



**Peace Corps**  
**Office of Inspector General**

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**FINAL AUDIT REPORT**

**Peace Corps/Zambia**

**IG -07-16-A**

  
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H. David Kotz, Inspector General

**September 2007**

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# EXECUTIVE SUMMARY

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## OUR MISSION

**“TO PROMOTE AND PRESERVE THE EFFECTIVENESS, INTEGRITY, AND EFFICIENCY OF THE PEACE CORPS”**

*The Office of Inspector General conducts regular audits of Peace Corps operations at the agency’s headquarters, regional recruitment offices, and overseas posts.*

We found that, in general, Peace Corps/Zambia’s financial and administrative operations were not functioning effectively. It should be noted that at the time of the audit, the post did not have an authorized permanent cashier, and the administrative officer was burdened with the lack of trained staff. We identified several areas in need of improvement. Some of the more important findings that we identified are summarized below.

### Imprest fund

The imprest fund was not adequately safeguarded.

### Volunteer Property Management

A Trainee reported that the post lost \$1,500.00 that the Trainee had left in a staff member’s custody for safekeeping.

### Property management

Vehicle, equipment, and furnishing records were inadequate.

### Personnel

Staff did not complete time cards daily.

Our report contains 20 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

# INTRODUCTION

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## **GENERAL**

The Office of Inspector General conducted a partial audit of Peace Corps/Zambia September 8 – 15, 2006 during our follow-up audit IG-06-15-FUA. We reviewed items that were previously not audited due to time restraints during our audit IG-06-12-AE dated May 2006.

## **BACKGROUND**

A country agreement inviting the Peace Corps to work in Zambia was signed by the United States and Zambia on September 14, 1993. The first group of Volunteers was sworn in on April 7, 1994. At the time of our visit, approximately 160 Volunteers were promoting sustainable development through activities in agricultural and natural resource management, health and sanitation, education, and humanitarian assistance.

## **OBJECTIVE**

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

# AUDIT RESULTS

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Peace Corps/Zambia financial and administrative operations, in general, were not routinely complying with internal controls due to the lack of administrative personnel at the time of our audit. Major issues we found at the post were:

- The imprest fund was not properly safeguarded.
- There was an overage in the imprest fund.
- Volunteer personal property was not managed in accordance with Peace Corps policy.
- Cash advances were not properly cleared.
- Property management needed improvement.

## IMPREST FUND MANAGEMENT

### IMPREST FUND SECURITY

*The cashier did not personally set the combination to the imprest fund safe and change the combination at least annually.*

Peace Corps Manual (PCM) section 760.9.4 and Overseas Financial Management Handbook (OFMH) section 15.11.1 require that the cashier personally set the combination of the safe and change it at least annually. Also, according to OFMH section 15.5, “The Country Director, as the Post Manager, has responsibility for imprest management” which includes “ensuring that equipment and facilities are adequate and secure.”

The cashier’s safe combination was changed when the imprest fund was transferred to a new cashier, but was not changed annually in accordance with Peace Corps policy. Also, at the time of the audit and following the dismissal of the previous cashier, the regional security officer (RSO) decided not to change the safe combination until the new cashier was on board. A cashier had been hired but was awaiting security clearance in order to assume his cashier duties.

Having the cashier as the sole person who sets the combination, changes it at least annually or when he needs to transfer custody of funds reflects the cashier’s responsibility for safeguarding the imprest fund and personal accountability for its contents.

## INTERNAL CONTROLS

***The administrative officer was administering the imprest fund from her office rather than the cashier cage.***

PCM section 760 4.3.1 requires that the country director be responsible for arranging for the safeguarding of the imprest fund including:

... a protected area, preferably a sturdily enclosed room with cashier's window designed to prevent people from reaching the safe or cash box, and a U. S. government approved safe, preferably a cashier's or money safe with 3-tumbler combination lock.

The administrative officer, who served as the alternate cashier, was administering the imprest fund that had a total value of \$108,119.45 at the time of our verification. Custody of the imprest fund had been transferred to the alternate cashier after the dismissal of the cashier due to misappropriation of funds.

The administrative officer moved the imprest fund operations to her office in order for her to stay at her desk. Cash was stored in a key-locked safe in her office closet. She kept the safe open when she was in her office and locked it when she left the office. However, we observed that she kept the safe key in her handbag that she left in her office even when she was not there. It would be easy for an individual to remove the key in her absence.

