



# Peace Corps Office of Inspector General

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**Peace Corps office in Belmopan, Belize**



Source: CIA World Factbook

## **Final Audit Report: Peace Corps/Belize IG-11-04-A**

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**March 2011**

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## EXECUTIVE SUMMARY

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Peace Corps/Belize's financial and administrative operations were functioning effectively and in overall compliance with agency policy and federal regulations. We did identify certain operations requiring management action to ensure continued efficient and effective use of Peace Corps' resources. In addition, internal controls over certain operations needed strengthening. The following provides a summary of our audit findings and conclusions.

### Personal Services Contracts

Personal services contracts with performance period of less than one year, issued by the post, included amounts for statutory holiday pay. Holiday pay was to be calculated at one-and-one-half times the standard hourly pay rate. However, the holiday pay rate specified on the contracts was significantly higher. The post took immediate corrective action by issuing contract modifications with the correct holiday hourly pay rate.

### Security Certifications

The contract files for 12 personal service contractors (PSCs) did not contain the staff members' security certifications (clearances). During the audit, the post administrative officer requested and received from the regional security officer 9 of the 12 missing certifications.

### Purchase Card

The post did not retain in the government purchase card transaction files copies of purchase requests and/or documentation for the receipt of the goods and services purchased.

### Real Property

The post was given three houses by the Belize government. However, the post had not determined whether it had valid title to the properties. Further, the post had not fully considered the impact of accepting and maintaining the houses; whether keeping the houses was economically advantageous to the Peace Corps; or if there were additional ramifications of ownership.

Our report contains ten recommendations, which, if implemented, should strengthen internal controls and improve the efficiency and effectiveness of PC/Belize.

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## **TABLE OF CONTENTS**

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|  |           |
|--|-----------|
| <b>EXECUTIVE SUMMARY .....</b>   | <b>i</b>  |
| <b>BACKGROUND.....</b>   | <b>1</b>  |
| <b>AUDIT RESULTS.....</b>  | <b>1</b>  |
| A. PERSONAL SERVICES CONTRACTS .....                                     | 1         |
| B. SECURITY BACKGROUND CERTIFICATIONS .....                              | 2         |
| C. PURCHASE CARDS.....   | 3         |
| D. REAL PROPERTY .....   | 3         |
| <b>QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE.....</b>           | <b>6</b>  |
| <b>LIST OF RECOMMENDATIONS .....</b>                                     | <b>7</b>  |
| <b>APPENDIX A: OBJECTIVE, SCOPE, AND METHODOLOGY.....</b>                | <b>8</b>  |
| <b>APPENDIX B: LIST OF ACRONYMS .....</b>                                | <b>9</b>  |
| <b>APPENDIX C: MANAGEMENT’S RESPONSE TO THE PRELIMINARY REPORT .....</b> | <b>10</b> |
| <b>APPENDIX D: OIG COMMENTS .....</b>                                    | <b>14</b> |
| <b>APPENDIX E: AUDIT COMPLETION AND OIG CONTACT .....</b>                | <b>15</b> |

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## BACKGROUND

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The Office of Inspector General (OIG) conducted an audit of PC/Belize April 13 – April 29, 2010. We previously performed an audit of the post in February 2005 (IG-05-13-A, issued in June 2005).

The Peace Corps commenced its program in Belize in 1962. Since then, over 2,000 Volunteers have served there. At the time of our visit, approximately 160 Volunteers were working in collaboration with government ministries, schools, and local organizations to carry out projects in education, youth development, rural community development, and environmental conservation.

Our overall objective in auditing overseas posts is 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.

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## AUDIT RESULTS

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Overall, PC/Belize's financial and administrative functions were operating effectively and in compliance with agency policy and federal regulations. We found the post's management to be competent and proactive. The programming and training officer was functioning as acting country director during first weeks of our visit. The newly appointed country director arrived at post in the last week of the visit.

We identified certain areas requiring management action to ensure continued efficient and effective use of agency resources, strengthen internal controls, and comply with agency policy and federal regulations. The details of our findings and recommendations are presented on the following pages.

### ***A. PERSONAL SERVICES CONTRACTS***

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***The Personal Services contracts included an incorrect pay rate provision for holiday pay.***

PC/Belize issued/awarded nine short-term personal services contracts to assist the post with pre-service training. The contracts included a provision for holiday pay. The post used a BZ\$ 270 (135 USD) holiday hourly pay rate.

*Peace Corps Manual section (MS) 743.9.3* requires that, in using the personal services contract template, "the blanks should be filled in appropriately...." *MS 743.10.2* requires personal services contractor compensation to be "fair and reasonable."

