-18-A). We also conducted a follow-up audit in May 2009 and issued our report in July 2009 (IG-09-11-FUA).

More than 3,325 Volunteers have served in Peace Corps/Senegal since the program's inception in 1963. At the time of our audit, over 280 Volunteers were working in the following project sectors: community economic development, agroforestry, health, and agriculture. The post had four U.S. direct hires, four foreign service nationals, 65 full-time personal service contractors, and nine vacant positions. In FY 2015, the post's budget was approximately \$2.9 million.¹

At the time of the audit, Peace Corps/Senegal was the largest Peace Corps post and was often asked by headquarters to host training events and conferences due to its accessibility relative to other Africa region posts. According to the post's country director, Peace Corps/Senegal was inadequately staffed because of frequent turnover due to the competitive job opportunities in the local economy. The country director expressed particular concern regarding the sufficiency of Peace Corps medical officer (PCMO) staffing. At the time of the audit, the post had three permanent full-time PCMOs. The Office of Health Services (OHS) recently approved the post to hire an additional PCMO.

Our overall objective in auditing overseas posts is to determine whether the financial and administrative operations were functioning effectively and in compliance with Peace Corps policies and federal regulations during the period under audit. Appendix A provides a full description of our audit objective, scope, and methodology.

¹ The agency does not determine a total cost per post beyond directly attributable post expenses, as certain costs are centrally budgeted and managed by headquarters offices including the salaries and benefits of U.S. direct hires. The Peace Corps Office of Budget and Analysis provided the total cost of \$12 million incurred by the Africa region in direct support of its 25 overseas posts in FY 2015, which is an average of \$490,000 per post.

AUDIT RESULTS

IMPREST FUND

The Overall Control Environment

During our review of the imprest fund, we noted multiple instances of non-compliance with Overseas Financial Management Handbook (OFMH) and Peace Corps Manual (MS) requirements, which hampered the post's internal controls. Our audit further disclosed that the director of management and operations (DMO) and deputy director of management and operations (DDMO) were fully aware of these requirements and the fact that they were routinely not being met. We found that the acting cashier failed to set aside adequate time to perform cashiering functions. The post also failed to perform monthly cash verifications of sub-cashiers, improperly designated an alternate cashier, and could strengthen other areas of its imprest operations.

The primary explanation offered by post management for not meeting these mandates was that Peace Corps/Senegal was a busy post that had inadequate resources, difficulty hiring qualified staff, and had been operating without a principal cashier since June 2015. However, we noted that the post had not complied with several policy requirements even during a period when it had a principal cashier, a DMO, a DDMO, and two financial assistants (FAs). Post management is responsible for an effective internal control system and ensuring that all staff understand the importance of their assigned duties and the detailed performance requirements for those responsibilities. An absence of controls provides an opportunity to commit fraud.

When viewed with the issues noted in this report and combined with the post management's willingness to accept a higher level of risk, we concluded that the control environment over imprest funds put post assets at risk and needed significant improvement.

The acting cashier did not perform daily imprest fund reconciliations.

The acting cashier was assigned a substantial number of other duties, leading to neglect of critical cashier duties. Peace Corps policy states that the cashier is responsible for performing daily imprest reconciliation (MS 760.7.2). The reconciliation process consists of counting the cash and reviewing the on-hand transactions and supporting documents that make up the cashier's accountability.

During an unannounced cash count, we found that the acting cashier had not performed a daily reconciliation for the day prior to the count, despite having conducted transactions. This lack of oversight resulted in a \$166 U.S. dollar equivalent (USDE) unexplained cash shortage. On the day the reconciliation was not performed, the cash office was officially closed but the acting cashier opened the cashier cage to perform one collection and five disbursement transactions due to emergency situations. The acting cashier considered it unnecessary to perform a daily cash count since the cash cage was scheduled to be closed.

We also reviewed the post's daily PC-365² reconciliations for October 2015, the month prior to our unannounced cash count. We found that on days the cash office was scheduled to be opened, daily reconciliations had not been performed 60 percent of the time—a total of 9 out of 15 days. The acting cashier acknowledged not having consistently performed daily cash counts and attributed it to being overburdened with senior FA duties as well as medical supply inventory control clerk (MSICC) duties. Nevertheless, Peace Corps policy requires daily cash counts in order to ensure the cashier accounts for all funds (OFMH 13.24.1).

The cash shortage amount observed by OIG was only a snapshot in time. The lack of daily cash counts removed the evidence that would have permitted OIG to assess whether other shortages may have existed. OIG audits of other posts have found improper practices such as cashiers taking out personal loans from the imprest fund and later replenishing the funds.

When daily cash counts are not performed, it becomes more difficult to detect fraud or errors in a timely manner. Therefore, it is critical that imprest funds be monitored carefully, to prevent malfeasance and ensure accountability of funds. The DMO indicated that corrective actions for the daily cash reconciliation requirement will include the cashier conducting and presenting daily cash counts to the cashier verification officer.

In addition, the cashier had been assigned too many responsibilities for a post of this size, including maintenance of medical inventory records, budgeting, travel and purchase cardholder duties, and backup for the DDMO and the other FA. As a result, the acting cashier operated the cash window for only one hour a day, four days a week. This was not enough time to accommodate over 200 Volunteers and approximately 70 post staff. OFMH section 13.2 provides that the country director must ensure regular operating hours are established and adequate time is set aside for the proper maintenance of accounting records, verification of funds, and preparation of required fiscal reports.

We recommend:

- 1. That the country director and the director of management and operations ensure cashiers are performing daily cash counts.**

The cashier verification officer did not perform monthly sub-cashier imprest verifications.

An unannounced verification is a complete physical review of all cashier funds and supporting documents. According to Peace Corps policy, posts are required to verify sub-cashiers' advances at least quarterly for funds under \$1,000 USDE and monthly for \$1,000 USDE and over (OFMH 13 Exhibit C).

The post had five sub-cashiers with at least \$1,500 USDE each in authorized cash advances. Three sub-cashiers were located in regional houses, one was located in Thiès at the regional training center, and one was at the main office. The regional houses are several hours from the main office, and the regional training center is located approximately two hours away.

² PC-365 is the Peace Corps Cashier Reconciliation Statement.

Despite Peace Corps policy, the post did not perform monthly cash counts of sub-cashiers for advances exceeding \$1,000, including for the sub-cashier located in the main office. However, the post performed two regional sub-cashier counts in August 2015 and a series of cash counts of all the sub-cashier advances around October 2015. The post did not provide any evidence of other cash verifications performed to comply with the policy.

According to the cash verification officer (CVO), the post did not perform monthly cash counts for the three regional sub-cashiers because of their distance from the main office. The CVO stated that it was impossible to comply with the unannounced cash count requirement because the sub-cashiers needed to be informed in order to be available for a cash count. Per the DMO, the regional sub-cashiers were also the Volunteer support assistants (VSAs), and as a result were rarely at the main office and regularly traveled with their cash advances. Any efforts to contact the VSAs would have amounted to announcing the visit. The post did not provide any explanation for not conducting cash counts at the main office.

The DMO reported having spoken with the agency's deputy chief financial officer (DCFO) during the May 2015 DMO conference regarding the post's difficulties in performing unannounced cash counts, and that the DCFO had verbally agreed that circumstances in Peace Corps/Senegal warranted non-compliance with policies. However, when we later spoke with the director of the Office of Global Accounts Payable (OGAP) and the DCFO, they stated that post compliance with policy was mandatory. Our audit found no evidence that the post had been provided a waiver or reprieve from following agency policy in this area. Despite these challenges, the post is required by agency policy to perform monthly imprest verifications. As noted by the DCFO, even if it was difficult to avoid notifying the regional sub-cashiers of a cash count, this special circumstance did not absolve the post from performing cash counts altogether. OFMH 13 Exhibit C provides that the post can designate a properly trained individual to perform the monthly cash count if the post cannot reach the sub-cashier.

We recommend:

- 2. That the country director and the director of management and operations ensure that the cash verification officer or an appropriately trained designated individual performs monthly cash verifications of the sub-cashiers in compliance with Peace Corps policy.**

The post did not perform monthly reconciliation of sub-cashier bank statements.