As a result of this situation, the imprest funds were at a high risk of loss because they were not adequately safeguarded in accordance with Peace Corps policy.

***The administrative officer, who is also the billing officer, was administering the imprest fund during the absence of the cashier.***

General Accountability Office "Standards for Internal Control in the Federal Government," states:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any

## ACCOUNTING FOR ADVANCES

related assets. No one individual should control all key aspects of a transaction or event.

We noted the administrative officer duties included performing billing functions in addition to performing cashier duties; the administrative officer also performed as the collections officer. As a result, there was insufficient segregation of duties between these two duties which could result in fraud or mismanagement.

*Cash advances totaling \$4,195.26 were not cleared.*

PCM section 760.7.3 states:

Cash advances, except travel advances, are "liquidated" when the individual who received the advance from the cashier returns one of the following to the cashier:

- The entire amount (originally advanced) in cash;
- The entire amount in valid receipts or a properly completed SF-1165 in lieu of a receipt; or
- The entire amount as a combination of cash and receipts or SF-1165.

PCM section 760.7.1.2 requires that sub-cashiers clear their advances at least monthly. Our review of advances disclosed four outstanding advances that should have been liquidated.

An interim advance issued to a Peace Corps Volunteer Leader (PCVL), who was serving as a sub-cashier, was not cleared before the PCVL was medically evacuated. A subsequent review of receipts provided by the PCVL after returning to the post was not sufficient to fully liquidate the outstanding advance, which resulted in a shortage in the funds. The post was carrying a balance of \$1,204.14 from the interim advance.

A second interim advance totaling \$708.88 was not cleared by a staff member who had resigned abruptly before his advances were cleared. At the time of the audit, the outstanding advance was approximately two months overdue.

An interim advance totaling \$2,166.24 was issued to a Volunteer for Small Projects Assistance work. The Volunteer

**IMPREST FUND  
VERIFICATION**

claimed to have returned the funds, but the funds remained unaccounted for in the former cashier's records.

Also, a traveler claimed to have cleared a \$116 travel advance with the cashier, but the traveler had no receipt and the post's records showed the advance as outstanding.

*The imprest fund had an overage of approximately \$10,493.80.*

Overseas Financial Management Handbook (OFMH) section 15.7 states: "Maximum accountability is the maximum amount to support normal operations, as authorized by the USDO."

The verification of the imprest fund had an overage of \$44.55 and 40,994,521 Zambian Kwacha (equivalent to approximately \$10,449.25). At the time of our audit, a reconciliation was underway to verify the actual amount of the overage. However, it was believed that the overage was due to the receipt of an electronic fund transfer totaling 41,000,000 Zambian Kwacha for PSC contract payments that had not been recorded in FOR-Post. Our office was notified of the imbalance as required by regulations.

**RECOMMENDATIONS**

**We recommend:**

- 1. That the country director ensure that the combination lock on the imprest fund safe be changed annually and/or when there is a change of cashiers.**
- 2. That the alternate cashier be provided with a safe or bar-locked cabinet that uses a combination lock to maintain imprest fund currency that the alternate cashier may be holding.**
- 3. That the country director and administrative officer analyze staff responsibilities to assure that there is a separation of duties.**
- 4. That the country director and administrative officer redelegate responsibilities to assure separation of duties.**

5. **That the cashier develop a system to assure that interim advances are not issued to employees that have current outstanding interim advances.**
6. **That the cashier clear all outstanding interim advances over five days old.**
7. **That the cashier clear all sub-cashier accounts monthly.**

## **VOLUNTEER PROPERTY MANAGEMENT**

### **VOLUNTEER PERSONAL PROPERTY**

*Administrative staff was holding Volunteer and Trainee property for safekeeping without authorization.*

PCM section 235.3.0 states:

Peace Corps employees and contractors may not take custody of V/T property without country director authorization and absent such authorization, may be personally liable for the loss of any property for which they have assumed custody.

According to PCM section 235.4.0, when custody of Volunteer property is approved and justified, “written policies and procedures must be in place” at the post.

Despite this guidance, a staff person was accepting Volunteer and Trainee property for safekeeping without authorization by the country director.