To meet the fair and reasonable standard, the post should have used a holiday hourly pay rate of BZ\$ 33.75 (16.88 USD) per hour which is equal to one and half times the contractor's regular

hourly pay rate. The discrepancy was overlooked during the administrative officer (AO)<sup>1</sup> and acting country director's (CD) review of the contracts.

Uncorrected, the Peace Corps could have been obligated to pay the holiday rate specified in the contracts. The total cost impact would have been BZ\$ 1,890 (945 USD) per employee and BZ\$17,010 (8,505 USD) in total.

The administrative officer and acting country director took immediate action to correct the error in the contracts by issuing modifications with the corrected holiday hourly pay rate.

**We recommend:**

A.1 That the administrative officer and the country director ensure future short-term personal services contracts contain the correct holiday rate.

***B. SECURITY BACKGROUND CERTIFICATIONS***

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***PSC files did not contain security background certifications.***

Our audit of personal services contract files identified 12 PSCs without a current security background certification on file.

MS 743.8.2 states:

For all host country resident PSCs contracted for 260 work days or more, the Country Director must ask the Regional Security Officer (RSO) or his or her designee to conduct a background investigation (as per 12 FAM 422.4, 19, 20) of the proposed PSC prior to executing the contract .... The CD must request recertification of a continuously employed PSC every five years in accordance with 12 FAM 420. Documentation of the security certification will be filed in the individual PSC's contract file at post.

Failure to obtain security background certifications prior to awarding personal services contracts increases the safety and security risk at the post because the post may inadvertently award a personal services contract to a high-risk employee.

After we discussed this issue to the post, the AO contacted the regional security officer (RSO). The RSO had eight of the missing certifications on file and immediately provided them to the post. The AO requested the RSO to complete background investigations for the remaining four PSCs. Prior to issuing our preliminary audit report, the post administrative officer received the completed the four background investigations from the RSO.

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<sup>1</sup> Subsequent to issuance of the preliminary report, Peace Corps updated the administrative officer's working title to the director of management and operations.

**We recommend:**

B.1 That the post, on an ongoing basis, ensure security background certifications are obtained from the regional security officer in a timely manner in accordance with agency policy.

***C. PURCHASE CARDS***

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***The purchase card files were missing required documentation supporting post purchases.***

The post did not retain in the government purchase card transaction files copies of purchase requests and/or documentation for the receipt of the goods and services purchased.

MS 731.5.6 (d) requires the Peace Corps purchase card program cardholder maintain accurate and complete records of all purchase card transactions. MS 731.5.6 (i) requires the purchase card holder to retain purchase card files for a minimum period of three years.

**We recommend:**

C.1 That the post retain copies of purchase requests and documentation for the receipt of goods and services purchased with the government purchase card, for a minimum period of three years as required by agency policy.

***D. REAL PROPERTY***

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***The post has not determined if retaining donated real property is economically advantageous to the Peace Corps.***

The post was located in the coastal town Belize City until 2007, when it relocated inland to Belmopan. The government of Belize provided the post three houses in Belmopan primarily for use as inland shelters in the event of a coastal hurricane. Post management believed the Belize government owned the houses and provided the post free use of the houses. The post has used the houses for Volunteer housing; temporary staff lodging during pre-service trainings; storage; a medical sick bay; and to house Volunteers during a tropical storm. The AO told us the post expended approximately \$1,600 (USD) in fiscal year 2008 and \$1,140 (USD) in fiscal year 2009 for operation and maintenance of the three properties.

In summer 2009, the AO discovered a folder containing “Land Certificates” for the three houses in the name of Peace Corps/Belize, dated December 9, 2005. The folder also contained a transmittal letter from the Prime Minister “to transfer title for the three houses long occupied by your volunteers to the Peace Corps.” In October 2009, the acting director for the Inter-America and Pacific Operations requested advice concerning the three houses from the Office of General Counsel (OGC). OGC advised the AO and the CD to “check with a local lawyer to make sure Peace Corps really does have full title.”

The post had been reporting the use of the houses as host country contributions based on the Volunteer housing allowance amount for Belmopan. On April 20, 2010, the Office of the Chief Financial Officer issued a policy statement stating that cash and in-kind host country contributions will be reported as fiduciary assets in accordance with Statement of Federal Financial Accounting Standards (SFFAS) number 31. However, because the land certificates do not specify ownership or other interests of the Belize government, the properties may not be fiduciary assets but rather donations and, accordingly, should be reported as real property assets. SFFAS number 6 states that, “The cost of general PP&E [property, plant and equipment] acquired through donation, devise, or judicial process excluding forfeiture...shall be estimated fair value at the time acquired by the government.”

