Office of Inspector General

Office
202.692.2900
peacecorps.gov/OIG
OIG Reports

Hotline
202.692.2915 800.233.5874
Online Contact Form
OIG@peacecorps.gov

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

From: Kathy A. Buller, Inspector General

Kathy A. Buller

Date: July 3, 2013

Subject: Final Report on the Audit of Peace Corps/Jamaica
(IG-13-05-A)

Transmitted for your information is our final report on the audit of Peace Corps/Jamaica.

Management concurred with all 10 recommendations. We closed one recommendation (number 8) based on a review of corrective actions and supporting documentation. The remaining recommendations will stay open pending confirmation from the chief compliance offer 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 D, address these matters. Please respond with documentation to close the remaining open recommendations within 90 days of receipt of this memorandum.

You may address questions regarding follow-up or documentation to Assistant Inspector General for Audit Bradley Grubb at 202.692.2914 or to Lead Auditor Hal Nanavati at 202.692.2929.

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

Attachment

cc: Stacy Rhodes, Chief of Staff/Chief of Operations
Elisa Montoya, White House Liaison/Senior Advisor to the Director
Bill Rubin, General Counsel
Carlos Torres, Acting Associate Director, Global Operations
Joseph Hepp, Chief Financial Officer
Paul Shea, Deputy Chief Financial Officer
Samuel Taylor, Budget Officer
Nina Favor, Acting Regional Director, IAP
Nancy Gehron, Acting Chief Administrative Officer, IAP
Edward Hobson, Associate Director, Safety and Security
Brenda Goodman, Deputy Associate Director, Volunteer Support
Marie McLeod, Director, Office of Global Health and HIV

Carla Ellis, Country Director, Jamaica
Daniel Mandell, Director of Management and Operations
Jennifer Parrish-Taylor, Special Assistant to the Chief Compliance Officer
Jamaica Country Desk

Peace Corps
Office of Inspector General

Peace Corps/Jamaica Volunteers John and Wanda Eddy with host family

Flag of Jamaica

Final Audit Report:
Peace Corps/Jamaica
IG-13-05-A

July 2013

EXECUTIVE SUMMARY

BACKGROUND

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Jamaica (hereafter referred to as "the post") from September 10 to September 21, 2012.

Staff:

- U.S. direct hires: 2
- Foreign service nationals: 3
- Full-time personal services contractors (PSC):17
- Part-time PSC: 9
- U.S. PSC: 1

Spending (approx.):

- FY 2012 post spending - $2.640 million
- Average regional overhead - $414,000

Map of Jamaica

WHAT WE FOUND

The post's financial and administrative operations were generally effective and in overall compliance with agency policies and federal regulations. However, the post did not:

- Have the appropriate supporting documents to disburse approximately $373,000 in lease costs to the Ministry of Foreign Affairs and Foreign Trade.
- Effectively manage its vehicle fleet. Reducing the total number vehicles could yield approximately $21,000 in sales and save on maintenance costs for each vehicle.
- Consistently present a tax exemption certificate at point of sale and did not claim refunds for Value Added Tax (VAT) of approximately $1,500.
- Have a consistent and verifiable methodology for allocating indirect costs to the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) funds.

Further, the post did not execute a lease for the five months after the expiration of the previous lease; did not adequately track residential furniture; and could strengthen controls over medically confidential information, grant funding, and billing and collection.

RECOMMENDATIONS IN BRIEF

Our report contains 10 recommendations directed to both the post and headquarters, including: that the post obtain a memorandum of understanding (MOU) with the ministry; maximize tax deductions; and reduce the number of vehicles. We also recommended that the Office of Management develop a standard process to fund vehicle leases and reassess the current vehicle fleet formulation and the Office of Global Health and HIV develop and implement a methodology for allocating indirect costs and reconciling staging costs to PEPFAR.

Management concurred with all 10 recommendations. We closed one recommendation (number 8). The remaining nine recommendations will remain open pending documentation described in Appendix D.

TABLE OF CONTENTS

BACKGROUND

OIG conducted its audit of the post September 10 to September 22, 2012. We previously performed an audit March 14 to April 1, 2005 and issued our report in September 2005 (IG-05-19-A).

The post was established in 1962. At the time of our audit, 65 Volunteers were working in the following sectors: education, community development and youth development, environment and agriculture. The post had two U.S. direct hires, three foreign service nationals, 17 full-time personal services contractors, nine part-time personal services contractors, and one U.S. personal services contractor. The post's FY 2012 spending was approximately $2.640 million. In addition at headquarters the IAP region incurred an average of $414,000 per overseas post.[1]

Our overall objective in auditing overseas posts is to determine whether the financial and administrative operations are 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.

AUDIT RESULTS

LEASES

Despite prior audit recommendations from 2005, the post continued to disburse approximately $373,000 in lease payments to the Ministry of Foreign Affairs and Foreign Trade without appropriate supporting documents for the periods FYs 2009-2012.