Additionally, Volunteer/Trainee property was being accepted for safekeeping without following Peace Corps policy as the staff member accepted property from Volunteers and Trainees in sealed envelopes without verifying the contents of the envelope and value of the property being accepted. The staff person did not issue receipts for the personal property accepted for safekeeping, nor was there a log maintained of the property held. One Trainee reported that the post lost \$1,500.00 that the Trainee had left in a staff member’s custody for safekeeping.

This situation existed because the post had not established procedures that complied with current Peace Corps policy.

## RECOMMENDATIONS

We recommend:

8. **That the country director authorize a safekeeper to maintain Volunteer property based on PCM section 235, if the country director chooses to maintain Volunteer property for safekeeping.**
9. **That the post give receipts to Volunteers for their property held for safekeeping.**
10. **That the post establish written guidelines on Volunteer property, including property to be held for safekeeping.**
11. **That the safekeeper maintain a log of all property kept for safekeeping that includes the date received, Volunteer name, value of the property, and description of the property.**
12. **That the safekeeper be provided a bar locked filing cabinet or safe to maintain the Volunteer property if it is to be kept.**

## PROPERTY MANAGEMENT

### INVENTORY RECORDS

*The post's inventory listing was incomplete and contained discrepancies.*

Our review of the post's inventory records disclosed that the inventory was not in full compliance with PCM section 511. PCM section 511.5.2 requires that each office conduct an inventory at least once a year, and PCM section 511.5.5 provides procedures for the conduct of the inventory.

We noted that the post's non-expendable inventory did not include all purchases over \$500. Inventory lists did not include the value of the property as required.

## **CUSTODY RECEIPTS**

Additionally, we selected a judgmental sample of items listed in the post's inventory records. During the inventory verification, we identified items listed on the inventory control records that were not found at the locations. Conversely, we identified items that were not included in the inventory records.

We believe that the discrepancies in the inventory records occurred because the post had not developed a systematic approach for maintaining an updated inventory including the recording of property being moved from one location to another and retaining disposal documents. Without an adequate property management system, the post is vulnerable to loss of property accountability due to theft or general mismanagement.

***The post did not obtain custody receipts for post property issued to U.S. direct hires, staff, and Volunteers.***

In accordance with PCM section 511.6.2.2:

- Custody receipts are used when Peace Corps property is issued to, or when releasing non-expendable property to Volunteers, staff or contractors to use away from the Peace Corps office on a long-term basis.
- When a custody receipt is issued, the original copy of the receipt remains with the property officer, and a copy of the receipt is given to the individual taking custody of the property. Upon return of the property in good order, the custody receipt is annotated "Returned on date," signed, and a copy given to the person returning the property.
- Each PO [purchase officer] must maintain a separate suspense file of outstanding custody receipts, kept in alphabetical order by name of the person the property is assigned to. The PO must review the file prior to processing clearances for Volunteers, employees, and contractors to determine if any property remains outstanding. The PO should review open custody receipts on a quarterly basis to ensure that property is returned by the estimated return date.

The purchase officer did not follow Peace Corps policy and obtain custody receipts for property held by U.S. direct hire (USDH) staff for Peace Corps property at their residences, Volunteers, and other staff in possession of Peace Corps property.

By not obtaining custody receipts for all non-expendable property issued to USDHs, Volunteers, staff and contractors, property is not adequately protected from loss, theft, or misuse.

## RECOMMENDATIONS

We recommend:

- 13. That the GSO update the post's inventory records after completing a full physical inventory of all property.**
- 14. That the post develop and implement a systematic approach for maintaining an updated inventory record, including a process to record property being moved from one location to another and retaining disposal documents.**
- 15. That the GSO obtain signed custody receipts from all staff and Volunteers for property for which they are responsible.**

## VEHICLE MANAGEMENT

### VEHICLE RECORDS

*The Daily Vehicle Usage Log was not reviewed and monitored on a weekly basis.*

PCM section 527.6.1 requires that the daily vehicle logs be reviewed weekly, initialed, and signed by the person responsible for maintaining vehicle maintenance records, initiating repairs, and billing for authorized non-official use.

The staff member responsible for maintaining vehicle maintenance records was reviewing and maintaining the vehicle logs monthly rather than weekly. The staff member stated that he was unaware of the Peace Corps policy to review the logs weekly.