The Peace Corps Act, section 10(a) (4), authorizes the Director of the Peace Corps to accept gifts of services, money, or property for employment or transfer in furtherance of the purposes of the Act. MS 722 cites this authority in providing guidance for host country contributions, but does not discuss the criteria for accepting contributions.

Although MS 721.2.0 states that the policy does not apply to host country contributions to Peace Corps programs, the policy provides useful guidance in dealing with contributions of real property and gift acceptance. This includes defining real property as a gift-in-kind; criteria for gift acceptance; and procedures for acceptance or rejection of gifts.

For example, MS 721.6.1 contains the criteria for gift acceptance, including a determination that the gift is economically advantageous to the Peace Corps, taking into consideration foreseeable expenditures such as storage, transportation, and maintenance; and that acceptance of the gift will not involve expenditure or use of appropriated funds in excess of amounts authorized through the administrative budget advice system, will neither raise a question of impropriety nor conflict of interest; and will not put any financial liability directly or indirectly upon the Peace Corps. Such determinations are useful to protect government interests and ensure efficient use of government funds. In addition, Executive Order 13327, section 4(b), requires “...evaluating the costs and benefits involved with acquiring, repairing, maintaining, operating, managing, and disposing of Federal real properties at particular agencies.”

**We recommend:**

D.1.1 That the post have a local lawyer verify that the Land Certificates, in the name of Peace Corps/Belize, for the three properties from the Belize government are legal and proper under local law.

D.1.2 That, if the post has valid title to the properties, then the post needs to obtain an assessment to determine their value and identify any costs required to bring the properties up to acceptable condition and maintain them on an ongoing basis.

D.1.3 That the post and the region, in consultation with the Office of General Counsel, determine the action to be taken with respect to the properties, giving consideration to the criteria in *Peace Corps Manual* section 721.6.1.

D.1.4 That, if the agency decides to retain the properties, the Office of the Chief Financial Officer determine the proper handling of the properties in the financial records, giving consideration to federal financial accounting standards and other applicable guidance.

D.1.5 That, if it is decided to retain the properties, the post reflect them as host country contributions.

D.1.6 That the Office of Administrative Services, Facilities Management Division, in consultation with the Office of General Counsel, report these properties as required in accordance with Executive Order 13327.

D.1.7 That the Office of General Counsel review *Peace Corps Manual* section 722 to determine if additional guidance is needed to provide criteria for acceptance of host country contributions and define the responsible parties for acceptance.

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## **QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE**

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We did not identify any questioned costs during the course of the audit. We did identify funds to be put to better use as detailed in the following tables.

### **Questioned Costs**

| Recommendation number | Description | Amount |
|-----------------------|-------------|--------|
|                       | None        |        |

### **Funds to be Put to Better Use**

| Recommendation number | Description  | Amount  |
|-----------------------|--|---------|
| A.1                   | Incorrect holiday pay rate on short-term PSC contracts | \$8,505 |

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## LIST OF RECOMMENDATIONS

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### **We recommend:**

- A.1 That the administrative officer and the country director ensure future short-term personal services contracts contain the correct holiday rate.
- B.1 That the post, on an ongoing basis, ensure security background certifications are obtained from the regional security officer in a timely manner in accordance with agency policy.
- C.1 That the post retain copies of purchase requests and documentation for the receipt of goods and services purchased with the government purchase card, for a minimum period of three years as required by agency policy.
- D.1.1 That the post have a local lawyer verify that the Land Certificates, in the name of Peace Corps/Belize, for the three properties from the Belize government, are legal and proper under local law.
- D.1.2 That, if the post has valid title to the properties, then the post needs to obtain an assessment to determine their value and identify any costs required to bring the properties up to acceptable condition and maintain them on an ongoing basis.
- D.1.3 That the post and the region, in consultation with the Office of General Counsel, determine the action to be taken with respect to the properties, giving consideration to the criteria in *Peace Corps Manual* section 721.6.1.
- D.1.4 That if the agency decides to retain the properties, the Office of the Chief Financial Officer determine the proper handling of the properties in the financial records, giving consideration to federal financial accounting standards and other applicable guidance.
- D.1.5 That if the post retains the properties, the post needs to reflect usage value as host country contributions.
- D.1.6 That the Office of Administrative Services, Facilities Management Division, in consultation with the Office of General Counsel, report these properties as required in accordance with Executive Order 13327.
- D.1.7 That the Office of General Counsel review *Peace Corps Manual* section 722 to determine if additional guidance is needed to provide criteria for acceptance of host country contributions and define the responsible parties for acceptance.