The *Peace Corps Manual* section (MS) 753 paragraph 4.2.1, "Documentary Evidence of Obligations," states:

> 31 U.S.C. [U.S. Code] 1501 prescribes that all obligations must be supported by documentary evidence of transactions authorized by law, such as: a binding agreement in writing, a valid loan agreement, certain orders placed with government agencies, a grant or subsidy, a liability resulting from pending litigation, employment of persons, expenses of travel, or other legal liabilities of the United States.

MS 732, "Acquisition Regulations, Rules, and Procedures - Overseas and U.S.," requires that:

> Procurement in excess of the small purchase limitation threshold must be supported by a bilaterally signed contract or lease which establishes the complete terms governing the purchase.

[1] The agency was unable to provide the total cost per post as certain costs are centrally-budgeted and managed by headquarters offices including U.S. Direct Hires salaries and benefits. The Office of Budget and Analysis provided the total cost of $8.689 million incurred by the IAP region in direct support of its 21 overseas posts in FY 2011, with an average of $414,000 per post.

In the 2005 audit report on Peace Corps/Jamaica (IG-05-19-A), OIG noted:

> The post did not execute a lease for the office. The post subleases its office space from the Jamaican Ministry of Foreign Affairs. There was no lease agreement between the post and the Ministry as required by PCM section 733.4.1. Rather, provisions were contained in correspondence between the Ministry and the owner of the property.

In 2005, IAP regional management and the chief acquisition officer concurred with OIG's finding and recommendation that the post should execute an appropriate lease with the ministry that meets the requirements of valid obligating document standards.

On September 28, 2007, the post entered into a lease agreement for the same office space with a new landlord, for five years with monthly rent of approximately $9,000. Per the agreement:

(i) The Ministry would pay 200,000 Jamaican Dollars (JMD) as HCC,
(ii) the post would pay the balance of rent to the Ministry, and
(iii) the Ministry would pay total monthly rent to the landlord, on behalf of the post.

Despite entering into a new lease agreement, the post did not execute a formal agreement with the ministry or obtain the ministry signature on the lease or on other documentation. As a result, neither the post, Office of Acquisitions and Contract Management (OACM) or the Office of Global Accounts Payable (OGAP) had a valid obligating document when Peace Corps disbursed approximately JMD 37,900,000 or $443,000 U.S. dollar equivalent (USDE) from FY 2008 to FY 2012 to the ministry.

After OIG identified these issues, the post contacted the ministry and obtained a copy of a letter of intent dated February 28, 2008, titled "RE: Expenses – United States Peace Corps of Jamaica." The letter detailed the annual lease costs for the period October 10, 2007 to October 9, 2008 was $109,300 and that the ministry would make monthly payments of JMD 200,000 (see Appendix C). The post characterized the "letter of intent," which was signed only by the ministry and directed to the landlord of the office building as an adequate obligating document. OACM subsequently reviewed the documentation and determined that the documents together imposed a legal liability on the parties, there was an offer, acceptance (although not all signatures on one document), consideration (agreement amount of money to be paid)" and therefore evidence for the Government obligations". We noted that the letter of intent was dated over four months after the period started. OIG believes that the letter of intent can be accepted as a valid obligating document to support the payment of approximately JMD 5,321,000 or $70,000 USDE disbursed for the period October 10, 2007 to October 9, 2008. However, the post could not provide supporting documents to demonstrate the ministry's intent or agreement to cover the lease from October 10, 2009 to October 9, 2012. As a result, we concluded that the lease payments of JMD 32,569,073 or $373,000 USDE[2] for the remaining period are still without proper obligating documents.

Although we were not aware of any difficulties experienced by the post in occupying the office space; recording obligations and making disbursements without a binding written agreement does not comply with agency policy and 31 U.S.C. §1501. The post should have a separate lease

[2] Total amount disbursed JMD 37,900,000 ($443,000 USDE) less amount disbursed for the period October 10, 2009 to October 9, 2012 (JMD 5,320,810 or $70,000 USDE).

agreement with the landlord using the standard lease template and a signed memorandum of understanding (MOU) with the ministry to outline the roles and responsibilities with respect to host country contributions.

In addition, we noted the following issues with the current lease and host country contribution arrangement: (i) by combining the office lease and the MOU in a single document the post excluded lease terms designed to protect the Peace Corps in the event of a dispute; (ii) the post did not record the annual payment of JMD 200,000 made by the ministry to the landlord as HCC; and (iii) the post did not obtain a "release of claims" memo from the landlord acknowledging that the landlord had received all payments under the agreement after the lease expired on October 9, 2012.

During our audit the post worked with OACM to separate the lease agreement from the MOU. On March 20, 2013, post executed a new lease and on April 10, 2013 the post obtained the release from the landlord for the previous lease. Post was still in the process of developing an official MOU with the Government of Jamaica.

The post did not execute a new lease when the MOU expired on October 9, 2012 and continued to occupy the space without a formal agreement for over five months.