By not reviewing the logs on a weekly basis, necessary repairs could be left undone and create a safety hazard. Weekly monitoring helps to identify vehicle problems so that preventive action can be taken to maximize vehicle availability.

*The post did not maintain vehicle maintenance records in accordance with Peace Corps policy.*

PCM section 527.6 requires that a vehicle maintenance record be prepared for each vehicle and updated whenever maintenance is performed or maintenance expenses are reported. PCM section 527, Attachment C provides a copy of the vehicle maintenance record (PC 1491).

The post maintained some vehicle maintenance records in a log book for each vehicle, but the information was not kept current and did not contain all the information required on PC 1491.

## RECOMMENDATIONS

We recommend:

- 16. That the GSO review the vehicle usage logs weekly and initial and date them when reviewed.**
- 17. That the post maintain a detailed vehicle maintenance record for each vehicle in accordance with PCM section 527.6.**

## PURCHASE CARD

### POST PURCHASE CARD

*Purchases made with the post's purchase card were not approved or obligated before the purchases were made.*

OFMH section 45.4 requires that the approving official approve purchases before they are made and that the cardholder verify that funds are obligated before purchases are made.

The purchase card holder made purchases with the purchase card prior to obtaining the country director's approval or verifying that funds had been obligated. Although the

## RECOMMENDATIONS

administrative officer maintained a purchase log, she believed approval was not needed.

Without the control of a pre-approval, the purchase card holder could misuse the card, and without obligating funds prior to the purchase, the post could obligate funds in excess of their appropriation.

**We recommend:**

**18. That the cardholder obtain authorization prior to using the purchase card.**

**19. That the post obligate funds before approved purchases are made with the purchase card.**

## PERSONNEL MANAGEMENT

### TIME AND ATTENDANCE

*Time cards were not maintained on a daily basis.*

PCM section 742.6.1 requires that each employee record time in pay or non-pay status on a daily basis. This is done using the "Flexitime Attendance Form" (FAF).

According to PCM section 742.6.2:

This is an official daily attendance record. The FAF will be kept in a designated central location within each work unit and, maintained by employees on a daily basis. A separate form will be used for each day. Employees must sign their names in order, sequentially, both upon arrival and departure of each workday. Names must be signed, not printed. Full last names must be used but initials may be written for first and middle names, e.g., J.B. Smith. FAFs are not acceptable with pre-typed or pre-printed names.

An employee who does not sign the FAF in sequential order must request his or her supervisor to initial the entry. An employee who continues to sign out of order may be subject to disciplinary action.

Staff did not complete time cards on a daily basis. At the end of each two-week pay period they completed and signed a time card and turned it in based on a roster that they signed. By not maintaining their time cards on a daily basis, an accurate accounting may not be assured.

**RECOMMENDATION**

**We recommend:**

**20. That staff complete individual time cards on a daily basis for each pay period.**

## LIST OF RECOMMENDATIONS

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### **WE RECOMMEND:**

1. That the country director ensure that the combination lock on the imprest fund safe be changed annually and/or when there is a change of cashiers.
2. That the alternate cashier be provided with a safe or bar-locked cabinet that uses a combination lock to maintain imprest fund currency that the alternate cashier may be holding.
3. That the country director and administrative officer analyze staff responsibilities to assure that there is a separation of duties.
4. That the country director and administrative officer redelegate responsibilities to assure separation of duties.
5. That the cashier develop a system to assure that interim advances are not issued to employees that have current outstanding interim advances.
6. That the cashier clear all outstanding interim advances over five days old.
7. That the cashier clear all sub-cashier accounts monthly.
8. That the country director authorize a safekeeper to maintain Volunteer property based on PCM section 235, if the country director chooses to maintain Volunteer property for safekeeping.
9. That the post give receipts to Volunteers for their property held for safekeeping.
10. That the post establish written guidelines on Volunteer property, including property to be held for safekeeping.
11. That the safekeeper maintain a log of all property kept for safekeeping that includes the date received, Volunteer name, value of the property, and description of the property.
12. That the safekeeper be provided a bar locked filing cabinet or safe to maintain the Volunteer property if it is to be kept.
13. That the GSO update the post's inventory records after completing a full physical inventory of all property.

