



Since 1961.

To: Aaron Williams, Director
Helen Lowman, Regional Director, EMA
Daljit Bains, Chief Compliance Officer

From: Kathy A. Buller, Inspector General 

Date: June 21, 2011

Subject: Final Report on the Audit of Peace Corps/Albania
(IG-11-07-A)

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

Management concurred with all four recommendations. We closed two recommendations. Two recommendations remain open pending confirmation from the chief compliance officer that the requested actions have been taken. Our comments, which are in the report as Appendix D, address these matters.

Please accept my thanks for the cooperation and assistance during the audit.

Attachment

cc: Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff/Operations
Elisa Montoya, White House Liaison/Senior Advisor to the Director
Bill Rubin, General Counsel
Joseph Hepp, Chief Financial Officer
Esther Benjamin, Associate Director of Global Operations
David Burgess, Chief of Operations, EMA
Hill Denham, Country Director
Rebecca Gross, Country Desk Officer



Peace Corps Office of Inspector General



Peace Corps/Albania office in Tirana



Source: CIA World Factbook

Final Audit Report: Peace Corps/Albania IG-11-07-A

June 2011

EXECUTIVE SUMMARY

Peace Corps/Albania's financial and administrative operations were functioning effectively and in overall compliance with agency policy and federal regulations. However, we did identify certain operations requiring management action to ensure efficient and effective use of Peace Corps' resources. The following provides a summary of our audit findings and conclusions.

Property Management

The post did not promptly report reoccurring theft of Peace Corps property to the Office of Inspector General (OIG). Further, the general services officer (GSO) did not file the required Personal Property Report of Loss to ensure all losses were documented. As a result, it was difficult to determine the amount of loss or to determine the approximate timeframes of the occurrences.

Personal Services Contracts

The contract files for 13 personal services contracts (PSCs) did not contain the staff member's security recertification. During the audit, the post requested and received the missing recertifications from the regional security officer (RSO).

Post personnel promptly corrected several of the deficiencies noted during our audit. As a result, we were able to note corrective action in our report and reduce the number of recommendations. Our report contains four recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

Management concurred with all four of our recommendations and took timely action to remediate our findings. As a result, we closed two recommendations. The remaining two recommendations are open pending copies of a completed property inventory and contract review.

TABLE OF CONTENTS

EXECUTIVE SUMMARY	i
TABLE OF CONTENTS	1
BACKGROUND.....	1
AUDIT RESULTS.....	1
PROPERTY MANAGEMENT.....	1
PERSONAL SERVICES CONTRACTS	3
PURCHASE CARD	4
INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES	5
QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE	6
LIST OF RECOMMENDATIONS	7
APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY.....	8
APPENDIX B: LIST OF ACRONYMS	9
APPENDIX C: MANAGEMENT’S RESPONSE TO THE PRELIMINARY REPORT	10
APPENDIX D: OIG COMMENTS.....	13
APPENDIX E: AUDIT COMPLETION AND OIG CONTACT	14

BACKGROUND

OIG conducted an audit of Peace Corps/Albania (hereafter referred to as “the post”) from August 30, 2010 to September 17, 2010.

Peace Corps began operating in Albania in 1992, left in 1997 because of civil unrest, and returned in 2003. Since 1992, over 441 Volunteers have served there. Currently, Volunteers work in the areas of community development, health, and English education.

Our overall objective in auditing the post was to determine whether the financial and administrative operations were functioning effectively and complied 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

PROPERTY MANAGEMENT

The post did not promptly report and record thefts and losses.

The post experienced several thefts and losses dating back to May 2007. Staff and Volunteers reported missing both personal and Peace Corps property and cash to the post management, including cash from Volunteer mailboxes, cell phones, and a Peace Corps video camera worth approximately \$700.

In 2009, the country director (CD) and the safety and security coordinator (SSC) worked with the Peace Corps safety and security officer (PCSSO) and the RSO to assess the situation and recommend strengthening controls. Post changed the office locks and increased security. However, the thefts and losses continued. In June 2010 the GSO informed the CD that 30 Peace Corps cell phones and a digital camera were missing from a locked cabinet. In August 2010, the CD and RSO caught a Peace Corps contractor stealing property from the CD’s office. The CD and RSO took immediate administrative action and dismissed the contractor.

The CD communicated his concerns about the lack of security at the post to headquarters and sought advice from the Office of General Counsel. The PCSSO said he contacted OIG at one point but did not pursue an official hotline or investigative action because the property missing at that time was not government property. However, once post staff realized that Peace Corps cameras and cell phones had been stolen, post management should have formally contacted OIG to report the thefts. *Peace Corps Manual* section (MS) 861 states:

The following offenses should be reported to the OIG where they involve Peace Corps staff, Volunteers, Trainees, contractors, experts or consultants or funds (including Host Country, SPA, PASA, Partnership and other Agency funding sources). The nature and scope of any OIG investigation will be determined by the facts of the case, as they develop.” MS 861 lists theft first in the reportable offenses.