During our site visit in September 2012, we communicated to the country director and the director of management and operations (DMO) that the post's lease would expire in October 2012. However, the post did not execute the lease until March 20, 2013, therefore occupying the office building without a formal agreement. Post management had not provided a valid justification for the delay and the post should have planned for the new lease to be executed timely.

After we identified the issue, the post obtained legal advice from a law firm in Jamaica to determine whether the Peace Corps had rights as a tenant of the property despite the aforementioned circumstances. The lawyer advised that (i) under local law the Peace Corps did have right occupy the property as a tenant with the signing of the renewal option on October 1, 2011 and acceptance of the renewal and (ii) "a monthly tenancy between the Peace Corps and the landlord can be inferred" by the monthly payments made after the expiration of the lease. However, the post continued to create a legal liability for payment without a proper written contract or agreement.

We recommend:

1. That the post sign a memorandum of understanding with the Ministry of Foreign Affairs and Trade detailing the roles and responsibilities of the post and the ministry and record host country contribution per agency policy.

VEHICLE MANAGEMENT

The post's vehicle fleet could be managed more efficiently.

Presidential Memorandum "Federal Fleet Performance," states, "...the Federal fleet should operate only as many vehicles as needed to work efficiently...." (May 24, 2011). MS 527 and the Peace

Corps' *Vehicle Fleet Management Guide* provides guidance on establishing the maximum number of vehicles a post's is authorized (vehicle ceiling).

The post's annual vehicle status report of August 2012 listed 10 authorized vehicles with an annual operating cost of approximately $26,486 to support 65 Volunteers. The post has approximately one vehicle for every six and a half Volunteers, which is almost double the agency-wide ratio of one vehicle for every 12 Volunteers[3], in a country slightly smaller than the state of Connecticut.[4]

The vehicle fleet included eight automatic and two manual shift vehicles. The post had one designated driver and two other employees who are licensed to operate the larger, manual-shift vehicles.

Table 1. FY 2012 Annual Vehicle Maintenance and Fuel Cost (in USDE)

Vehicle Model	Fuel	Maintenance	Total Cost	Mileage (Km)
Bus - 2003	1,107	3,209	4,316	4,146
Bus - 2006	1,012	369	1,381	6,535
Ford F 50 - 2007	813	0	813	2,948
Land Cruiser - 2009	3,754	1436	5,190	24,859
Rav 4 - 2009	1,874	243	2,117	11,397
Rav 4 - 2009	882	428	1,310	4,860
Rav 4 - 2009	1,590	1,272	2,862	10,455
Land Cruiser - 2010	4,204	1,975	6,179	30,460
Ford Everest - 2011	913	276	1,189	6,102
Rav 4 - 2012	905	224	1,129	4,795
Totals	**$17,054**	**$9,432**	**$26,486**	**106,557**

During the 12 months ending August 2012, only four out of the 10 vehicles were used regularly by the post staff. These four vehicles accounted for approximately 65 percent of total miles driven and 48 percent of maintenance costs incurred and accumulated between 10,000 and 30,000 kilometers each. The remaining vehicles accumulated between 3,000 to 6,500 kilometers. Despite of low mileage driven, the remaining vehicles accounted for approximately 52 percent of the total maintenance cost. By distributing vehicle use more evenly and reducing the vehicle level, we estimate that the post could save an average of $943 ($9,432 total maintenance cost divided by 10 vehicles) and Peace Corps would receive $20,112 on the average sale per vehicle.[5]

[3] Vehicle Fleet Management working group study 2009.
[4] Jamaica Geography, The World Factbook, March 1, 2009.
[5] Vehicle sale price depends on many factors including the vehicle type, mileage, and the current demand. We estimated sale price based on the average of the two vehicle sales conducted in FY 2012 for $19,101 and $21,123.

According to post's general services officer (GSO), the post uses the larger vehicles primarily during Volunteer pre-service training (PST), in-service training (IST) and other special occasions. The post uses these other vehicles only when the four frequently used vehicles are not available as the staff finds them uncomfortable and more difficult to operate. The post also uses a large capacity vehicle from the U.S. Embassy as needed.

Figure 1. Minibus used during training (left) and vehicles in the post's parking lot (right)

Based on our discussion with staff and analysis of vehicle fleet data, we determined that post should consider leasing vehicles during PST and IST, which would help reduce overall costs to the agency, including lower maintenance costs for vehicles on-hand. We recognize that such action while lowering costs to the agency may shift the annual cost from headquarters to the post. MS 527 chapter 5.2 states, "The Office of Management is responsible for the cost of procurement of replacement vehicles." The Office of Management is not responsible for paying for leased vehicles. Therefore, posts usually bear the costs involved in the lease and do not have an incentive to reduce procurements and fully utilize leasing options.

The Peace Corps' procedures for determining the maximum number of vehicles at a post requires improvement.