Peace Corps policy requires the cashier to reconcile sub-cashier bank accounts monthly (OFMH 5.4.5). However, neither the acting cashier nor the CVO had reconciled the sub-cashiers' bank account statements in four months, resulting in continuous unauthorized bank charges going undetected. The local bank, which held a pass-through account³ for the training center, had charged bank fees to the account since July 2015, which reduced the funds the sub-cashier had available for cash advances. The sub-cashier received fewer funds than deposited by the acting cashier, and then violated policy by supplementing the cash advance with personal funds in order to balance the daily

³ A pass-through account is one in which the acting cashier deposits funds and those funds are then immediately withdrawn by the sub-cashier. No balances are maintained in this account and funds are considered "cash on-hand".

cash count. Supplementing Peace Corps funds with personal funds is an egregious breach of internal controls. During this period, the acting cashier and the CVO were not aware that \$145 USDE in bank fees had been deducted from the pass-through account because neither had reconciled the sub-cashier's bank statements. The post subsequently reimbursed the sub-cashier after we discovered the sub-cashier's use of personal funds.

The post is still working with the bank to recover all unauthorized funds debited from the account. The bank recently agreed to reimburse the unauthorized fees deducted from all sub-cashier bank accounts and has partially reimbursed the fees. The lack of bank statement reconciliation and the improper use of personal funds diluted the audit trail necessary to detect fraud and abuse, making Peace Corps funds highly vulnerable to potential abuse.

We recommend:

- 3. That the country director and the director of management and operations ensure that the cashier performs monthly reconciliations of all sub-cashier bank statements.**

The post improperly designated an alternate cashier and allowed unauthorized collection and disbursement activities.

The motor pool coordinator, the alternate cashier, performed unauthorized transactions by collecting and disbursing funds without any official designation to perform as a cashier. According to OFMH 13.18.1:

When an alternate cashier takes over the Cashier's full accountability, an imprest verification must be conducted and . . . signed by both cashiers. The Alternate Cashier is then given the Cashier (or Cashier Plus) group in FOR Post to make cashiering entries.

During our audit, we observed the alternate cashier conducting cashier duties when asked by the cashier to collect approximately \$180 USDE from two Volunteers. The alternate cashier did not issue receipts to the Volunteers. While in possession of these funds, the alternate cashier also performed two disbursements. The cashier neither documented any advances in FORPost nor documented transferring duties to the alternate cashier.

Furthermore, the DMO had not provided the motor pool coordinator with any cashiering or FORPost training because the DMO did not believe it was necessary. The motor pool coordinator was not properly trained to perform alternate cashier duties and did not understand the associated responsibilities. Additionally, the motor pool coordinator did not have the required English language skills to serve in the role.

We recommend:

- 4. That the country director and the director of management and operations ensure the designated staff member meets the requirements to perform alternate cashier duties.**

5. That the director of management and operations ensure that proper transfer of funds procedures are followed at post.

The post left the sub-cashier's funds at risk by providing inadequate security space.

The sub-cashier kept imprest funds—up to \$7,500 USDE during pre-service training—in a locked safe in the office of the FA, who was also a sub-cashier. The office had a Dutch door leading outside the building, with a wooden lower half and a transparent glass upper half. Even when the room was locked, anyone standing at the door would have been able to observe monetary transactions conducted inside. This situation presented a risk because the room lacked the security a barred window or steel door would have provided, and large volumes of cash may have been visible to anyone standing near the door. During our audit, construction workers were on the premises constructing another building, and they may not have gone through the same security clearances as the PSCs. Furthermore, the door was marked with painted dollar signs, which advertised the presence of cash within.

The post contended that Peace Corps policy only requires sub-cashiers use a lockable cash box, and that it exceeded that requirement by using a safe. While OMFH Exhibit C.3 does only require a lockbox, the maximum authorized advance for sub-cashiers during pre-service training is normally \$2,500 USDE. The post's sub-cashier had been approved by OGAP to receive \$7,500 USDE, which is 300 percent more than the typical maximum authorized amount. The policy does not specify any added security with extra funds.

Some Peace Corps posts practice more robust security measures even when the cashier's advance is less than \$7,500 USDE. Additionally, the regional security officer for Senegal suggested that due to a past security violation, the post should not keep more cash than it is willing to lose. At the time of this report, the post was in the process of constructing a separate building, which would contain the FA/sub-cashier's office and include barred windows.

We recommend:

- 6. That the country director and the director of management and operations move the sub-cashier's office to a more secure location.**
- 7. That the Office of the Chief Financial Officer implement a policy to elevate security requirements proportionally with increases in sub-cashier advances.**

The post had poor management of cash withdrawals from Volunteer bank accounts.

We noted that the cashier did not follow proper procedure when recording withdrawals from departed Volunteers' bank accounts. We found instances where the cashier did not create a bill of collection (BOC) for the total amount of funds in the departed Volunteers' accounts. Although we did not discover any missing cash, the controls and recording of these transactions did not comply with agency policies. OFMH 7.2 states:

Billing Officers prepare Bills of Collection (BOCs) when a reimbursement or other payment is due to Peace Corps. . . . For internal control reasons, BOCs are entered as soon as it is known that Peace Corps will be receiving funds, even if the exact amount is not known (for example, HCC or VAT). It is very important that this Bill be entered in FOR Post at the moment it is identified.

In one instance, the cashier only created the BOC for the balance after deductions and then used the withdrawn funds to disburse Volunteers' rent. In another instance, the cashier transferred grant funds from one Volunteer's bank account to another Volunteer's account without creating a BOC to document the transaction. As a result of the cashier not creating BOCs and collection receipts, the required audit trails were obliterated and post funds were placed at increased risk of fraudulent abuse and theft.

We recommend:

- 8. That the director of management and operations develop a process for recording the total amount withdrawn from a Volunteer's bank account, creating the necessary bills of collection, and retaining adequate support with the withdrawal forms.**

The post did not analyze funds received from the local bank to determine if any amount was due to departed Volunteers.

In July 2012, the local bank informed the post that it was holding approximately \$830 USDE in five departed Volunteers' bank accounts. The Volunteers' departure dates ranged from October 2010 to June 2012. The post requested the bank transfer funds to a U.S. disbursing officer account and recorded it as a refund of excess Volunteer allowances. The post did not evaluate whether any funds were due to the Volunteers.

Upon analyzing the transaction, we found that these funds included approximately \$350 USDE due to the Volunteers who departed in 2011 and 2012. The post should have evaluated the funds, communicated with headquarters about refunds due, and entered the relevant details into the Volunteer end-of-service information application in order to ensure repayment.

We recommend:

- 9. That the director of management and operations work with Peace Corps headquarters to apply due diligence and refund funds due to Volunteers.**

DISBURSEMENTS

The post did not accurately record the names of the vendors in FORPost.

When making entries in its financial tracking system, the post did not always enter unique payee fields when identifying payments. Between June 2010 and September 2015, the post disbursed approximately \$1,500,000 USDE. Of these payments, \$1,025,000 USDE had the payee field

recorded as “multiple vendors”, including approximately \$190,000 USDE to Volunteers, host families, and counterparts.

The cashier recorded all replenishments as paid to “multiple vendors” instead of the names of the actual vendors or Volunteers receiving the disbursements. Based on reviewing a small sample of transactions, we noted one payment over \$1,000 USDE and another payment over \$400 USDE grouped with other payments and recorded as paid to “multiple vendors.” After an analysis of the post’s disbursements, we realized this was a longtime practice of the post rather than an unusual occurrence.⁴

Per the DDMO and DMO, the post had several sub-cashiers and they disbursed small payments to several vendors regularly. When vendors submitted their vouchers for reimbursement, the cashier entered these payments in FORPost as paid to “multiple vendors”. Both stated that because there were a large number of transactions, recording payee names for individual disbursements would add to the volume of work and would require additional staff.

The DMO stated that this issue was discussed during the May 2015 DMO conference and that the financial management officer for the Africa Region stated that such practice was allowed. Additionally, the DMO stated that the guidance in the Peace Corps Manual and OFMH was unclear about the threshold to record payee’s names.

