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To: Carrie Hessler-Radelet, Acting Director
Daljit Bains, Chief Compliance Officer

From: Kathy A. Buller, Inspector General 

Subject: Management Advisory Report: Certification of Volunteer Payments

Date: September 24, 2013

The purpose of this Management Advisory Report (MAR) is to bring to your attention that Peace Corps is out of compliance with the laws and regulations governing the certification of claims and disbursement of government funds. As a result, payments totaling \$2.8 million have been made to Volunteers during fiscal years (FYs) 2010 through 2013 that were not properly certified.

Results

During our audit of Volunteer reimbursements in Peace Corps/Zambia¹, we noted that payment requests in the Volunteer In Country Allowance (VICA)² system included recurring allowances and non-recurring payments to the Volunteers. Unlike recurring allowances, non-recurring payments are higher risk because they vary in nature, frequency, and amount. These payments were reviewed by the director of management and operations (DMO) at post and submitted to Office of Volunteer and Personal Services Contractor Support (VPS) for certification of payment through VICA. However, the supporting documents remained at post.

The VPS financial management officer (FMO) did not have a systematic methodology to select and examine that the non-recurring payments were proper, legal, and correct. Although the FMO occasionally selected non-recurring payments for further examination and obtained supporting documentation from posts, the FMO did not maintain a record of the items selected for examination and did not maintain the vouchers obtained from the post. Because DMOs are not authorized certifying officials,³ those payments were made without proper review by a certifying officer.

¹ See the Audit Report of Peace Corps/Zambia for the audit standards, objectives, scope, and methodology.

² VICA is a web-based application used by posts to order monthly and non-recurring allowances, and reimbursements for Volunteers. Post staff process changes to Volunteer allowances and input reimbursement amounts for Volunteer expenses. The DMO approves the changes in allowances and reimbursements input by staff. VICA generates a summary of Volunteer allowances and reimbursements processed by post for the certification of payment by VPS. VICA also provides an exception report to allow VPS to identify unusual payments and obtain explanations from the post prior to approval of payment by the certifying official.

³ *Peace Corps Manual* Section 758, "Authorized Certifying Officials."

Title 31 U.S. Code Section 3521(b)(1)⁴ as implemented through Government Accountability Office (GAO) guidelines requires an examination of vouchers, including supporting documentation, for those over \$2,500 and a statistical sampling of those below that amount. The agency process described above does not comply with those requirements.

As a result of our finding in Zambia, we analyzed the total VICA⁵ payments made by the agency for FYs 2010, 2011, and 2012. Our analysis, determined that the agency processed non-recurring payments of approximately \$18 million to Volunteers through VICA between FYs 2010 and 2012. We identified \$2.8 million of non-recurring payments that exceeded \$2,500 and required FMO review prior to certification per GAO guidance. Without evidence of certifying official review these payments were not properly supported and are considered questioned costs.⁶

Table 1. Total VICA Payments to Volunteers (dollar amounts in millions)

	FY 2010 ⁷	FY 2011	FY 2012	FY 2013 ⁸	Total
Total Payment to Volunteers through VICA	\$10.2	\$39.0	\$37.9	--	\$87.1
Non-Recurring Payments	\$ 1.9	\$ 8.0	\$ 8.7	--	\$ 18.6
Value of Transactions Over \$2,500	\$ 0.1	\$ 1.1	\$ 1.0	0.6	\$ 2.8
Number of Non-Recurring Payment Over \$2,500	42	388	365	179	974

Until the agency changes the process for VPS FMO's to review non-recurring payments, it will continue to be out of compliance with laws and regulations concerning certification of claims and disbursement of funds. We recommend that the chief financial officer implement a standard methodology for certifying non-recurring payments to Volunteers in compliance with federal law.

Agency's Response

We provided the agency an opportunity to respond to this MAR. Below is the Chief Financial Officer's (CFO's) response.

CFO concurs with the MAR's basic finding that a small percentage of unsupported payments exceeding \$2,500 were processed in VICA prior to a full review by a Certifying Officer. While the intent of VICA was to streamline and reduce the cost of processing payments to Volunteers in the field, we realize that the

⁴ Subject to limitations prescribed by the comptroller general, agency heads are authorized by 31 U.S.C. 3521(b) to establish statistical sampling programs for the examination of vouchers in support of their certification and payment. In accordance with this authority, agencies may use statistical sampling for vouchers in amounts not exceeding \$2,500. Within this maximum, agencies are required to establish their own dollar limitations based on cost/benefit analyses of their voucher examining operations.

⁵ A financial management officer (FMO) from VPS certifies the VICA reports submitted by the posts for payment.

⁶ In accordance with the Inspector General Act of 1978, as amended, questioned costs include and are not limited to an alleged violation of the provision of a law or regulation governing the expenditure of funds or costs that are not supported by adequate documentation.

⁷ VICA was not used for part of the year as OCFO implemented VICA in stages between April and September 2010.

⁸ The Peace Corps' fiscal year is from October 1st through September 30th. Accordingly, at the time of this report, complete FY 13 data was unavailable.

standard for certification is that any payment greater than \$2,500 must be transparently reviewed and certified by a certifying officer.

In order to address this finding and to eliminate the occurrence of future unsupported payments, CFO will hire an additional Certifying Officer to review and certify VICA payments as the burden of having a single FMO reviewing all VICA payments exceeds the capacity of a single individual. While this is not an ideal solution, it will address the unsupported payment concern.

In addition, CFO has completed a careful and thorough review of the data and the processes that are involved with VICA payments. This analysis included input from CFO representatives from Financial Systems, Global Accounts Payable and VPS. CFO has implemented exception reports to identify and select for review any VICA payments that exceed \$2,500. CFO will review the efficacy of these reports and will enhance or add additional reports as needed.

CFO appreciates the OIG's efforts to share the MAR draft with our office for our chance to comment and review.

The agency anticipates fully remediating this issue by January 2014.

cc: Stacy Rhodes, Chief of Staff/Chief of Operations
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