Posts establish their vehicle ceiling using a template in the *Vehicle Fleet Management Guide*. Although the template used to determine the vehicle ceiling includes a narrative on the country profile and geographical/environmental factors, these are not required in the base calculation. Instead, the formula only includes specific staff positions, offices, and unique programs. According to the *Vehicle Fleet Management Guide*:

> Vehicle Ceiling:
> The vehicle ceiling is based upon the vehicle ceiling formula and the number of vehicles the Region has approved.
>
> Vehicle Ceiling Formula:
> 1 per Country Director
> 1 per Administrative Officer
> 1 per Medical Unit
> 1 per APCD/PTO
> 1 or 2 PEPFAR HIV/AIDS dedicated vehicles.
> 1 per Training*
> 1 per Regional Staff**

*Training = Post has a permanent training site, large trainee input, multiple PST/IST per year and requires a dedicated training vehicle(s).
**Regional Staff = Post has regional staff that require motor vehicles staged at their location. (Example: APCMO, PCSSO, SRPTC, etc.)

The formula does not include factors related to the size of the geographic area served, number of Volunteers, capability of staff to drive the vehicles, level of vehicles needed during peak periods such as PST and IST, and leasing options in the country. The guide states that the Office of Administrative Services and regional chief administrative officer "may decide to adjust Post's formula ceiling up or down." However, by providing the current formula as the base, the guide encourages posts to use this formula as a minimum and does not encourage the most efficient allocation of the agency's vehicles. A more comprehensive formula would include additional factors in establishing the base and provide guidance to posts on how to reduce the fleet size by using leased vehicles to meet peak demand during specific events, such as PST or IST.

Executive Order 13154 "requires agencies to measure, manage, and reduce greenhouse gas emissions toward agency-defined targets" to include reducing vehicle fleet petroleum use. It also stated that, "Each agency will develop and carry out an integrated Strategic Sustainability Performance Plan that prioritizes the agency's actions toward the goals of the Executive Order based on lifecycle return on investments."[6] Accordingly, reducing the fleet in PC/Jamaica as well as optimizing the fleet vehicle formula would support the agency in meeting the objectives it outlined in its 2012 Sustainability and Performance Plan.

We recommend:

2. That the Office of Administrative Services, in conjunction with the Office of Budget and Analysis, develop a standard process to fund vehicle leases that will promote cost savings through a reduction in post fleet sizes.

3. That the Office of Administrative Services reassess the current vehicle fleet formula and modify the calculation or provide alternatives that to include additional factors such as the size of geographic area served, number of Volunteers, frequency of use and leasing options in country when determining the optimum fleet size.

4. That the country director determine the appropriate number of vehicles required for the post's operation and reduce the number of vehicles accordingly.

PEPFAR

The post did not allocate indirect costs to PEPFAR related activities using consistent and reliable methodology and the agency did not reconcile the staging cost charged to PEPFAR with the actual number of Volunteers assigned to PEPFAR by the post.

[6] The OIG recognizes that E.O. 13154 specifically excludes activities, personnel, resources, and facilities outside the United States. Nevertheless, it its 2012 Strategic Sustainability Performance Plan the agency reiterates former Director Williams comprehensive commitment to sustainability and to applying the principles of the E.O. to both domestic and international operations.

The Department of State PEPFAR website and Office of Global Health and HIV instructions provide guidance for the allocation of indirect cost. FY 12 *Peace Corps Guidance for Implementation Plans* stated that:

> Costs attributed to a group (that includes both PEPFAR-funded individuals and not) can be obligated using percentages. It is not necessary to split-fund all costs of an event or activity based on these percentages. For ease of administration, it is recommended that a group of costs that are roughly equal to the percent of the overall cost attributed to PEPFAR be charged to PEPFAR.

Indirect Costs at the Post. The post allocated direct costs based on the number of Volunteers directly involved in PEPFAR activities. However, the post lacked a consistent and verifiable method of allocating indirect cost to PEPFAR related activities. For example, when all Volunteers (PEPFAR and others) were engaged in common activities, such as IST, the post charged several invoices to PEPFAR. The post could not demonstrate if the amount charged to PEPFAR for common activities was over or under charged based on the guidance.

Staging Costs. The headquarter offices used an estimated number of PEPFAR Volunteers to charge relevant staging costs to PEPFAR. However, Office of Global Health and HIV did not reconcile the final staging cost charged to PEPFAR with the actual number of Volunteers assigned to PEPFAR by the post. Although the post originally estimated eight PEPFAR Volunteers, only six PEPFAR Volunteers were assigned by the post from the FY 2012 staging group. As a result, headquarters overcharged PEPFAR travel and per diem costs by approximately $2,300. Based on our audit, the budget analyst processed a journal voucher to adjust the amount charged to PEPFAR. Without a reconciliation process for staging costs, Peace Corps may not be allocating all of the proper costs to PEPFAR funds.

We recommend:

5. That the director of management and operations, in coordination with Office of Global Health and HIV, develop a methodology for allocating indirect costs to U.S. President's Emergency Plan for AIDS Relief related activities and consistently use it.