OFMH section 66.4 states that each payment voucher must have only one vendor associated with it. Without accurate and complete payee information in the system, it is difficult to prevent fraud, analyze amounts paid to vendors, identify potential duplicates, and conduct trend analysis. Any deviations from this policy should have been documented in writing. The post could have requested additional written clarification from OGAP if there were any doubts about MS or OFMH provisions.

We recommend:

- 10. That the director of management and operations ensure that names of vendors and Volunteers receiving payments are recorded as the payee in compliance with Peace Corps guidance.**

MEDICAL SUPPLIES

The post did not maintain effective controls for managing the medical inventory system.

The post did not maintain an accurate medical inventory supply system for specially designated substances because the post neither resolved inventory discrepancies in a timely manner nor updated the medical inventory worksheet on a regular basis. Medical Technical Guideline (TG) 240 states that the country director is responsible for assuring the maintenance of effective control for medical supply management. MS 734 states that a medical inventory system must be

⁴ While OIG has previously found minor instances of expenses grouped together at other posts, it is unique for a post to implement this as a standard practice.

maintained by the medical supply inventory control clerk (MSICC). On a quarterly basis, the inventory reconciliation clerk (IRC) must report the recorded and actual inventory counts of all controlled substances and specially designated items, any discrepancies between the inventory lists, and a reconciliation of any errors identified. The IRC provides this report to the country director, who must ensure its accuracy and submit it to the Office of Health Services annually.

The MSICC did not keep the medical inventory systems updated on a timely basis and as a result, the inventory records were not accurate. We noted that the required inventory worksheet was significantly outdated, and thus it was not reliable in tracking specially designated medicine. The OIG audit team conducted an inventory count of controlled substances and a sample of specially designated supplies and found that the counts were accurate. However, prior to our visit, OHS identified unexplained discrepancies in inventory medical worksheets dating as far back as FY 2013 Q3 (April 2013 – June 2013). Because of this outstanding accuracy issue, OHS began requiring monthly counts.

After identifying the outdated worksheet, we asked for an updated count from the MSICC. The MSICC provided over 100 records of medication dispensed, which had been received between October 8, 2015 and November 6, 2015, but which the MSICC had not had the time to process. We noted that some of the records the MSICC had recently received were dated as far back as December 20, 2013.

One contributing factor for the MSICC's difficulty in updating the worksheet was that the MSICC was recently required to take on a substantial additional workload. Additionally, the PCMOs did not always prepare the appropriate dispensing documents for the MSICC, causing discrepancies in the IRC's inventory count. Although the dramatic increase to the MSICC's duties was recent, the lack of timely update to the inventory records appeared to be a systemic, long-term issue.

Having effective controls to ensure medical inventory accuracy is critical for making correct, cost-effective ordering decisions and ensuring the medical unit has the appropriate quantity of medical items and supplies on hand to effectively treat Volunteers. Furthermore, the inventory is an essential control to provide oversight and monitoring of the medical unit. Without an accurate inventory, it is not possible to prevent and detect fraud or misuse of medical supplies. When policies and procedures for the receipt and dispensing of medical supplies are not followed, any medical staff could have an opportunity to misappropriate medical supplies. The medical supply inventory workbook was not reliable and could not be used to identify loss or theft, nor was it useable to identify medical supply needs and analyze trends.

After OIG auditors returned to headquarters, the MSICC eventually updated the medical inventory sheet. Finishing the update took approximately 45 days from the date of our request. However, discrepancies still existed because a small number of receiving reports were missing and errors from a previous worksheet had not been corrected.

Ineffective controls resulted in remediation that created additional work for medical staff.

Our preliminary review disclosed that in July 2014, OHS required the post to begin conducting monthly inventory counts and reconciliations for the foreseeable future because the post had submitted unsatisfactory worksheets. After arriving on-site, we confirmed that the post's medical

inventory submissions were still unsatisfactory and did not comply with requirements outlined by MS 734 and TG 240.

In July 2014, OHS conducted a review of four quarters of medical inventory submissions (FY 13 Q3 through FY 14 Q2) and found numerous discrepancies, some without explanation. Because of these discrepancies, OHS began requiring the post to submit monthly inventories, a status known as remediation. According to OHS, the goal of remediation is to help the post prioritize inventory.

In March 2015, OHS issued an assessment report in which a senior staff member at the post stated that the post's medical staff was stretched too thin at current Volunteer levels and that it would not be possible to maintain adequate health services with current staffing levels should the plans to expand Peace Corps/Senegal continue. OHS reported that it did not have the resources to review the medical inventory process during a visit in March 2015. However, OHS reported that it will ensure all members of the inventory team and their backups are trained in MS 734 and TG 240.

The IRC acknowledged having missed a few months of inventory counts. Since remediation requires a quarterly inventory be performed on a monthly basis, the time needed for conducting inventories had tripled, reducing the available time the medical staff had to attend to Volunteers. The post could reduce its medical staff's workload if it could resolve the remediation process by ensuring that inventory counts are conducted properly.

We recommend:

- 11. That the country director ensure that the medical unit and the medical supply inventory control clerk perform accurate counts of the medical inventory system on a timely basis.**
- 12. That the medical unit and the medical supply inventory control clerk work with the Office of Medical Services to strengthen procedures for managing the medical inventory.**

VALUE ADDED TAX

The post did not claim exemption from Value Added Tax (VAT) per the country agreement.

Peace Corps/Senegal's country agreement with the government of Senegal exempts the post from all taxes including VAT, customs duties, and other charges. However, the post incorrectly paid VAT on vehicle maintenance and utility expenses.

Vehicle Maintenance. We noted that the fuel vendor issued the post fuel cards to pay for fueling and maintenance, which were provided by the vendor. The post, in turn, issued the driver the fuel cards to purchase fuel for vehicles and generators. At end of each month, the fuel vendor provided the post with a detailed statement of all fuel and maintenance charges. The vendor

listed fuel cost and VAT in separate columns. However, maintenance charges included VAT. As a result, the post had paid approximately \$1,500 USDE⁵ in VAT for maintenance charges from January 2014 to October 2015.⁶

Although the post paid fuel charges without VAT, it was unaware that maintenance charges included VAT. The post contacted the fuel vendor for clarification about VAT on maintenance charges after the auditors notified it of this matter. The post also sent the fuel vendor documentation of the Peace Corps' tax-free status and began working with the vendor to reverse the taxes on previous charges and discontinue taxes on future maintenance charges.

Utility Expenses. Peace Corps/Senegal's offices all use the same electric company, since a single utility company monopolizes electricity in Senegal. During the review of electricity invoices and payments, we noticed that VAT was not included on invoices for the post's main office and several regional offices. However, other regional offices had VAT included on the invoices. As these offices use the same electricity provider, they should have received similar invoices.

Although the post should have deducted the VAT and notified the electric company of the error, it paid the full invoice amount. The post admitted VAT payments were an oversight and that they may not have provided the VAT exemption information to the electric company. We did not find instances of the post paying VAT on other expenses that we reviewed.

We recommend:

- 13. That the director of management and operations continue action to clarify VAT exemption from maintenance charges.**
- 14. That the director of management and operations continue efforts to collect VAT refunds from tax authorities.**
- 15. That the director of management and operations provide staff with training to detect VAT on invoices and to contact vendors to update their system to include VAT exemption for the post.**

VOLUNTEER ALLOWANCES

The post did not have adequate controls to verify the accuracy of Volunteer allowances.

⁵ The actual VAT refund was 916,810 CFA francs. The refund has been converted into U.S. Dollars using an exchange rate of 1 USD per 600.14 CFA francs as of November 6, 2015.

⁶ The post had paid VAT on expenses prior to January 2014, but according to the DMO, the fuel vendor stated that Senegalese regulations do not permit the vendor to reimburse for expenses dating more than two years back. Therefore, the vendor will reimburse VAT from transactions that occurred between January 2014 and September 2015.

During our review of Volunteer allowances, we found that controls to ensure accurate disbursements were inadequate. We reviewed a judgmental sample of 11 Volunteer payment vouchers and found seven vouchers (64 percent) contained errors. The errors included paying different amounts to two Volunteers performing the same duties during the same time period, paying duplicate leave allowances, not paying full leave allowance to some Volunteers, and overpayment of bank fees.