Reporting theft promptly helps prevent future losses and ensures the responsible parties are able to provide the necessary support to the post.

In addition, the GSO did not complete report of loss forms. MS 511.10 requires the property officer prepare a Personal Property Loss Report for all missing or damaged property immediately. The CD estimated almost \$5,000 worth of personal and Peace Corps property and cash was missing or stolen. However, without Personal Property Loss Reports it was difficult to determine the full extent and timing of the losses. Filing Personal Property Loss Reports helps ensure management is fully informed and can take necessary action.

In response to this audit, post created a personal property loss report (in the amount of \$4,973) for all of the missing property. For all property losses identified during inventories and during normal business, the post must ensure a property loss report is filed. The requirement that post personnel report property losses to the GSO for preparation of a property loss report should be well documented in the staff handbook and communicated as necessary.

We Recommend:

1. That the director of management and operations document the requirement for reporting lost Peace Corps property and the process for submitting Personal Property Loss Reports. The process must include notifying the Office of Inspector General if the loss is the result of suspected theft.

Post did not ensure proper separation of duties regarding property management.

MS 511.5.6 states, “Individuals other than the Property Officer check database property reports against physical inventory of property to confirm the existence of property listed on the inventory record.”

Although the post conducted annual inventories, the property officer, who maintained the property records, also conducted the physical inventory tests. The same individual should not have control and custody over property. The separation of these duties helps provide checks and balances and reduces the risk of theft or abuse.

We Recommend:

2. That the country director appoint an individual other than the property officer to conduct the physical inventory.

The GSO did not maintain an accurate and up-to-date property inventory listing.

During our audit we selected 37 properties items from the inventory to verify physical existence. The GSO posted a list of property for each room that helped facilitate the physical verification of property. However, we could not locate a CD-burner, battery charger, or small cupboard. In addition, the records for two stolen items had not been updated and three items were listed with incorrect property tag numbers. During our visit, the acting GSO corrected the inventory; therefore, no recommendation is necessary.

PERSONAL SERVICES CONTRACTS

PSC files were not always complete and contained errors.

PSC files were well organized into folders containing the contract, security information, performance evaluations, and competition. The files also included checklists to track documentation completion. However, we reviewed 10 out of 17 recent PSC files and identified the following errors and omissions.

- A contract for a driver did not include the required overtime rate. The error was a result of the mail merge software and did not affect the obligation or payment amounts. During the audit the director of management and operations (DMO) corrected the overtime amount and revised the contract and statement of work to remove the supervisory function; therefore, no recommendation is necessary.
- One contract inappropriately used the term “supervise” in the statement of work. Contractors are not permitted to perform inherently government functions, including supervising staff. MS 743.5.3 states that “Individuals serving under Personal Services Contracts may not perform inherently government functions, which include...c) supervising Peace Corps employees.” During the audit the DMO revised the statement of work to remove the term “supervise.”
- One contract did not include a delegation of authority from the Office of Acquisitions and Contract Management (OACM) for a contract that exceeded \$100,000. This oversight occurred because the contractor transitioned to a new job but the delegation of authority was attached to the previous assignment. According to MS 114 OACM must approve contracts in excess of \$100,000.¹ During the audit, the DMO requested and received the delegation of procurement authority from OACM.
- Four of the 10 PSC files we reviewed did not contain a security recertification from the RSO. MS 743.8.2 states that, “The CD must request re-certification of a continuously employed PSC every five years in accordance with 12 FAM 420.” When the DMO requested the RSO perform a security recertification of the PSCs, the RSO sent an email stating that the PSCs

¹ Peace Corps revised MS 114 in January 2011 to provide OACM with authority to authorize, execute, amend, terminate, or administer all contracts, leases, agreements, or other procurements. OACM redelegates authority to post personnel with specific limitations.

were already approved for recertification, but did not list which PSCs. Without a list or individual certificates, the DMO cannot ensure staff members have the required security certification. In response to the audit, the DMO requested that the RSO provide a full listing of staff security certification and re-certification dates. In March 2011, the RSO provided a listing that showed that all PSCs held current certifications.

Accurate and complete contract files are necessary to ensure fair and equitable personnel practices and to avoid disputes. Further, current security certifications are necessary to help ensure trusted personnel work for the Peace Corps and that Peace Corps personnel and resources are safe.

We Recommend:

3. That the director of management and operations develop and implement a process to review contract files for completeness and accuracy, on a reoccurring basis and ensure security recertifications are being performed.

PURCHASE CARD

Purchase card transactions were not always supported by proper authorization and documentation.