6. That the Office of Global Heath and HIV implement a process to reconcile the staging costs charged to U.S. President's Emergency Plan for AIDS Relief funds to ensure the costs are properly allocated.

VALUE ADDED TAX

The post did not consistently present its tax exemption certificate at point of sales and did not claim refunds for VAT paid.

The country agreement between the U.S. Peace Corps and the government of Jamaica, states:

> The Government of Jamaica will exempt from all taxes, customs duties and other charges, all equipment and supplies introduced into or acquired in Jamaica by the Government of the United States, or any contractor financed by it, for use hereunder.

At the time of the audit, the post did not have a valid registration with the Ministry of Finance for VAT refunds. The post is allowed to claim exemption at the point of sale by issuing a letter requesting vendors not to charge value added tax. Further, the post was entitled to claim refunds for past tax payments up to six years with active and valid registration with the Ministry of Finance. According to the Jamaican Tax Administration, the post was allowed to claim any taxes paid to vendors up to six years back with valid registration with the Ministry of Finance. Even though post did not have a valid registration, it could still submit an application for registration with the Ministry of Finance to get refunds for the past two years. Additionally, we noted instances where vendors charged the post tax because the post did not provide a letter for exemption to the vendor in a consistent manner, which contributed to the post not taking full advantage of the tax exemption.

During our audit, we reviewed a judgmental sample of 146 vouchers from FY 2012 to identify the types of invoices with tax charges included in the invoice. We determined that 17 vouchers included vendor's invoices with total unclaimed VAT of $1,500. In addition, we determined that the post did not always claim VAT refund on travel and credit card charges.

We recommend:

7. That the director of management and operation develop a process to maximize getting tax deducted from the invoice at the point of sale and request tax refunds from the Ministry of Finance when post in unable to remove taxes at the point of sale.

PROPERTY MANAGEMENT

The post did not track residential furniture in the property management system.

The Peace Corps' *Personal Property Management Handbook* requires posts to track residential assets with a life expectancy of over one year and an initial acquisition cost of $100 or more. During our audit, we noted that BarTracks, the post's property management system, did not include residential furniture. The post's management was not aware that such items should be tracked and inventoried. According to the *Personal Property Management Handbook*, "Proper management of U.S. Government property ensures that needed assets are available, usable, and functioning appropriately throughout their life span to allow Peace Corps Staff and Volunteers to perform their duties in the most effective manner possible."

We recommend:

8. That the post update the information in the BarTracks system to include all required properties and information, including residential assets, in compliance with MS 511 and relevant guidance.

BILLING AND COLLECTION

The post did not properly separate duties of issuing, voiding, and approving bills of collection (BOC).

The *Overseas Financial Management Handbook* chapter 7 states:

> Posts must maintain separation of responsibly in the performance of billing and collection to ensure that adequate internal controls are in place.
>
> The same individual who performs the collection activities may not perform billing activities. The Administrative Officer (Director of Management and Operations) (AO) or the Financial Assistant normally serve as the Billing Officer.

Key roles and responsibilities in the BOC process include the billing officer who determines the amount owed and prepares the BOC, the collection officer who receives the payment, and the supervisor who reviews BOC to ensure payments are received timely and in full. The post lacked proper separation of duties because the DMO was acting as the billing officer and the approving official for financial transactions. The DMO supervised the cashier, who served as collection officer, and could also issue and void BOC.

We also noted that the post had not assigned or trained a back-up for the billing officer, which could have assumed responsibilities as an acting billing officer. Proper separation of duties is necessary to mitigate the risk of fraud and misappropriation of agency funds.

We recommend:

9. That the director of management and operations assign a billing officer and back-up for billing officer and collection officer.

MEDICAL CONFIDENTIALITY

The post did not properly safeguard Volunteers' medically confidential information included in pharmacy invoices.

The *Overseas Financial Management Handbook* chapter 66 states:

> The names of the Trainees/Volunteers are required so that approving and certifying officers can verify that those receiving the supplies/services are serving as Volunteers. This information is required on all vouchers but it must be emphasized to all staff privy to this information, including administrative assistants, cashiers, or others, that the information must be held in the strictest of confidence and that any violation of the Volunteers privacy may result in termination.

To maintain medical confidentiality, the section provides a series of steps to be followed by the post and certifying officers, including placing invoices with confidential information in sealed envelopes.

During our review of disbursement vouchers for medical supplies the post did not follow this guidance on medical confidentiality. We noted that the Peace Corps medical officer issued prescriptions to Volunteers to obtain medicine from retail pharmacies, instead of maintaining inventory of required medicine at the post. After filling the prescriptions, the pharmacy submitted invoices to the post for payment. The pharmacy invoices included Volunteer names and medications provided. These invoices were approved by the Peace Corps medical officer and were provided to the finance staff for processing, without placing the information in sealed envelopes. These invoices and their copies were easily accessible to several post staff. As a result, Volunteer's medically confidential information was exposed to non-medical staff without explicit approval of the Volunteers. Disclosure of medically confidential information is a violation of Peace Corps policies and can compromise Volunteer safety.