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# 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 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 PC/Belize covered fiscal years 2008, 2009, and 2010 through April 30, 2010. While at the post, we interviewed key staff including the acting country director (the programming and training officer), the administrative officer, the safety and security coordinator, 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 newly appointed country director and post management personnel. At headquarters, we conducted a general briefing for the regional staff.

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*, federal regulations, and current Peace Corps initiatives and policies.

## APPENDIX B

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### LIST OF ACRONYMS

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|-------|---|
| AO    | Administrative Officer                              |
| CD    | Country Director                                    |
| OGC   | Office of General Counsel                           |
| OIG   | Office of Inspector General                         |
| MS    | Peace Corps Manual Section                          |
| PSC   | Personal Services Contractor                        |
| RSO   | Regional Security Officer                           |
| SFFAS | Statement of Federal Financial Accounting Standards |

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## MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT

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Since 1961.

### MEMORANDUM

**To:** Kathy Buller, Inspector General

**Through:** Daljit Bains, Chief Compliance Officer 

**From:** Carlos J. Torres, IAP Regional Director

**Date:** January 25, 2011

**CC:** Carrie Hessler-Radelet, Deputy Director  
Stacy Rhodes, Chief of Staff  
Joaquin Ferrao, Deputy Inspector General  
Bradley Grubb, Assistant Inspector General Audits  
Joseph Wagner, Senior Auditor  
Esther Benjamin, Associate Director, Global Operations  
Earl Yates, Associate Director, Management  
Bill Rubin, General Counsel  
Carlos Torres, Regional Director, IAP  
Roger Conrad, Chief of Operations, IAP  
Matt Cain, Administrative Office & Acting Country Director  
Joe Hepp, Chief Financial Officer  
Dawn Hodge, Country Desk Officer

**Subject:** Response to the Preliminary Report of Peace Corps/Belize, November 2010

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Enclosed please find the Region's response to the recommendations made by the Inspector General for Peace Corps/Belize, as outlined in the Preliminary Report of the IG Audit sent to the Agency on November 30, 2010.

The Inter America Pacific (IAP) Region concurs with all 10 recommendations provided by the OIG in its Preliminary Audit Report: Peace Corps/Belize (November 2010).

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.

**Response to the April 2010 Preliminary Report of the Office of Inspector General Financial Audit of Peace Corps/Belize**

**A.1 That the administrative officer and the country director ensure that future short-term personal services contracts contain the correct holiday rate.**

**Concur:** Post will ensure all future short-term PSC contracts have correct holiday rates through completion of PSC contract checklist prior to signing contract.

**Documents Included:** PSC contract checklist, example of short term contract for FY11 Q2 PST.

**Status and Timeline for Completion:** Completed and on-going.

**B.1 That the post, on an ongoing basis, ensure security background certifications are obtained from the regional security officer in a timely manner in accordance with agency policy.**

**Concur:** Post conducted a thorough review and worked with the RSO's office to update its contract files to include copies of background clearances. All current contracted staff hold valid background clearances. Every time Post offers a new contract, or prior to renewal of an option year, we will complete the PSC contract checklist to ensure a valid security clearance covers the proposed period of performance. Post will also track background clearances with the clearance tracking spreadsheet.

**Documents Included:** PSC contract checklist, Clearance tracking spreadsheet

**Status and Timeline for Completion:** Completed and on-going

**C.1 That the post retain copies of purchase requests and documentation for the receipt of goods and services purchased with the government purchase card, for a minimum period of three years as required by agency policy.**

**Concur:** Post will revise its purchase request process for goods and services purchased with the government purchase card. All staff has been trained to use the new micro-purchase request form. The purchase request and documentation for the goods and services purchased by the government will be retained for a minimum period of three years.

**Documents Included:** Micro-purchase template, copies of recent purchase card use documentation.

**Status and Timeline for Completion:** Completed on-going.

**D.1.1 That the post have a local lawyer verify that the Land Certificates in the name of Peace Corps/Belize for the three properties from the Belize government are legal and proper under local law.**

**Concur:** Post received certification reports from the Belize Registry of Land departments verifying Peace Corps Belize is the legal title holder for the properties in question. Please note a lawyer was not required to obtain a certified true copy of the report.