Consistency. The post paid two Volunteers different allowance amounts even though both Volunteers began their service on the second of the month. The post was unaware it paid one Volunteer allowance for 28 days while the other Volunteer was paid allowance for the full month.

Leave Allowance. We noted that the post did not pay full leave allowance to two new Response Volunteers. The Response Volunteers were collectively underpaid by approximately \$10 USDE. The post was unaware of this issue.

Duplicate Payment. We identified that the post paid special leave allowance of \$424 USDE to one Volunteer twice. The post identified this overpayment in July 2014 and reached out to headquarters regarding the matter. However, the post did not follow-up with headquarters and consequently the Volunteer left the country with no corrective action taken. During the audit preparation, the issue of the overpayment resurfaced. The post contacted the former Volunteer but the former Volunteer was unwilling to reimburse the overpayment. Subsequently, post officials reimbursed the overpayment with personal funds. Supplementing Peace Corps funds with personal funds is an egregious breach of internal controls. Additionally, OFMH 5.9 directs posts to MS 777 for guidance regarding collections of overpayment from Volunteers who are no longer in country. Per these guidelines, the post should have applied the settlement procedures or transferred the debt to headquarters for both accounting control and collection.

Overall, the post did not implement procedures to verify the accuracy of Volunteer allowance payments. An error rate of 67 percent suggests weak controls that could result in lack of support for Volunteers, fraud, or a substantial dollar loss over a period.

We recommend:

- 16. That the director of management and operations enhance the controls over verification of allowances prior to disbursement to ensure accuracy of allowances calculated.**
- 17. That the country director establish a policy for calculating the partial month leave allowance payments and ensure it is followed consistently.**

BANK FEES

The post did not identify errors in the processing of bank fees.

We noted that the post overpaid Volunteers for reimbursable bank fees. The bank charged Volunteers a yearly bank fee of approximately \$20 and monthly service fees totaling approximately \$47 for the year. The post reimbursed these fees to the Volunteers, paying every Volunteer approximately \$67 during the first pay period in December. However, the post did not prorate the Volunteers' monthly bank fees based on their estimated completion of service dates and as a result, overpaid reimbursements to Volunteers who departed within the year.

For example, we found that two Response Volunteers who started service in August 2014 were paid about \$47 in September 2014 and \$67 in December 2014. Their estimated completion of service date was June 2015, but each received bank fees covering until December 2015. Specifically, the Response Volunteers received payment for approximately 17 months of bank fees, instead of 11 months.

Because the post did not have adequate internal controls to identify these overpayments, the post paid approximately \$3,000 in excess bank fees.

We recommend:

- 18. That the director of management and operations issue a policy to pay annual reimbursement of expenses only up to the projected completion of service date.**

GRANT FUNDS

The post did not implement an adequate tracking process to monitor grants.

The post required the grant coordinator to collect completion reports and supporting receipts from departed Volunteers, in order to track project status and grant expenditures. However, we reviewed the former grant coordinator's spreadsheet and found that several departed Volunteers' files were missing completion reports and receipts.

According to MS 720.6.3, the county director is responsible for approving all grant completion reports. Without the completion report, it is difficult to verify if the Volunteers spent all the project funds. As a result of not closing out the grants, the post acquired an outstanding balance of unsupported cost totaling approximately \$28,000 USDE that should have been accounted for through project completion reports.

Per the grant coordinator, the post has revamped the monitoring process for all Volunteer grants. This process includes the use of a transmission log between the grants coordinator and the voucher examiner, in order to help track the documents.

We recommend:

- 19. That the country director evaluate the grant tracking and monitoring process to ensure that the grant coordinator (i) monitors progress of the**

grant; and (ii) obtains all completion reports prior to departure of Volunteers.

PERSONAL SERVICES CONTRACTOR

The post overpaid a personal services contractor.

The post overpaid a driver by \$370 USDE in June 2014 due to an oversight. The post regularly assigns a Peace Corps driver to be a duty driver, requiring availability 24 hours a day, seven days a week. The duty driver receives a fixed rate of \$30 USDE in addition to their salary.

The Peace Corps anticipated paying \$370 to this PSC for duty driving over a period of six months, and budgeted this amount into the contract. This budgeted amount appeared within the system as a lump sum, but since the payments were to be made incrementally, had to be adjusted into \$30 payments each time a driver was assigned for duty. In June 2014, the financial management officer did not manually change the payment. As a result, the driver was paid \$30 as well as an additional \$370.

According to the financial management officer, several controls were in place to prevent overpayment. However, in this particular instance the controls for the obligation review process did not catch the overpayment. Specifically, the process did not include a step to verify payments with PSC contracts.

We recommend:

- 20. That the director of management and operations, along with the director of volunteer and personal services contractor financial services, implement controls to prevent future overpayments.**

VOUCHER AUDITOR DETAIL REPORT

The post did not provide proper monitoring of VADR transactions.

The Department of State Financial Services Center sends each agency doing business overseas the Voucher Auditor Detail Report (VADR) at the end of the month, listing the cost of services provided to the post by the U.S. Embassy. We obtained a list of several charges and credit transactions from the 2010 to 2015 VADR for which Peace Corps/Senegal could initially provide neither supporting documentation nor an explanation, including about \$36,000 USDE for guard services between 2010 and 2012.

When we requested explanation and support for these transactions from OGAP and the DMO, the post could not provide support and furthermore, had not reviewed the transactions. The post requested the support from the U.S. Embassy, which was eventually able to provide the post with the requested support. However, OFMH 25.4 states:

Global Accounts Payable records payments made against Post allotments from the monthly FSC VADR (Voucher Audit Detail) accounting reports and the liquidations are synced to FOR Post. Posts should monitor these liquidations by using the sync reports.

Although the post eventually responded to all our requests concerning the VADR, we continue to contend that the post needs to begin monitoring the VADR.

We recommend:

- 21. That the country director, director of management and operations ensure that the post appropriately records VADR transactions in accordance with Peace Corps policy.**

OTHER AREAS OF CONCERN

VOUCHERS

The post verified fuel card statements without receipts.

The post acknowledged that it was required to enter fuel receipts into the Vehicle Management Information System (VMIS) as soon as possible after a purchase occurs. However, given that some staff members traveled frequently and only came to the main office every four to six weeks, it was difficult for them to submit hard copies of their receipts on a timely basis. Instead, staff members would use email or text messages to tell the main post the amount paid. They did not always submit the original receipt upon eventually coming to the office. By using this method to transmit data, the post confirmed amounts without actually seeing receipts.

The post took corrective actions to resolve this issue. A policy change instructed all staff to photograph their receipt when they cannot present the original in a timely manner for reconciliation. Once the cardholder arrives at the main office, they must turn in the receipt.

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

We identified questioned costs and funds to be put to better use during the course of the audit.

Questioned Costs

Recommendation number	Description	Amount
1	The acting cashier did not perform daily imprest fund reconciliations.	\$166
16	The post did not have adequate controls to verify accuracy of Volunteers allowances.	\$424
20	The post overpaid a personal service contractor	\$370

Funds Put to Better Use

Recommendation number	Description	Amount
14	The post did not exempt VAT charges for vehicle maintenance charges.	\$1,500
18	The post did not identify errors in the processing of bank fees.	\$3,000
19	The post did not implement an adequate tracking process to monitor grants.	\$28,000

The Inspector General Act of 1978, as amended, defines funds to be put to better use and questioned costs as follows:

- “Funds to be put to better use” are funds that could be used more efficiently if management took actions to implement and complete the recommendation.
- “Questioned costs” are costs that are questioned because of an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement or document governing expenditure of funds; a finding that, at the time of the audit, such cost is not supported by adequate documentation; or a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

LIST OF RECOMMENDATIONS

We recommend:

1. That the country director and the director of management and operations ensure cashiers are performing daily cash counts.
2. That the country director and the director of management and operations ensure that the cash verification officer or an appropriately trained designated individual performs monthly cash verifications of the sub-cashiers in compliance with Peace Corps policy.
3. That the country director and the director of management and operations ensure that the cashier performs monthly reconciliations of all sub-cashier bank statements.
4. That the country director and the director of management and operations ensure the designated staff member meets the requirements to perform alternate cashier duties.
5. That the director of management and operations ensure that proper transfer of funds procedures are followed at post.
6. That the country director and the director of management and operations move the sub-cashier's office to a more secure location.
7. That the Office of the Chief Financial Officer implement a policy to elevate security requirements proportionally with increases in sub-cashier advances.
8. That the director of management and operations develop a process for recording the total amount withdrawn from a Volunteer's bank account, creating the necessary bills of collection, and retaining adequate support with the withdrawal forms.
9. That the director of management and operations work with Peace Corps headquarters to apply due diligence and refund funds due to Volunteers.
10. That the director of management and operations ensure that names of vendors and Volunteers receiving payments are recorded as the payee in compliance with Peace Corps guidance.
11. That the country director ensure that the medical unit and the medical supply inventory control clerk perform accurate counts of the medical inventory system on a timely basis.
12. That the medical unit and the medical supply inventory control clerk work with the Office of Medical Services to strengthen procedures for managing the medical inventory.
13. That the director of management and operations continue action to clarify VAT exemption from maintenance charges.