We recommend:

10. That the country director instruct post staff to comply with the *Overseas Financial Management Handbook* requirements to protect medically confidential information of Volunteers.

Questioned Costs and Funds to be Put to Better Use

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

Funds to be Put to Better Use

Recommendation number	Description	Amount
6	Estimated sale price of the excess vehicle and annual maintenance cost	$21,055
9	Potential unclaimed Value Added Tax	$1,500

Unsupported Cost

Recommendation number	Description	Amount
1	The post made payment to the Ministry of Foreign Affairs to pay monthly office lease expenses to the lessor without valid obligating documents.	$373,000

The Inspector General Act defines funds put to better use and questioned costs as the following:

- Funds to be put to better use: funds that could be used more efficiently if management took actions to implement and complete the recommendation.

- Questioned costs: 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 post sign a memorandum of understanding with the Ministry of Foreign Affairs and Trade detailing the roles and responsibilities of the post and the ministry and record host country contribution per agency policy.

2. That the Office of Administrative Services, in conjunction with the Office of Budget and Analysis, develop a standard process to fund vehicle leases that will promote cost savings through a reduction in post fleet sizes.

3. That the Office of Administrative Services reassess the current vehicle fleet formula and modify the calculation or provide alternatives that to include additional factors such as the size of geographic area served, number of Volunteers, frequency of use and leasing options in country when determining the optimum fleet size.

4. That the country director determine the appropriate number of vehicles required for the post's operation and reduce the number of vehicles accordingly.

5. That the director of management and operations, in coordination with Office of Global Health and HIV, develop a methodology for allocating indirect costs to U.S. President's Emergency Plan for AIDS Relief related activities and consistently use it.

6. That the Office of Global Heath and HIV implement a process to reconcile the staging costs charged to U.S. President's Emergency Plan for AIDS Relief funds to ensure the costs are properly allocated.

7. That the director of management and operation develop a process to maximize getting tax deducted from the invoice at the point of sale and request tax refunds from the Ministry of Finance when post in unable to remove taxes at the point of sale.

8. That the post update the information in the BarTracks system to include all required properties and information, including residential assets, in compliance with MS 511 and relevant guidance.

9. That the director of management and operations assign a billing officer and back-up for billing officer and collection officer.

10. That the country director instruct post staff to comply with the *Overseas Financial Management Handbook* requirements to protect medically confidential information of Volunteers.

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 of PC/Jamaica covered fiscal years 2010, 2011, and 2012. We expanded our audit scope to FY 2008 as needed for to achieve audit objectives regarding leases. While at the post, we interviewed key staff including the country director, DMO, 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
- PEPFAR
- 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: federal regulations, the *Peace Corps Manual*, *the Overseas Financial Management Handbook*, *Medical Technical Guidelines*, and other Peace Corps policies and initiatives.

APPENDIX B: LIST OF ACRONYMS

BOC	Bill of Collection
DMO	Director of Management and Operations
FY	Fiscal Year
GSO	General Services Officer
HCC	Host Country Contribution
IAP	Inter America Pacific
IST	In-service Training
JMD	Jamaican Dollar
MOU	Memorandum of Understanding
MS	*Peace Corps Manual* Section
OACM	Office of Acquisitions and Contract Management
OGAP	Office of Global Accounts Payable
OIG	Office of Inspector General
PEPFAR	President's Emergency Plan for AIDS Relief
PST	Pre-service Training
USDE	United States Dollars Equivalent
VAT	Value Added Tax

APPENDIX C: LETTER FROM THE MINISTRY REGARDING THE LEASE AGREEMENT

MINISTRY OF FOREIGN AFFAIRS AND FOREIGN TRADE

TELEPHONE,
(876) 926 4416 - 9
(876) 926 4220 - 8
Facsimile:
(876) 929 6733

21 DOMINICA DRIVE
P.O. BOX 624
KINGSTON 5
JAMAICA

Reference: 99/801/110

February 28, 2008

Mr. Gordon Tewani
Tewani Limited
Tropical Plaza
KINGSTON 10

RE: Expenses – United States Peace Corps of Jamaica

The Ministry has been advised by Letter of Intent of the agreed items to be included in the lease agreement to be executed by Tewani Limited and the National Land Agency, represented by the Ministry of Foreign Affairs & Foreign Trade for use of the premises at 8 Worthington Avenue, Kingston 5, by the US Peace Corps, Jamaica as administrative offices.

The particulars show that the annual cost of the lease for the period October 10, 2007 to October 9, 2008 is US$109,272.75. Ministry of Foreign Affairs and Foreign Trade (MFA&FT) will make a monthly payment of J$200,000.00 and US Peace corps will provide the required sum to arrive at a total monthly payment of US$9,106.06. Any further difference caused by movements in the rate of exchange thereby reducing the US$ value of the MFA&FT's obligation of J$200,000 will be bourne by US Peace Corps.