**Documents Included:** Belize Registry of Land certifications for each residence.

**Status and Timeline for Completion:** Completed

**D.1.2 That, if the post has valid title to the properties, the post obtain an assessment to determine their value and identify any costs required to bring the properties up to acceptable condition and maintain them on an ongoing basis.**

**Concur:** Each residence was appraised for value by an independent party. The General Services Coordinator, Safety and Security Coordinator and the Administrative Officer evaluated each residence for immediate repairs/maintenance required, and submitted an estimate for annual costs to Post to maintain the residences in satisfactory condition.

**Documents Included:** Appraisal reports for each residence, Report on immediate costs to improve residences to acceptable and habitable conditions, Report on projected annual costs to maintain residences.

**Status and Timeline for Completion:** Completed

**D.1.3 That the post and the region, in consultation with the Office of General Counsel, determine the action to be taken with respect to the properties, giving consideration to the criteria in Peace Corps Manual section 721.6.1.**

**Concur:** The Government of Belize donated the Belmopan residences to Peace Corps Belize to serve as hurricane shelter when Post's office was located in Belize City. Now that the office is located in Belmopan, and more secure locations for shelter identified, we no longer require the residences to serve as shelter during a hurricane. Post proposes the following action: 1) retain 30 Mayflower for short term PCV lodging needs related to medical or safety/security related issues when visiting the Belmopan office; 2) retain 26/28 Cardinal through November 2011 to accommodate PCV currently residing there, then return to Government of Belize; 3) immediately return 22 Cayo residence to the Government of Belize.

The region will confer with General Counsel and determine the action that needs to be taken.

**Status and Timeline for Completion:** February 28, 2011

**D.1.4 That, if the agency decides to retain the properties, the Office of the Chief Financial Officer determine the proper handling of the properties in the financial records, giving consideration to federal financial accounting standards and other applicable guidance.**

**Concur:** PC Belize interested in retaining only one of the properties. IAP will follow up with CFO to determine proper documentation requirements.

**Status and Timeline for Completion:** Open: February 28, 2011

**D.1.5 That if it is decided to retain the properties, the post reflect them as host country contributions.**

**Concur:** Post has and continues to include the donated residences in its quarterly HCC report to CFO. Beginning in FY10, Post has also included the residences in the Operating Plan under property rental. Post calculates the HCC amount based on the current monthly PCV housing allowance amount for volunteers serving in Belmopan (where the residences are located).

**Documents Included:** Latest HCC quarterly report, HCC Summary report of FY11 Op Plan

**Status and Timeline for Completion:** Completed and on-going.

**D.1.6 That the Office of Administrative Services, Facilities Management Division, in consultation with the Office of General Counsel, report these properties as required in accordance with Executive Order 13327.**

**Status and Timeline for Completion:** Region will follow-up with the appropriate departments as listed above to ensure properties are reported as per Executive Order 13327.

**Status and Timeline for Completion:** February 28, 2011

**D.1.7 That the Office of General Counsel review Peace Corps Manual section 722 to determine if additional guidance is needed to provide criteria for acceptance of host country contributions and define the responsible parties for acceptance.**

**Status and Timeline for Completion:** Region will follow-up with GC to determine if additional criteria for acceptance of host country contributions as well as define the responsible parties for acceptance.

**Status and Timeline for Completion:** February 28, 2011

## APPENDIX D

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### OIG COMMENTS

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Management concurred with all 10 recommendations. We closed six recommendations: A.1, B.1, C.1, D.1.1, D.1.2, and D.1.5. Four recommendations remain open: D.1.3, D.1.4, D.1.6, and D.1.7. These recommendations remain open pending confirmation from the chief compliance officer the following actions have been completed:

- Recommendation D.1.3: The Government of Belize agrees to retake possession of the residences at 26/28 Cardinal and 22 Cayo.
- Recommendation D.1.4: The Office of the Chief Financial Officer determines and makes the appropriate recognition of the three properties to Peace Corps' financial books and records.
- Recommendation D.1.6: The Office of Administrative Services, Facilities Management Division reports these properties, as required, in accordance with Executive Order 13327.
- Recommendation D.1.7: The Office of General Counsel determines if additional guidance is needed to provide criteria for acceptance of host country contributions and define the responsible parties for acceptance.

## APPENDIX E

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### AUDIT COMPLETION AND OIG CONTACT

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#### AUDIT COMPLETION

Joseph Wagner, Forensic Auditor, performed the Peace Corps/Belize audit.



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](mailto: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](http://www.peacecorps.gov/OIG)