14. That the director of management and operations continue efforts to collect VAT refunds from tax authorities.
15. That the director of management and operations provide staff with training to detect VAT on invoices and to contact vendors to update their system to include VAT exemption for the post.
16. That the director of management and operations enhance the controls over verification of allowances prior to disbursement to ensure accuracy of allowances calculated.
17. That the country director establish a policy for calculating the partial month leave allowance payments and ensure it is followed consistently.
18. That the director of management and operations issue a policy to pay annual reimbursement of expenses only up to the projected completion of service date.
19. That the country director evaluate the grant tracking and monitoring process to ensure that the grant coordinator (i) monitors progress of the grant; and (ii) obtains all completion reports prior to departure of Volunteers.
20. That the director of management and operations, along with the director of volunteer and personal services contractor financial services, implement controls to prevent future overpayments.
21. That the country director, director of management and operations ensure that the post appropriately records VADR transactions in accordance with Peace Corps policy.

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. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit covered fiscal years 2011, 2012, 2013, 2014, and 2015. While at the post, we interviewed key staff including the country director, the director of management and operations, staff responsible for administrative support, and the lead Peace Corps medical officer.

We communicated issues and areas of improvement to senior staff at post and Peace Corps management at headquarters and included significant issues noted during our audit in this report. We primarily reviewed the following processes and associated controls:

- BOCs
- Contracts and Leases
- Cash and Non-cash Payments
- Imprest Fund
- Credit Card Transactions
- Information Technology General Controls
- Medical Supplies
- Personal Property and Vehicles
- Personal Services Contracts
- Volunteer Payments

Although we could not independently verify the reliability of all this information, we compared it with other available supporting documents to determine data consistency and reasonableness. We relied on the results of the annual Federal Information Security Management Act review, which did not identify deficiencies with data reliability that would impact our audit. Based on these efforts, we believe the information we obtained is sufficiently reliable for this report.

Our audit criteria were derived from the following sources: Financial Accounting Standards Advisory Board's Statement on Federal Accounting Standards, the Peace Corps Manual, the Overseas Financial Management Handbook, Peace Corps Overseas Contracting Handbook, Peace Corps Personal Property Management Handbook, and other Peace Corps policies and initiatives. Throughout the audit, auditors were aware of the possibility or existence of fraud, waste, or misuse significant to the audit objectives and conducted procedures designed to obtain reasonable assurance of detecting any such fraud as deemed appropriate.

APPENDIX B: LIST OF ACRONYMS

BOC	Bill of Collection
CVO	Certified Verification Officer
DCFO	Deputy Chief Financial Officer
DMO	Director of Management and Operations
DDMO	Deputy Director of Management and Operations
FA	Financial Assistant
FMO	Financial Management Officer
IRC	Inventory Reconciliation Clerk
MS	Manual Section
MSICC	Medical Supply Inventory Control Clerk
OFMH	Overseas Financial Management Handbook
OGAP	Office of Global Accounts Payable
OIG	Office of Inspector General
OHS	Office of Health Services
PCMO	Peace Corps Medical Officers
PSC	Personal Service Contractors
USDE	United States Dollar Equivalent
USDO	U.S. Disbursing Officer
VADR	Voucher Auditor Detail Report
VAT	Value Added Tax
VMIS	Vehicle Management Information System
VSA	Volunteer Support Assistant
TG	Technical Guideline

APPENDIX C: CRITERIA USED TO SUPPORT ISSUES IN THE REPORT

FEDERAL REQUIREMENTS

STANDARDS FOR INTERNAL CONTROL IN THE FEDERAL GOVERNMENT

The Government Accountability Office (GAO)'s Standards for Internal Control in the Federal Government (GAO-14-704G)

The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

PEACE CORPS REQUIREMENTS

OVERSEAS FINANCIAL MANAGEMENT HANDBOOK

OFMH 13.18.2 Interim Advances

Peace Corps Trainees, Volunteers, or staff may receive an interim advance to make a cash purchase when it is more economical or expeditious than making the payment by U. S. Government check or EFT. PSCs who receive Interim Advances are acting as Occasional Money Holders, see OFMH 13.18.3.

This interim cash advance must be supported by a copy of the authorized purchase document, and liquidated (accounted for) within three (3) working days. The recipient of the funds is personally accountable for the funds until they are accounted for (with receipts or funds are returned).

The cashier should liquidate the advances within three (3) working days after issuance by obtaining copies of original receipts or other confirmation of use from the individual(s) to whom the funds were advanced. Unused cash must be returned to the cashier, with the receipts documenting the purchase. The cashier will then mark the interim receipt "Void" and return it to the person who received the advance. The receipts and the authorized purchase document are processed as a regular cashier disbursement.

OFMH 13.0 Cashiering and Imprest Management, C.5 Subcashier Responsibilities

5. Ensuring that the imprest fund is not intermingled with personal or other funds

OFMH 13.18.1 Advances to the Subcashier and Alternate Cashier

Alternate cashiers must be designated by the USDO, via GAP. See OMFH 13.3 for details on Designation. Alternate Cashiers may hold a small, permanent advance for emergencies. The advance form should be labeled "Alternate Cashier Advance" (it may be a Post-created form or it may be the subcashier advance form with the words "Alternate Cashier Advance" written clearly). Any Alternate Cashier Advance is shown on the 365/99 on L17, not on L19 with subcashier advances. An alternate cashier holding a small advance may not be given the Cashier (or Cashier Plus) group in FOR Post and may not make any cashiering entries into FOR Post. If the alternate cashier makes payments, he/she will exchange paid

receipts for additional cash at the next possible opportunity (i.e., when the Principal Cashier is next in the office).

When an alternate cashier takes over the Cashier's full accountability, an imprest verification must be conducted and paperwork signed by both cashiers. The Alternate Cashier is then given the Cashier (or Cashier Plus) group in FOR Post to make cashiering entries.

OFMH 25.4 Reporting and Reconciliation

Global Accounts Payable records payments made against Post allotments from the monthly FSC VADR (Voucher Audit Detail) accounting reports and the liquidations are synced to FOR Post. Posts should monitor these liquidations by using the sync reports.

Liquidations will not appear by individual employee, they will be recorded as a lump sum for each object class within each pay period). However, posts can obtain detailed information from the FSN Payroll Expenditure Report available in FOR Post. This report was developed so Posts can reconcile detailed payment data to the actual payments for each FSN and tie back to the summary USDE amounts per pay period charged to FSN salary and benefits obligations. This report is modeled after FSC's FSN Payroll System Payroll Expenditure Report, which some posts may receive from the Embassy.

There are two versions of this report, detail by employee and by object class. The information on each version of the report includes: FSN name, Peace Corps object class, currency, pay scale, grade/step, annual pay rate, allowance rate, hours worked in pay period (PP), normal bi-weekly pay, adjustments to pay amounts and Fiscal Year to Date (YTD) Totals. Pay and YTD totals are shown in both LCU and USDE.