On the basis of the foregoing, the amount required from the US Peace Corps for the next twelve months is approximately US$72,586.72.

Trecia Elliott (Mrs.)
for Permanent Secretary

APPENDIX D: MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT

Since 1961.

MEMORANDUM

To: Kathy Buller, Inspector General

Through: Daljit K. Bains, Chief Compliance Officer

From: Nina Favor, Acting Regional Director, IAP
Carla Ellis, Country Director, Jamaica

Date: June 21, 2013

CC: Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff
Joaquin Ferrao, Deputy Inspector General
Bradley Grubb, Assistant Inspector General, Audits
Nancy Miller, General Counsel for IAP
Carlos Torres, Acting Director, Global Operations
Howard Lyon, Acting Chief of Operations, IAP
Nancy Gehron, Acting Chief Administrative Officer, IAP
Daniel Mandell, DMO, Jamaica

Subject: Agency Response to the Preliminary Report of Peace Corps/Jamaica, September 2012

Enclosed please find the Agency's response to the recommendations made by the Inspector General for Peace Corps/Jamaica, as outlined in the Preliminary Report of the Audit of the IG Audit sent to the Agency on May 9, 2013.

The Region concurs with all 7 recommendations assigned to post by the OIG in its Preliminary Audit Report: Peace Corps/Jamaica. The remaining 3 recommendations are assigned to OAS and OGHH. Post has addressed and provided supporting documentation for Recommendation 8. OGHH has addressed and provided supporting documentation for Recommendation 6. Post and Headquarters will work to address the remaining recommendations by the set target dates.

The Region will continue to work with Post and the departments identified in the Preliminary Report to ensure closure of these recommendations by the dates included within for outstanding recommendations.

Recommendation 1

That the post sign a memorandum of understanding with the Ministry of Foreign Affairs and Trade detailing the roles and responsibilities of the post and the ministry and record host country contribution per agency policy.

Concur

Response: Post will sign a memorandum of understanding with the Ministry of Foreign Affairs and Foreign Trade detailing the roles and responsibilities of the post and the ministry and record host country contributions per agency policy. Post met with the Ministry of Foreign Affairs and Foreign Trade (MFAFT) on Thursday, April 18, 2013: Country Director Carla Ellis and DMO Daniel Mandell met with Mrs. Margaret Jobson, Undersecretary for Foreign Service Operations, and Mrs. Trecia Elliott, Principal Finance Officer. The MFAFT informed Post that the National Land Agency (NLA) has concerns about the MOU, particularly Peace Corps' status as a legal entity in Jamaica and pursuant ability to independently lease office space. Undersecretary Jobson stated that, while the MFAFT did not see an obstacle to Peace Corps independently signing a lease, the MFAFT will not sign the MOU until the National Land Agency has responded. The draft MOU, currently under review by the NLA, was finalized with the MFAFT on May 2, 2013, along with concurrence from GC and other HQ offices. The MFAFT remains unable to provide an estimate of when the NLA might conclude their review. Post has asked the MFAFT for an introduction to an appropriate liaison at the NLA, so Post can work to resolve outstanding issues.

Documents Submitted:

- PC Jamaica-MFA MOU Final Revised 5-2-2013
- RE MOU between MFAFT and Peace Corps (email from Mrs. Trecia Elliott, Principle Finance Officer of the Ministry of Foreign Affairs and Foreign Trade)

Documents to be Submitted:

- Signed MOU with the Ministry of Foreign Affairs and Foreign Trade.

Status and Timeline for Completion:

- December 1, 2013

Recommendation 2

That the Office of Administrative Services, in conjunction with the Office of Budget and Analysis, develop a standard process to fund vehicle leases that will promote cost savings through a reduction in post fleet sizes.

Concur

Response: The Office of Administrative Services will conduct an evaluation to determine if a standard process to fund vehicle leases is necessary to promote/incentivize/encourage fleet reductions. Based upon the evaluation, OAS will work with the Office of Budget and Analysis as necessary.

Documents to be Submitted:
- Results of evaluation conducted by the Office of Administrative Services.
- Vehicle Fleet Management Guide

Status and Timeline for Completion:
- September 30, 2013

Recommendation 3

That the Office of Administrative Services reassess the current vehicle fleet formula and modify the calculation or provide alternatives that to include additional factors such as the size of geographic area served, number of Volunteers, frequency of use and leasing options in country when determining the optimum fleet size.

Concur

Response: The Office of Administrative Services, in coordination with Region, will reassess the current fleet formula and revise the formula to include factors such as area and volunteers served. MS 527 Procedures Manual will be updated by September 30th, 2013.

Documents to be Submitted:
- Procedures Manual

Status and Timeline for Completion:
- September 30, 2013

Recommendation 4

That the country director determine the appropriate number of vehicles required for the post's operation and reduce the number of vehicles accordingly.