14. That the post develop and implement a systematic approach for maintaining an updated inventory record, including a process to record property being moved from one location to another and retaining disposal documents.
15. That the GSO obtain signed custody receipts from all staff and Volunteers for property for which they are responsible.
16. That the GSO review the vehicle usage logs weekly and initial and date them when reviewed.
17. That the post maintain a detailed vehicle maintenance record for each vehicle in accordance with PCM section 527.6.
18. That the cardholder obtain authorization prior to using the purchase card.
19. That the post obligate funds before approved purchases are made with the purchase card.
20. That staff complete individual time cards on a daily basis for each pay period.

## Post Staffing

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At the time of our visit, the post had 26 staff positions. The positions included two U.S. direct hire employees, two foreign service nationals, and 22 PSCs.

The cashier was waiting for clearance to assume the cashiering duties at the time of our visit. He has since received authorization to perform the cashiering duties.

### PC/Zambia Positions

Position	Status
Country Director	USDH
Administrative Officer	FSN
APCD/Education	USDH
APCD/CAHP	PSC
APCD/HAP (HIV/AIDS Project)	Vacant
APCD/Community Health (CH)	PSC
APCD/Environment	PSC
APCD/Fisheries	PSC
P & T Asst.CAHP	PSC
P & T Asst HAP	PSC
PA for RAP/Life Crisis Corp Coordinator	PSC
Program Secretary	PSC
Training Director	PSC
Administrative Assistant/Programming Secretary	PSC
General Services Administrator	PSC
General Services Assistant	PSC
General Services Secretary	PSC
Peace Corps Medical Officer	PSC
Peace Corps Medical Officer	PSC
Peace Corps Medical Officer	PSC
Safety and Security Coordinator	PSC
Cashier	FSN
Administrative Assistant	PSC
Executive Secretary/VRA	PSC
IT Specialist	PSC
Receptionist	PSC
Driver/Expeditior	PSC

## APPENDIX A

### OBJECTIVE, SCOPE, AND METHODOLOGY

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

The audit of Peace Corps/Zambia covered fiscal years 2005 and 2006. While at the post, we interviewed the country director and the administrative officer. At the end of our review, we briefed the country director and administrative officer.

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. All references to the Overseas Financial Management Handbook are based on the version issued January 9, 2007.

## **APPENDIX B**

# **REGION'S RESPONSE TO THE PRELIMINARY REPORT**

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**45<sup>th</sup>**  
**Peace**  
**Corps**  
*Anniversary*

*1961-2006: a legacy of service at home and abroad*

**To:** David Kotz, Inspector General

**From:** Henry McKoy, Director, Africa Region

**Date:** August 23, 2007

**Subject:** Response to the Preliminary Report on the Audit of Peace Corps/Zambia September 8 – September 15, 2006.

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

Attached, please find our response to the OIG report on Peace Corps Zambia. Post's responses have been reviewed and integrated into this response. The audit visit was September 8 to 15, 2006. The preliminary report was not received by post until the latter part of July 2007. Peace Corps Zambia has expressed their concern about the delay in receiving the report.

The Africa Region will continue to work with Peace Corps Zambia'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/Operations  
Lynn Foden, Chief of Operations  
Cindy Threlkeld, Country Director  
John Dimos, Chief Compliance Officer  
George Schutter, Chief Financial Officer  
Carey Fountain, Chief Acquisition Officer

## **July 2007 Preliminary Audit Report PC/Zambia Post Response to Recommendations**

### **General:**

The OIG conducted an audit of PC/Zambia in September of 2006. As outlined in the July 2007 report, Senior Auditor Letty Collins examined Post's financial and administrative operations.

Region would like to acknowledge the work of Ms. Collins, who conducted her duties with a high degree of professionalism, cultural sensitivity, and maintained a friendly and helpful attitude throughout the audit.

Region feels that the OIG audit was helpful in Post's efforts to continue to improve efficiencies and align to regulations. The audit was of great assistance in continuing these efforts and validating areas that still need attention.

### **Executive Summary**

The Post and Region fully concur with 19 of the 20 recommendations provided by the OIG. The Post and the Region partially concur with recommendation 12 and the explanation for this partial concurrence is given in the commentary.