Post:

1. Review the FOR Post *FSN Payroll Expenditure Report by Employee Name each pay period*
2. Confirm that all staff on the report are: active staff, worked or had approved leave for that period and are being paid at the correct rate for their grade/step.
3. Contact the Embassy Payroll/Human Resources representative to make a correction if any information is incorrect or missing. Corrections will appear in the "Adjust" column on a future report.
4. Compare the *FSN Payroll Expenditure Report by Employee Name* to each FSN Earnings and Leave Statement (provided by the Embassy). If there are any discrepancies between the two reports, contact FOR Post Support via Track-It.
5. Record the reconciliation status in FORPost. See FORPost Help for detailed guidance.
Note: If the Admin unit is not currently getting a copy of the Earnings and Leave Statements each pay period, you should request them from the Human Resources office at your Embassy.

OFMH 7.2 The Billing Process

Billing Officers prepare Bills of Collection (BOCs) when a reimbursement or other payment is due to Peace Corps. Common reasons include reimbursement to Peace Corps for a debt, reimbursement for personal phone calls or personal use of vehicles, host country contributions . . . , or proceeds of sales....

PEACE CORPS MANUAL

MS 221 Volunteer Allowances, 5.0 Volunteer Living Allowance, 5.1 Policy

Volunteers are entitled to a living allowance in order that they may serve effectively and safely overseas. It is Peace Corps policy that Volunteers live modestly by the standards of the people they serve, yet not in a

manner that would endanger their health or safety. Living allowances should be based on local living standards and costs and will thus vary among, and sometimes within, countries.

Each post should establish a base living allowance according to the categories outlined in Section 5.2. Supplements to the base living allowance may be added on a per Volunteer basis to cover housing, utilities, locality supplements, and Peace Corps Volunteer Leader supplements, as detailed in Section 5.3. PCRVs receive a living allowance similar to other Volunteers in that country. Post may use an existing Volunteer survey to determine a PCRV living allowance or conduct a new survey if necessary.

5.9 Overpayments at End of Service

Collections that cannot be made from the Volunteer at post or from the Readjustment Allowance will be pursued using the claims procedures set out in MS 777, *Billing and Collection Procedures, Debts, and Claims*.

MS 777 Billing and Collection Procedures, Debts, and Claims

9.0 Transferred or Terminated Individuals

If an individual terminates his association with Peace Corps before settlement of an indebtedness, the initial billing activity will continue to press for payment by setoff or by direct contact. The indebtedness remains with the initial billing activity and Peace Corps accounts even though it may request collection assistance from the Director, Accounting Division, (M/FM/A) or another Agency. When all possibilities for follow-up have been exhausted the billing activity will apply the other settlement procedures mentioned later or transfer the indebtedness to Peace Corps/Washington for both accounting control and collection.

20.0 Termination of Collection Action

Collection action may be terminated and the case closed under the following conditions:

- It becomes clear that Peace Corps cannot collect or enforce collection of any significant amount from the debtor taking into consideration the judicial remedies available, the debtor's future financial prospects, and the exemptions available to the debtor under State and Federal law.
- The debtor cannot be located through the various means available within the local government or commercial activities, there is no security remaining to be liquidated and the prospect of collecting by offset, notwithstanding the bar of the statute of limitations, is too remote to justify retention of the claim.
- It appears that the cost of collection action will exceed the amount recovered and the debt is reasonably insignificant.

Collection action should be terminated under the following conditions:

- The Office of the General Counsel advises in writing that the claim is legally without merit;
- The evidence necessary to prove the claim cannot be produced or the necessary witnesses are unavailable and efforts to induce voluntary payment are unsuccessful.

22.1 Cash or Other Remittance

Procedures will be established to assure the safeguarding and prompt depositing by the collection officer of cash, checks or money orders received for billings issued, the voluntary remittance of advances, donations, etc. Whenever possible collection shall be deposited daily in a regional or overseas Treasury depository. To facilitate and assure prompt deposit and credit, it is imperative that the accounting data necessary to identify the transaction in the Agency financial records be shown on billing and deposit documents. Where a collection cannot be readily identified, the collection officer will immediately request the billing office or the fiscal service activity to furnish the accounting data. When reference to a check is necessary a copy will be furnished and the original safeguarded or deposited for credit to a suspense account. Receipts will be issued in all cases when cash is received. Collection action will be noted on the collection/ settlement section on the Form PC-1565 or ADP listing, as applicable.

MS 511 Personal Property Management

3.0 Policy

It is the policy of the Peace Corps to actively manage and control its personal property by establishing standards, delegating responsibility and instituting accountability systems in order to maximize the value of the personal property to the Peace Corps.

APPENDIX D: AGENCY'S RESPONSE TO THE PRELIMINARY REPORT



MEMORANDUM

To: Kathy Buller, Inspector General

Through: Anne Hughes, Chief Compliance Officer 

From: Ken Yamashita, Associate Director for Global Operations
Dick Day, Regional Director, Africa 
Cheryl Faye, Country Director for PC/Senegal 

Date: July 18, 2016

CC: Carrie Hessler-Radelet, Director
Laura Chambers, Chief of Staff
Carlos Torres, Deputy Director
Joaquin Ferrao, Deputy Inspector General
Gelila Tsega, Director of Management and Operations, Peace Corps/Senegal
Angela Kissel, Compliance Officer
Dee Hertzberg, Chief of Operations, Africa
Alyssa Karp, Chief Administrative Officer, Africa

Subject: Preliminary Report on the Audit of Peace Corps/Senegal (Project No. 16-AUD-01)

Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/Senegal as outlined in the Preliminary Report of Peace Corps/Senegal sent to the agency on June 1, 2016.

The Region and the Post have addressed and provided supporting documentation for 20 of the 22 recommendations provided by the OIG in its Preliminary Audit Report: Peace Corps/Senegal; the Office of the Chief Financial Officer and the Director of Volunteer and Personal Services Contractor Financial Services will work to address the remaining recommendations by the set target dates. The Region will continue to work with Post and the offices identified in the Preliminary Report to ensure closure of any outstanding recommendations by the dates stated below.

Recommendation 1

That the country director and the director of management and operations ensure cashiers are performing daily cash counts.

Concur

Response: Post concurs with this recommendation. The Deputy Director of Management and Operations (DDMO) has ensured that daily cash counts were conducted by the Cashier and that a copy of the cash count is filed on a daily basis in the cashier office. The daily cash counts are now reviewed by the Director of Management and Operations (DMO) or DDMO at the end of each business day.

Documents Submitted:

- Copies of all daily cash counts performed for the month of June 2016

Status and Timeline for Completion: Completed, July 2016

Recommendation 2

That the country director and the director of management and operations ensure that the cash verification officer or an appropriately trained designated individual perform monthly cash verifications of the sub-cashiers in compliance with Peace Corps policy.

Concur

Response: Post acknowledges its failure to do quarterly cash counts prior to August 2015, as noted in a memo to this effect provided to the audit team during the October 2015 audit. Since the audit was completed, post has consistently performed monthly or quarterly (depending on amount of the advance, per Peace Corps policy) verifications of the sub-cashier's imprest fund. Post has trained the Training Manager, Financial Assistant and Budget Analyst to do sub-cashier verifications, in addition to the DDMO and DMO. In the future, post will also train other senior staff who travel to the various Regional offices on how to conduct a sub-cashier cash verification, so that the onus of doing quarterly/monthly sub-cashier verifications does not solely lie with the DMO or DDMO. Sub-cashier verifications will continue to be monitored and completed on a quarterly/monthly basis as required, with overall monitoring from the DMO and DDMO.

Documents Submitted:

- Memo to Audit Team on Cash Counts
- SOP for unannounced cash counts for sub-cashiers
- Sub-cashier cash counts from October 2015 to May 2016

Status and Timeline for Completion: Completed, July 2016

Recommendation 3

That the country director and the director of management and operations ensure that the cashier performs monthly reconciliations of all sub-cashier bank statements.

Concur:

Response: Since the audit was completed, the sub-cashier in Thies was reimbursed all funds owed to her, and sub-cashier bank accounts are now monitored on a monthly basis. The DDMO has reminded all sub-cashiers of the policy to conduct monthly reconciliations of sub-cashier bank statements and developed an SOP outlining the sub-cashier bank reconciliation process. Going forward, a copy of the bank statement showing a zero balance is now included in the cash count documentation.