Concur

Response: Country Director will submit Vehicle Status Report (VSR) by August 31, 2013 along with a fleet analysis and corresponding fleet size recommendations. Based on this analysis Post may reduce, increase, or maintain the current fleet size.

Documents to be Submitted:

- Vehicle Status Report.
- Analysis of cost of fleet versus leasing options for post's activities
- Memo confirming a fleet size recommendation.

Status and Timeline for Completion:

- October 15, 2013

Recommendation 5

That the director of management and operations, in coordination with Office of Global Health and HIV, develop a methodology for allocating indirect costs to U.S. President's Emergency Plan for AIDS Relief related activities and consistently use it.

Concur

Response: The DMO, in coordination with OGHH, has developed a methodology for allocating indirect costs to PEPFAR for AIDS Relief related activities and will consistently use it. Peace Corps Jamaica will calculate the ratio of PEPFAR V-years over total V-years in September of each year. Using that ratio they will expense appropriate support costs using PEPFAR funds in October.

Documents Submitted:

- Methodology for allocating indirect costs to PEPFAR

Documents to be Submitted:

- Spreadsheet of support costs allocated to PEPFAR based on the ratio of V-years

Status and Timeline for Completion:

- November 30, 2013

Recommendation 6

That the Office of Global Heath and HIV implement a process to reconcile the staging costs charged to U.S. President's Emergency Plan for AIDS Relief funds to ensure the costs are properly allocated.

Concur
Response: OGHH signs for all staging costs for PEPFAR-funded Volunteers. The office has now added a step to the process to scan and send the signed staging document to the post DMO. This allows the DMO to understand why funds were obligated against their account and to verify the number of Volunteers funded with their records. In addition, OGHH is working with Budget and the Office of Global Accounts Payable to ensure that once the staging documents reach their level, they charge all purchases correctly based on the number of Volunteers and costs on the document.

Documents Submitted:
- OGHH's Standard Operating Procedure

Status and Timeline for Completion:
- June 14, 2013

Recommendation 7

That the director of management and operation develop a process to maximize getting tax deducted from the invoice at the point of sale and request tax refunds from the Ministry of Finance when post is unable to remove taxes at the point of sale.

Concur
Response: The DMO has developed a process to maximize getting tax deducted from the invoice at the point of sale and request tax refunds from the Ministry of Finance when post is unable to remove taxes at the point of sale. Post will commence implementation of the new process on July 15, 2013, to allow time to train Post staff. Additionally, Post will undertake a review of credit card invoices from the last three years and request reimbursement for taxes paid, to be completed December 20, 2013.

Documents Submitted:
- Process for Maximizing Tax Exemption from Point of Sale and Requesting Tax Refunds

Status and Timeline for Completion:
- July 15, 2013

Recommendation 8

That the post update the information in the BarTracks system to include all required properties and information, including residential assets, in compliance with MS 511 and relevant guidance.

Concur

Response: Post has updated the information in the BarTracks system to include all required properties and information, including residential assets, in compliance with MS 511 and relevant guidance.

Documents Submitted:

- BarTracks Asset Inventory

Status and Timeline for Completion:

- June 11, 2013

Recommendation 9

That the director of management and operations assign a billing officer and back-up for billing officer and collection officer.

Concur

Response: The DMO has assigned the Financial Assistant to be billing officer, the Administrative Assistant to be back-up for billing officer, and the Cashier to be collection officer. Post needs to work with the Embassy to modify contracts and SOWs for FSN positions (Financial Assistant and Cashier).

Documents to be Submitted:

- Amended SOWs and modified contracts for each position.
- Updated Organization Chart from Post

Status and Timeline for Completion:

- August 1, 2013

Recommendation 10

That the country director instruct post staff to comply with the *Overseas Financial Management Handbook* requirements to protect medically confidential information of Volunteers.

Concur

Response: The Country Director instructed post staff to comply with the OFMH requirements to protect medically confidential information of Volunteers. The DMO has developed a process in compliance with the OFMH.

Documents Submitted:

- Process for handling medical expenditures to protect medically confidential information

Documents to be Submitted:

- Signed confidentiality statements from the FA, Cashier, GSO and Messenger/Driver.

Status and Timeline for Completion:

- July 1, 2013

APPENDIX E: OIG COMMENTS

Management concurred with all 10 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 closed one recommendation (number 8) based on a review of corrective actions and supporting documentation. The remaining recommendations will stay open pending confirmation from the chief compliance offer that the documentation identified in management's response has been received. 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 F: AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Lead Auditor Hal Nanavati and Senior Auditor Waheed Nasser performed the audit of Peace Corps/Jamaica.

Bradley Grubb
Assistant Inspector General for Audit

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please email Assistant Inspector General for Audit Bradley Grubb at bgrubb@peacecorps.gov, or call him at 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 contact 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@peacecorps.gov
Web Form:	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