The Region and Post wish to note complicating circumstances in the timing of the audit. The new CD was asked to accept the schedule of the audit visit, even though during the first six weeks at post prior to the audit, PC/Z had to submit a \$2.1 million PEPFAR proposal; prepare the annual Ops Plan, and make final arrangements for the Swearing in of 50 Volunteers. The rationale given by the OIG for the tight timeline was that it would provide valuable information for the new CD to assist with making necessary adjustments in the management of post.

### **Response to Recommendations**

#### **Imprest Fund Management**

##### ***Recommendation 1: Concur.***

*That the country director ensure that the combination lock on the imprest fund safe be changed annually and/or when there is a change of cashiers.*

A new cashier was hired and officially assumed duty as of August 17, 2006 and was officially designated as cashier on October 23, 2006. The combination on the safe was changed at that time, as per PC regulations and with coordination of the RSO.

##### ***Recommendation 2: Concur***

*That the alternate cashier be provided with a safe or bar-locked cabinet that uses a combination lock to maintain imprest fund currency that the alternate cashier may be holding.*

A special safe has to be ordered from the U.S. because of the special requirements, including a combination lock. **Post received \$4.5k for the purchase of the safe on August 7, 2007. We have since asked the RSO for a recommendation of where we can purchase the safe and await feedback from him.**

**Recommendation 3: Concur**

*That the country director and administrative officer analyze staff responsibilities to assure that there is a separation of duties.*

Post requested an additional FSN position for accountant/budget analyst to ensure proper separation of duties. The Region approved the position, and the new FSN assumed duty on May 21, 2007. Post reviewed and reassigned staff responsibilities of the administrative unit in detail as follow up to the report of the March 2007 Organizational Development Team assessment of PC/Zambia, which is an initiative of the Director's office. Copy of the final report is attached.

**Recommendation 4: Concur**

*That the country director and administrative officer redelegate responsibilities to assure separation of duties.*

As noted above, post now has 3 FSNs: AO, accountant/budget analyst, and cashier. In addition, post has a PSC financial assistant. New position descriptions have been written and separation of duties is clear and fully implemented as of the date of hire of the FSN accountant on May 21<sup>st</sup> 2007.

It should additionally be noted that the new cashier passed his cashier's exam on April 4th 2007 with a score of 96%. Post attained a zero balance on the imprest fund in December 2006 for the first time in over two years, and continues to maintain a zero balance. Post is now FORpost certified as of December 14<sup>th</sup> 2006.

**Recommendation 5: Concur**

*That the cashier develop a system to assure that interim advances are not issued to employees that have current outstanding interim advances.*

The cashier must review all requests for interim advances prior to submission to the CD for approval and signature. He is responsible to verify whether all previous interim advances have been cleared. If that is the case, he will write "no outstanding advances" in the upper right corner of the request form and sign his name. The CD will only approve an interim advance that includes that note and signature. This procedure was put in place as of May 18<sup>th</sup> 2006

**Recommendation 6: Concur**

*That the cashier clear all outstanding interim advances over five days old.*

All outstanding interim advances over five days old are cleared, and that is now the standard practice. The cashier sends a notice to any staff that is late on clearing an advance, with a copy to the AO and CD. There are times when it is not feasible to clear an interim advance within 5 days, for example when staff is in the field, when the five day period includes long holiday weekends, or when staff is on leave, but otherwise the standard is maintained.

**Recommendation 7: Concur**

*That the cashier clear all sub-cashier accounts monthly.*

The Process of sub-cashier monthly reconciliations is as follows;

1. Sub-cashier reconciles his/her operating cash advance daily (actual physical count of all cash on hand and all receipts on hand and receipts sent to Class B Cashier)
2. At least once a month the sub- cashier submits the bank statements (statements showing the amount in the Account), states the cash on hand

and submits receipts (supporting documents) to the class B cashier. Then the advance is reconciled with the receipts and the cash on hand to ensure they are equal to the operating cash advance. The operating advance is replenished only when this is completed.

### **Volunteer Property Management:**

The comment under this section on p. 6, second to last paragraph, that states “a staff person was accepting Volunteer and Trainee property for safekeeping without authorization by the CD” is inaccurate and should be reworded. It is true that post did not have a proper system in place to maintain an inventory of PCV/T property kept in custody. However, the former CD authorized the staff person to assist with safekeeping, the envelopes were kept in a safe in his office, and he was often the person who opened the safe to remove or add personal property or cash for a Volunteer.