We reviewed all of the purchase card transactions from fiscal year 2010. Based on our review we determined that most transactions were properly approved and fully supported. However, we identified the following discrepancies:

- One purchase card transaction was not supported by an invoice or a receipt because the order was placed over the phone. Staff stated that the goods were received.
- One purchase card transaction from March 2010 was not properly obligated before the purchase. Since this time, the cashier now requires that the financial assistant provide a print out of the obligation in FORPost before ordering with the purchase card.

MS 731 permits purchase card transactions conducted over the phone. However, purchase card transactions must be fully supported by invoices and receipts to ensure charges are accurate and provide proof of the purchase. MS 731 further states, “the approving officials are responsible for reviewing and approving Cardholder monthly statements of account and all related supporting documents such as funding documentation, Purchase Card logs, sales, receipts, dispute forms, receiving reports, etc.” Before approving the purchase card statement in the credit card online system, the approving official must review the charges for accuracy. Therefore, it is important that the supporting documentation is available for comparing to the transactions to help prevent errors and fraudulent charges.

We Recommend:

4. That the director of management and operations advise staff of the requirement to provide an invoice and receipt for all purchase card transactions before approving the purchase card statement.

INTERNATIONAL COOPERATIVE ADMINISTRATIVE SUPPORT SERVICES

Post did not receive proper authorization for additional International Cooperative Administrative Support Services (ICASS) services.

The post participated in the ICASS process, received and reviewed invoices, and requested modifications to reduce amounts where appropriate. However, the DMO did not have documented approval from the Office of the Chief Financial Officer (OCFO) for two services: (1) security to provide background checks and (2) financial management to process vouchers, collections, and accommodation exchanges.

OFMH chapter 28 describes the basic ICASS services and requires overseas posts obtain a waiver from the chief financial officer for any services not on the list of pre-approved services. CFO Bulletin 06-08 provides a list of services to which overseas posts may subscribe. The chief financial officer manages the ICASS program and ensures overseas posts are not subscribing and paying for unnecessary services by requiring waivers for ICASS services that are not pre-approved. This process helps prevent unnecessary costs and misuse of Peace Corps funds.

In response to our audit the post requested a waiver for the ICASS services from the Office of the Chief Financial Officer. In February 2011 the OCFO “granted a waiver for these cost centers but only for one-off transactions that are unavoidable,” and stated that “security services is approved as it relates to background checks performed by ICASS on LE Staff at post.” Therefore, no recommendation is necessary because post was able to take corrective action before the issuance of the report.

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

We did not identify questioned costs or funds to be put to better use during the course of the audit.

LIST OF RECOMMENDATIONS

We recommend:

1. That the director of management and operations document the requirement for reporting lost Peace Corps property and the process for submitting Personal Property Loss Reports. The process must include notifying the Office of Inspector General if the loss is the result of suspected theft.
2. That the country director appoint an individual other than the property officer to conduct the physical inventory.
3. That the director of management and operations develop and implement a process to review contract files for completeness and accuracy, on a reoccurring basis and ensure security recertifications are being performed.
4. That the director of management and operations advise staff of the requirement to provide an invoice and receipt for all purchase card transactions before approving the purchase card statement.

APPENDIX A

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing overseas posts is to determine whether the financial and administrative operations are functioning effectively and comply with Peace Corps policies and federal regulations. Our audit conclusions are based on information from three sources: 1) document and data analysis, (2) interviews, and (3) direct observation. Our audit was conducted 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The audit of Peace Corps/Albania covered fiscal years 2009 and 2010 through September 17, 2010. While at the post, we interviewed key staff including the CD, DMO, SSC, staff responsible for administrative support, and the medical officer. We also interviewed Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them. At the end of the audit, we briefed the CD and DMO. At headquarters, we conducted a general briefing for the regional staff.

During the audit, staff member were very helpful in coordinating their plans to meet the audit schedule, gathering information, and answering questions. Documentation was well organized and readily available. Staff worked to correct some of issues during the audit which enabled us to document the finding and note that corrective action was already taken.

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*, *Foreign Affairs Manual*, federal regulations, and current Peace Corps initiatives and policies.

APPENDIX B

LIST OF ACRONYMS

CD	Country Director
DMO	Director of Management and Operations
GSO	General Services Officer
ICASS	International Cooperative Administrative Support Services
MS	Peace Corps Manual Section
OACM	Office of Acquisitions and Contract Management
OCFO	Office of the Chief Financial Officer
OFMH	Overseas Financial Management Handbook
PCSSO	Peace Corps Safety and Security Officer
PSC	Personal Services Contractor
PO	Property Officer
RSO	Regional Security Officer
SSC	Safety and Security Coordinator

APPENDIX C

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT



Since 1961.