Documents Submitted:

- Email sent by DDMO to all sub-cashiers reminding them of the policy with the SOP attached.
- SOP: Sub-Cashier bank statement reconciliation
- Copies of Sub-Cashier bank statements showing zero balances

Status and Timeline for Completion: Completed, July 2016

Recommendation 4

That the country director and the director of management and operations ensure the designated staff member meets the requirements to perform alternate cashier duties.

Concur:

Response: Post has worked to strengthen its existing system to ensure that a training curriculum is put in place for new Alternate Cashiers. Post reminded all-staff and PCVs that cash collection must only be performed by the Cashier. In general, Post believes that staff members are adequately informed of the proper procedures, but to reinforce the current policy, an email was sent by the DDMO to all-staff reminding them of the policy. In addition, Post will ensure that new Alternate Cashiers complete the ForPost Imprest Accountability Training, Post training curriculum, and meet the minimum requirements to perform alternate cashier duties within a month of the official designation date by FSC. During that first month, the DMO will carefully supervise and monitor the alternate Cashier to make sure he/she has the capacity to perform alternate cashiering duties. If during this trial time period, the designee does not seem to meet the requirements, arrangements will be made to designate a competent replacement.

Documents Submitted:

- Training Curriculum for Alternate Cashiers
- All-staff email from the DDMO reminding staff of the policy
- Message to all Volunteers from the DDMO stating the policy

Status and Timeline for Completion: Completed

Recommendation 5

That the director of management and operations ensure that proper transfer of funds procedures are followed at post.

Concur

Response: Following the audit, Post reminded all-staff and PCVs of rules and regulations pertaining to collections and disbursements. Post addressed the training issue noted in this finding in Recommendation 4 above. Additionally, a SOP was drafted that outlined the separation of duties for those involved in the transfer of funds. While the SOP was only distributed to staff at post, an email message was sent to all PCVs reminding them of the policy on transferring funds. PCVs were also notified by text that an email on this policy was sent to them. PCVs should now be aware that the transfer of funds has very specific procedures to be followed.

Documents Submitted:

- SOP: Proper transfer of funds between Principal Cashier and Alternate Cashier
- All-staff email sent by the DDMO reminding staff of the policy
- Message from the DDMO to all Volunteers stating the policy

Status and Timeline for Completion: Completed, July 2016

Recommendation 6

That the country director and the director of management and operations move the sub-cashier's office to a more secure location.

Concur:

Response: Post is currently building a new sub-cashier office that will provide for a more secure location. Post has reached out to GAP and is confident the new office will meet all requirements for a sub-cashier office. In addition, Post has acquired a new safe, that is in compliance with MS 760 *Overseas Imprest Management*. The new safe will be placed at the Training Center sub-cashier office once construction is completed. The estimated completion date for the new construction is July 31, 2016.

Documents Submitted:

- Floor plans showing sub-cashier office securely located in the interior of the new Administration building
- Picture of new RSO-approved Cashier safe to be installed in the sub-cashier office at Training Center when construction is completed

Status and Timeline for Completion: Completed

Recommendation 7

That the Office of the Chief Financial Officer implement a policy to elevate security requirements proportionally with increases in sub-cashier advances.

Concur

Response: The CFO will author and implement a Manual Section compliant with relevant FSC guidance. The policy will align security measures with risk level. The policy will also address advance size, duration, and permanent versus temporary locations.

Documents to be Submitted:

- Manual Section on Sub-cashier security requirements

Status and Timeline for Completion: November 2016

Recommendation 8

That the director of management and operations develop a process for recording the total amount withdrawn from a Volunteer's bank account, creating the necessary bills of collection, and retaining adequate support with the withdrawal forms.

Concur:

Response: Post has issued an SOP that details Post's responsibilities from the moment they are informed about the need to close a PCV bank account. Additionally, Post has created and implemented a new checklist for PCV bank account closures to ensure that no steps are missed in the close-out process. The SOP and accompanying checklist were shared with the finance and admin team during a staff meeting where procedures were discussed and reviewed. The DDMO plans to hold a training for staff responsible for working with COS Volunteers to make sure they understand the necessity to verify and implement the new checklist and the SOP. In addition, post will attach six completed checklists for PCVs who have departed Post following this audit finding.

Documents Submitted:

- SOP: Documenting amount withdrawn from departing PCVs' bank account
- Improved COS checklist: New section on checklist for PCV bank account closure
- Six completed checklists for departing PCVs
- Training Agenda for SOP and new COS checklist

Status and Timeline for Completion: September 2016

Recommendation 9

That the director of management and operations work with Peace Corps headquarters to apply due diligence and refund funds due to volunteers.

Concur:

Response: Post and the Country Desk Unit (CDU) have reached out to the departed PCVs to ensure that their banking information with Peace Corps is up-to-date in order for Post to issue them refunds.

Documents Submitted:

- Email exchange between CDU and PCVs
- Improved COS checklist: Section to ensure proper review of PCV accounts and to hold future VICA or VESI payments until PCV account issues are resolved.

Document to be Submitted:

- Final payment vouchers for PCV reimbursement

Status and Timeline for Completion: September 2016

Recommendation 10

That the director of management and operations ensure that names of vendors and Volunteers receiving payments are recorded as the payee in compliance with Peace Corps guidance.

Concur

Response: Post has refrained from using the Payee “multiple vendors” immediately after the auditor brought this to the agency’s attention. Since that audit, Post has been in full compliance with the guidance in OFMH 13.14.1. Also, Post has created an SOP on Payee names on disbursements, which has been distributed to staff.

Documents Submitted:

- Examples of vouchers with correct payee name, per OFMH 13.14.1
- SOP: Payee name on disbursements
- Copy of SOP Transmission to Staff

Status and Timeline for Completion: Completed, July 2016

Recommendation 11

That the country director ensures that the medical unit and the medical supply inventory control clerk perform accurate counts of the medical inventory system on a timely basis.

Concur:

Response: Post agrees that accuracy and timeliness has been an issue in the past. Starting in March 2016, Post conducted four months of accurate medical supply

inventory counts. The CD has been working closely with the Health Unit staff to assure the accuracy and timeliness of inventory counts. The following system improvements have been made:

- Assigned additional back-up Medical Inventory Team staff so as to avoid delays in inventory process due to unforeseen staff absences.
- Enlisted a new PCMO to work with the medical supply inventory control clerk (MSICC) to review and supervise the counting process. The following procedures were implemented via a new Post SOP on Medical Inventory:
 - An RN (Medical Assistant) observes the Inventory Reconciliation Clerk (IRC) the count is conducted. This serves as a second check to avoid miscounting, and avoid errors from non-medical staff reading and interpreting complex medication names and dosages on labels.
 - The PCMO observes counting of Controlled Substances.
 - Neither of these medical office staff is allowed to do the counting. This is done by the IRC alone.

Documents Submitted:

- Four months of accurate counts performed on a timely basis (March to June 2016)
- SOP: Medical Inventory, sent to the medical unit along with the MSIC and APC
- Positive feedback from OHS on the quarterly inventory of Jan-March 2016 and April 2016 inventory

Status and Timeline for Completion: Completed

Recommendation 12

That the medical unit and the medical supply inventory control clerk work with the Office of Medical Services to strengthen procedures for managing the medical inventory.

Concur:

Response: Post agrees that procedures for managing medical inventory were in need of improvement. OMS put the PC Senegal Health Unit on remediation status on January 2015, requiring monthly, instead of quarterly, inventory intervals. This has allowed for more immediate feedback on potential sources of errors. At the request of OMS, the new PCMO who came on board in February 2016 was put in charge of the inventory process. Over the next few months, a thorough review of PC Senegal's controlled substance and specially designated (CS/SD) medication inventory system was done. This resulted in:

- An improved "TG 240 Attachment D" tracking system with serially numbered triplicate books for each of the PCMOs
- Implementation of an "Only Handle It Once" (all paperwork done at the time of distribution) policy for CS/SD medication dispensing
- A mentoring/training rotation between the new PCMO and the other three PCMOs to assure adherence to TG 240: Medical Supplies and Equipment guidelines, and consistency of implementation of the above new procedures

Finally, it should be noted that in the past two months (May and June) the Health Unit had no inventory discrepancies in any of the medications and vaccines the Post tracks. Post expects to continue on remediation status over the coming 12 months in order to solidify the above improvements and form long-lasting habits of attention to detail, consistency of process, and painstaking accuracy in our medical inventory system.