### **Recommendation 8: Concur**

*That the country director authorize a safekeeper to maintain Volunteer property based on PCM section 235, if the country director chooses to maintain Volunteer property for safekeeping.*

The new CD designated the Office Manager as the safekeeper to maintain Volunteer property, with the CD as alternate. As of September 2006, post developed a new policy for safekeeping of PCV/T property. A copy of the policy is attached, along with the spreadsheet used for the inventory.

Cash will no longer be accepted to be held in custody. The only items accepted will be documents such as personal passports, driver’s license, credit cards, or small valuables such as a watch or jewelry.

During the months of October and November 2006, a complete inventory was conducted of PCV/T cash and property that was already in PC custody, with the Volunteer and a staff member present to witness the review the listing of all items. Both the PCV and staff signed the inventory list and the Volunteer was issued a receipt. Each individual envelope has a separate inventory listed on a sheet attached to the sealed envelope. In addition, there is a full inventory list maintained on a separate spreadsheet in a shared file in the PC server. Each addition or withdrawal must be witnessed and signed by both the PCV and the designated safekeeper (alternate is CD). The transaction is noted on the individual envelope, and is also noted on a worksheet that is then entered on the computerized inventory.

### **Recommendation 9: Concur**

*That the post give receipts to Volunteers for their property held for safekeeping.*

Post issues receipts to Volunteers as part of the new policy noted in Recommendation 8. That was initiated as part of the full inventory conducted in the months of October and November, 2006.

### **Recommendations 10: Concur**

*That the post establish written guidelines on Volunteer property, including property to be held for safekeeping.*

As noted above in Recommendation 8, this has already been done and a copy of the policy is attached.

**Recommendation 11: Concur**

*That the safekeeper maintain a log of all property kept for safekeeping that includes the date received, Volunteer name, value of the property, and description of the property.*

As noted in the response to Recommendation 8, this has already been done and a copy of the log spread sheet attached for review.

**Recommendation 12: Partially Concur**

*That the safekeeper be provided a bar locked filing cabinet or safe to maintain the Volunteer property if it is to be kept.*

The Volunteer property is kept in a locked file cabinet located in a locked closet in the CD's office. The only two people with knowledge of where the keys are maintained are the designated safekeeper (Office Manager) and the CD. The locked file cabinet is not a bar lock, but since it is located within a locked closet in the CD's office, which is also kept locked at night, it already has three levels of security. A bar lock should not be needed in addition to these precautions.

**Property Management**

**Recommendation 13: Concur**

*That the GSO update the post's inventory records after completing a full physical inventory of all property.*

Reviewed and updated records to be completed by October 31<sup>st</sup> 2007.

**Recommendation 14: Concur**

*That the post develop and implement a systematic approach for maintaining an updated inventory record, including a process to record property being moved from one location to another and retaining disposal documents.*

Reviewed and updated records to be completed by October 31<sup>st</sup> 2007.

**Recommendation 15: Concur**

*That the GSO obtain signed custody receipts from all staff and Volunteers for property for which they are responsible.*

Reviewed and updated records to be completed by October 31<sup>st</sup> 2007.

**Vehicle Management**

**Recommendation 16: Concur**

*That the GSO review the vehicle usage logs weekly and initial and date them when reviewed.*

The GSA has been reviewing the logs weekly. The Provincial GSOs also fax the logs weekly for review by the GSA and the Budget analyst. The new FSN accountant is now reviewing the logs as a spot check.

**Recommendation 17: Concur**

*That the post maintain a detailed vehicle maintenance record for each vehicle in accordance with PCM section 527.6.*

Will need to be reviewed and updated by the GSO, GSA and the Budget Analyst by end of October 2007.

## **Purchase Card**

### **Recommendation 18: Concur**

*That the cardholder obtain authorization prior to using the purchase card.*

The cardholder obtains authorization prior to using the card. Whenever we would like to make a purchase using the Purchase/Travel card, a quote is obtained. This is then logged onto the respective Log Sheet; Purchase card log or Travel card log for the respective month. (Logs are maintained per month). The quote and log is then passed onto the Approving Official (CD or ACD) for authorization. Once the CD or ACD signs off on the log, it's passed back to the AO. The AO then passes documentation to the AA to obligate funds in FORPost. Once the obligation has been created in FORPost, the AA gives the cardholder the obligation number as well as copy of the Purchase Order or Travel Authorization to attach to the log. Thereafter the cardholder buys whatever needs to be purchased. The receipt is also attached to the log with the quote, PO or TA.