MEMORANDUM

To: Kathy Buller, Inspector General

Through: Daljit Bains, Chief Compliance Officer *[Signature]*

From: David Burgess, Acting Regional Director, Europe, Mediterranean, and Asia
Hill Denham, Country Director, Peace Corps Albania *[Signature]*

Date: June 7, 2011

CC:
Joaquin Ferrao, Deputy Inspector General
Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff
Esther Benjamin, Associate Director, Global Operations
Bradley Grubb, Assistant Inspector General/Audits
David Burgess, Chief of Operations, Europe, Mediterranean, and Asia
Jake Sgambati, Chief Administrative Officer, Europe, Mediterranean, and Asia
Paul Romeo, Director of Management and Operations, Peace Corps Albania
Rebecca Gross, Country Desk Officer, Albania

Subject: Agency Response to the Preliminary Audit Report of Peace Corps/Albania

Enclosed please find Peace Corps Albania's response to the recommendations made by the Inspector General for Peace Corps/Albania, as outlined in the Preliminary Report of the Audit of the IG Audit sent to the Agency on May 4, 2011.

The EMA Region concurs with all 4 recommendations provided by the OIG in its Preliminary Audit Report: Peace Corps/Albania. Post has addressed and provided supporting documentation for four of the four recommendations.

APPENDIX C

Recommendation

01. That the Director of Management and Operations document the requirement for reporting lost Peace Corps property and the process for submitting Personal Property Loss Reports. The process must include notifying the Office of Inspector General if the loss is the result of suspected theft.

Concur:

Post has submitted Personal Property Loss Reports with the Office of Management and the Office of Inspector General. The requirement for reporting lost property and for submitting Personal Property Loss Reports is included in PC Manual Section 511.10. Post has included the requirement and Peace Corps Manual Section in the Statement of Work (SOW) for the General Services Officer.

Documents Submitted:

- 1) The updated SOW for the General Services Officer.
- 2) The Property Loss Report submitted to Management and the IG

Completion Date:

March 2, 2011

02. That the Country Director appoint an individual other than the property officer to conduct the physical inventory.

Concur:

The Country Director has appointed the Administrative Assistant to conduct the physical inventory at Post.

Documents Submitted:

The updated SOW for the Administrative Assistant.

Completion Date:

March 2, 2011

03. That the Director of Management and Operations develop and implement a process to review contract files for completeness and accuracy, on a reoccurring basis and ensure security re-certifications are being performed.

Concur:

The Director of Management and Operations (DMO) has included security re-certifications in each PSC file, including short-term PSCs. The DMO has tasked the Administrative Assistant to review contract files for completeness and accuracy on a quarterly basis. The Administrative Assistant will use the OACM contract file checklist as a guide.

APPENDIX C

Documents Submitted:

- 1) The updated SOW for the Administrative Assistant
- 2) Security re-certification documentation from the RSO for long-term PSCs (except Mirela Kushta).
- 3) RSO security certification for Mirela Kushta (Administrative Assistant)
- 4) Memo from Country Director regarding security certifications for PST staff

Completion Date:

March 2, 2011

04. That the Director of Management and Operations advise staff of the requirement to provide an invoice and receipt for all purchase card transactions before approving the purchase card statement.

Concur:

The DMO has instructed staff to obtain an invoice and receipt for all purchase card transactions prior to approving the purchase card statement.

Documents Submitted:

- 1) Cashier Invoice Email
- 2) Purchase Card Transactions Email

Completion Date:

March 2, 2011

APPENDIX D

OIG COMMENTS

Management concurred with all four of the recommendations. We closed two recommendations: 1 and 4. The corrective actions address the recommendations. Recommendations 2 and 3 remain open pending confirmation from the chief compliance officer the actions described in the management's response have been completed. For recommendation 2, we request a copy of a complete physical inventory conducted by administrative assistant. For recommendation 3, we request documentation and results from a quarterly review of contracts.

In their response, management described 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 the region or post has 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 E

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Bradley Grubb, Assistant Inspector General for Audit, performed the audit of PC/Albania.



Bradley Grubb, CPA
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 e-mail Bradley Grubb, Assistant Inspector General for Audit, at bgrubb@peacecorps.gov, or call him at (202) 692-2914.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government affect everyone from Peace Corps Volunteers to agency employees to the general public. We actively solicit allegations of inefficient and wasteful practices, fraud, abuse, and wrongdoing related to Peace Corps operations domestically or abroad. Using the OIG contact resources below, you can report information or allegations confidentially or choose to remain anonymous.

Call:

Main Office: 202.692.2900
24-Hour Hotline: 800.233.5874 or 202.692.2915

Write:

Peace Corps
Attn: Inspector General
1111 20th St., NW
Washington, DC 20526

Or

Peace Corps
Attn: Inspector General
P.O. Box 57129
Washington, DC 20037-7129

Email:

OIG@peacecorps.gov

Website:

www.peacecorps.gov/OIG