Documents Submitted:

- SOP: Medical Inventory (see Recommendation 11)
- Records of medication dispensed

Status and Timeline for Completion: Completed

Recommendation 13

That the director of management and operations continue action to clarify VAT exemption from maintenance charges.

Concur:

Response: Post will continue to clarify VAT exemption from maintenance charges. In response to this finding, post has successfully worked with the vendor Elton to collect the VAT that was inadvertently paid. The refund was collected in June 2016. Post also instructed the vendor to ensure that all invoices are now exempt from VAT.

Documents Submitted:

- Copy of refund check from Elton dated June 20, 2016
- Collection and BV number
- Deposit slip to USDO account
- BOC void of initial collection entered based on estimation

Status and Timeline for Completion: Completed, July 2016

Recommendation 14

That the director of management and operations continue efforts to collect VAT refunds from tax authorities.

Concur:

Response: Post has already collected the refund from the vendor Elton. We are also working with the vendor Senelec, the electric utility, for a refund of VAT paid. A letter was sent to vendor for acknowledgment of VAT paid and to request that all future invoices be exempted from VAT. The vendor confirmed that this refund is under review.

Documents Submitted:

- Follow-up exchange with Vendor Senelec
- Copy of BOC entered

Status and Timeline for Completion: Completed

Recommendation 15

That the director of management and operations provide staff with training to detect VAT on invoices and to contact vendors to update their system to include VAT exemption for the post.

Concur:

Response: Post will put in place training for all-staff on how to identify VAT on our invoices, and review the process for notifying new vendors to exempt the Peace Corps from VAT. Moreover, Post has started sending letters of notification to vendors that still add VAT, in an effort to request that their billing systems are updated to remove these taxes.

Documents Submitted:

- Formal letter notification to vendor Pharmacie Republique for VAT exemption request
- Formal letter notification to vendor Senelec for VAT exemption request

Documents to be Submitted:

- Training curriculum or agenda on VAT
- List of training participants

Status and Timeline for Completion: September 30, 2016

Recommendation 16

That the director of management and operations enhance the controls over verification of allowances prior to disbursement to ensure accuracy of allowances calculated.

Concur:

Response: Post has put in place a new detailed calculation spreadsheet to support allowance payments that the DMO or DDMO will review before approving living allowance payment requests from the Finance team.

Documents Submitted:

- Allowance detail calculation sheet
- Examples of vouchers

Status and Timeline for Completion: Completed, July 2016

Recommendation 17

That the country director establish a policy for calculating the partial month leave allowance payments and ensure it is followed consistently.

Concur:

Response: A new OFMH policy released in December 2015 resolves the matter as leave allowance is now \$35/month, and should not be prorated. If a Volunteer serves any portion of the month, he/she will receive the full monthly amount.

Documents Submitted:

- E-mail promulgating policy to all-staff
- OFMH 2.4 Leave allowance with new policy

Status and Timeline for Completion: Completed, July 2016

Recommendation 18

That the director of management and operations issue a policy to pay annual reimbursement of expenses only up to the projected completion of service date.

Concur:

Response: Post has put in place an SOP to address this deficiency. For FY16, PCVs were already paid bank fees through the end of November 2016 (PCVs are on a December cycle). Post will start paying bank fees on a monthly recurring basis through VICA to all PCVs, effective December 1, 2016.

Documents Submitted:

- SOP: Annual PCV reimbursements to be paid only through COS date
- BOCs for PCVs who early terminated

Status and Timeline for Completion: Completed

Recommendation 19

That the country director evaluate the grant tracking and monitoring process to ensure that the grant coordinator (i) monitors progress of the grant; and (ii) obtains all completion reports prior to departure of Volunteers.

Concur:

Response: Post acknowledges that it did not meet expectations on the tracking and monitoring of grants mainly due to staffing issues. Since the hiring of a full-time Small Grants Coordinator in July 2015, Post has steadily improved its management and oversight of project grants, including the completion and close-out of grants. The grant tracking and monitoring process has been greatly improved by the newly introduced Peace Corps Grants Online platform.

With the help of OSP, post created an SOP on grants completion and tracking that was shared with the new small Grants Coordinator. As part of the onboard training for this position, the SOP was carefully reviewed to make sure post was complying with the oversight of project grants; in particular the approval and proper closure of grants. The Coordinator is using the designated grant monitoring and tracking sheet approved by OSP to also track grants and prevent PCVs from leaving post without submitting completion reports. The tracking sheet was put into effect during the Audit with support from OSP. This was also the same time period that post began creating the SOP for Grants completion and Tracking. Since this finding occurred, post has not had any cases of PCVs departing without reconciling project grants.

Documents Submitted:

- SOP: Grants completion and tracking
- Current grant monitoring and tracking sheet

Status and Timeline for Completion: Completed

Recommendation 20

That the director of management and operations, along with the director of volunteer and personal services contractor financial services, implement controls to prevent future overpayments.

Concur

Response: Post and VPS concur with this recommendation and have since developed internal controls to stop overpayments. The MPL is reviewed by the Financial Management Specialist in VPS, and payroll will not be completed and processed until all Financial Management Specialists confirm that everything looks good on their side. The second control is the payroll completion message that asks posts to certify whether or not all payments for each pay period are correct. The third control is the Insufficient Obligation Report that shows insufficient funds for obligations in the system. This report highlights insufficient funds on the obligation and allows VPS to question them before an overpayment occurs. Post will get reminders to review this report from VPS.

Documents to be Submitted:

- Report from CFO-VPS: Insufficient Obligation Report
- Payroll Completion Message
- Review of Biweekly PP certification

Status and Timeline for Completion: Completed

Recommendation 21

That the country director and director of management and operations ensure that the post appropriately records VADR transactions in accordance with Peace Corps policy.

Concur

Response: All remaining responses to auditors on VADR requests were clarified and sent to Senior Auditor Hal Nanavati by mid-January 2016. In addition, Post attempted again to have the Embassy Management officials commit to sending to Peace Corps on a monthly basis documentation on all VADR charges. Embassy Management responded confirming this will be done and assigned a new Financial Assistant to ensure this new process is completed.

Documents Submitted:

- Email to Embassy requesting VADR reports on a monthly basis
- Response from Embassy confirming VADR process
- January to June 2016 VADR charges provided to PC

Status and Timeline for Completion: Completed, July 2016

APPENDIX E: OIG COMMENTS

Management concurred with all 21 recommendations. In its response, management described actions it is taking, or intends 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 the agency has taken these actions or 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. All 21 recommendations remain open. We will review and consider closing these recommendations when the documentation reflected in the agency's response to the preliminary report is received.

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

This audit was conducted under the direction of Assistant Inspector General for Audit Judy Leonhardt by Lead Auditor Hal Nanavati and Auditor Ann Lawrence.

A handwritten signature in blue ink that reads "Judy Leonhardt". The signature is written in a cursive style with a large initial "J" and "L".

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please contact Assistant Inspector General for Audit Judy Leonhardt at jleonhardt@peacecorpsig.gov or 202.692.2914.

Help Promote the Integrity, Efficiency, and Effectiveness of the Peace Corps

Anyone knowing of wasteful practices, abuse, mismanagement, fraud, or unlawful activity involving Peace Corps programs or personnel should call or write the Office of Inspector General. Reports or complaints can also be made anonymously.

Contact OIG

Reporting Hotline:

U.S./International: 202.692.2915
Toll-Free (U.S. only): 800.233.5874

Email: OIG@peacecorpsoig.gov
Online Reporting Tool: peacecorps.gov/OIG/ContactOIG

Mail: Peace Corps Office of Inspector General
P.O. Box 57129
Washington, D.C. 20037-7129

For General Information:

Main Office: 202.692.2900
Website: peacecorps.gov/OIG
 Twitter: twitter.com/PCOIG