### **Recommendation 19: Concur**

*That the post obligate funds before approved purchases are made with the purchase card.*

The cardholder obtains authorization prior to using the card. Whenever we would like to make a purchase using the Purchase/Travel card, a quote is obtained. This is then logged onto the respective Log Sheet; Purchase card log or Travel card log for the respective month. (Logs are maintained per month). The quote and log is then passed onto the Approving Official (CD or ACD) for authorization. Once the CD or ACD signs off on the log, it's passed back to the AO. The AO then passes documentation to the AA to obligate funds in FORPost. Once the obligation has been created in FORPost, the AA gives the cardholder the obligation number as well as copy of the Purchase Order or Travel Authorization to attach to the log. Thereafter the cardholder buys whatever needs to be purchased. The receipt is also attached to the log with the quote, PO or TA.

## **Personnel Management**

### **Recommendation 20: Concur**

*That staff complete individual time cards on a daily basis for each pay period.*

Post revised the daily timesheet used by staff to include a space where they can initial to verify their daily attendance after each day worked. The timesheet is signed

by both the employee and supervisor at the end of the pay period, and turned into the timekeeper/Office Manager.

In addition, post has sign in sheets at each building that staff uses to sign in at time of arrival in the morning, and to sign out as they leave in the evening. The timekeeper is responsible to collect and review the sign in sheets. Date form revised: August 7, 2007. Person responsible: Timekeeper/Office Manager

## APPENDIX C

### OIG COMMENTS

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The region concurred with 19 of the 20 recommendations and partially concurred with recommendation no. 12. We closed recommendations numbers 1, 9 – 11, 16, and 18 – 20. Recommendation numbers 2 – 8, 12 – 15, and 17 remain open pending confirmation from the chief compliance office that the following has been received:

- For recommendation no. 2, documentation that a safe has been purchased for the alternate cashier. This may be in the form of a voucher.
- For recommendation nos. 3 and 4, a copy of the post's organization chart and a copy of each administrative staff's duties.
- For recommendation nos. 5 and 6, a copy of the last two verified 365's that includes the interim advance detail page.
- For recommendation no. 7, copies of the last two months sub-cashier "cash on hand" reconciliations.
- For recommendation no. 8, a copy of the current country director's signed authorization for the safekeeper to maintain Volunteer property. The region's response stated that the list of Volunteer property held for safekeeping will be maintained on the post's computer system. We would like to note that no social security numbers, credit card numbers, or credit card expiration dates should be included as details on the inventory list.
- For recommendation no. 12, documentation that the post is in compliance with PCM section 235.

A locked file cabinet does not meet the requirements of PCM 235(b) that specifically requires that "all V/T cash or cash equivalent held in Peace Corps custody is kept in a **U.S. Government-approved safe or bar-lock cabinet** separate from the safe holding imprest funds." The regulation does not provide for any alternative method.

The region's response states that both the country director and the office manager have knowledge of where the keys are maintained for the locked file cabinet where the property is held. PCM section 235.4 (c) states: "The CD, or other Peace Corps employee designated by the CD, personally sets the safe's combination **and is the only employee who has access to the combination.**"

## APPENDIX C

By two staff having access to the property, there are no internal controls to protect the property. However, if the post chooses to have an alternate safekeeper, the transfer of property held in safekeeping should follow the strict rules for the transfer of funds from a cashier to an alternate cashier as found in PCM section 760.

- For recommendation no. 13, documentation that the post's inventory records have been updated after a full physical inventory of all property has been completed.
- For recommendation no. 14, a copy of the post's written description of the system for maintaining updated inventory records and property being moved between locations or being disposed.
- For recommendation no. 15, a copy of each signed custody receipt obtained from all staff and Volunteers.
- For recommendation no. 17, a copy of at least three of the detailed vehicle maintenance records.

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

## **APPENDIX D**

# **AUDIT COMPLETION AND OIG CONTACT**

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### **AUDIT COMPLETION**

The audit was performed by senior auditor Letty J. Collins.

### **OIG CONTACT**

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

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

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