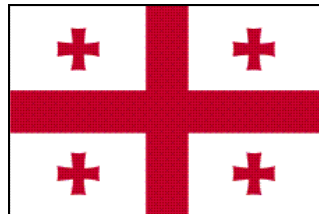




Peace Corps Office of Inspector General



Peace Corps/Georgia office building (left) and garden (right)



Georgian Flag

FINAL AUDIT REPORT

Peace Corps/Georgia

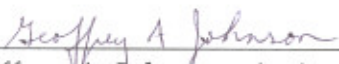
January 2008



FINAL AUDIT REPORT

Peace Corps/Georgia

IG-08-05-A



Geoffrey A. Johnson, Acting Inspector General

January 2008

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EXECUTIVE SUMMARY

OUR MISSION

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

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

We found that Peace Corps/Georgia’s financial and administrative operations and its compliance with agency policies and federal regulations required improvement in several areas.

We also found that the country director and administrative officer corrected a number of deficiencies in FY 2007 which existed prior to their arrivals at the post.

Some of the more important findings are summarized below:

Billings and collections – The post had a significant deficiency in internal control over billings and collections. Specifically:

- The cashier performed both the billing and collection functions from approximately September 2005 until March 2007.
- The billings officer did not keep a billings register until June 2007. The new register did not always contain complete descriptions to facilitate a meaningful review.
- The post did not maintain documentation supporting all billings, particularly for personal phone calls.
- Except for international personal phone charges, the financial assistant did not review the detailed phone bills to determine whether all personal calls had been identified.

In addition, the post did not always bill and collect in a timely manner for personal calls made by staff and Volunteer wardens, and permitted excessive personal calls, primarily international calls.

Volunteer Allowances – The post did not conduct settling-in allowance surveys in FY 2006. At the time of our audit, the post was in the process of conducting these for the Volunteer group that had recently sworn in.

Host country contributions – The post did not reflect the effects of value added tax payment and Volunteer identity card fee waivers by the Georgian government as host country contributions in its operating plan.

Vehicle management – Staff responsible for monitoring vehicle usage did not review the daily vehicle usage logs and document their review, until beginning June 2007.

Travel management – Staff did not always submit their international travel vouchers within five days of a trip's completion.

Personnel management – The post's overtime policy for drivers requires review; overtime peaks during busy periods resulted in drivers not being compensated for all hours worked. Also, the timekeeper did not enter all information accurately on the staff's official time and attendance records.

Procurement – The post had not obtained from the Regional Security Officer five-year security investigation updates for the five post staff members requiring them. In addition, the post's policy on handling unused vacation time differed between the personal services contracts and the post's personal services contractor (PSC) Handbook; the Handbook's policy was the one used by the post.

Information security – The post's swearing-in cable sent to headquarters in August 2007 contained the new Volunteers' full social security numbers.

The section "Post Staffing" includes a summary of comments from post staff whom we interviewed.

Our report contains 15 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

INTRODUCTION

GENERAL

The Office of Inspector General conducted an audit of Peace Corps/Georgia September 14 – October 5, 2007. This was the post’s first audit since its opening in fiscal year 2001.

BACKGROUND

Over 250 Volunteers have served in Georgia. At the time of our audit, 82 Volunteers were working on projects in Teaching English as a Foreign Language (TEFL) and Business and Social Entrepreneurship.

The post has had six administrative officers and four country directors since its start-up. At the time of the audit, the administrative officer had been at the post seven months; the country director, about one year.

OBJECTIVE

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

AUDIT RESULTS

Peace Corps/Georgia's financial and administrative operations, and its compliance with agency policies and federal regulations, required improvement in several areas. For example, we found that the post did not:

- Establish proper procedures and internal controls over billings and collections.
- Conduct a Volunteer settling-in allowance survey in FY 2006.
- Review the daily vehicle usage logs.
- Ensure that staff submitted their travel vouchers on time.
- Accurately record staff time and attendance in the official records.

As noted in the various sections below, the country director and administrative officer corrected in FY 2007 a number of deficiencies which existed prior to their arrivals at the post.

BILLINGS AND COLLECTIONS

CONTROLS AND PROCEDURES

The post did not establish appropriate billing and collection procedures and internal controls.

The Government Accountability Office's "Standards for Internal Control in the Federal Government" (GAO Standards) state:

Internal control, which is synonymous with management control, helps government program managers achieve desired results through effective stewardship of public resources.

Further,

Internal control also serves as a first line of defense in safeguarding assets and preventing and detecting errors and fraud.

The post's billing and collection procedures and related internal controls required improvement. Specifically, the post did not:

- Segregate the billing and collection functions.
- Maintain a billings register, with complete descriptions.

SEGREGATION OF DUTIES

- Adequately document billing and collection activities.
- Perform a thorough review of the phone bills.

As noted below, the post corrected several of the deficiencies; however, additional action is required.

The post's billing and collection functions were not segregated.

GAO Standards state:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud...No one individual should control all key aspects of a transaction or event.

Contrary to proper segregation of responsibilities, billings and collections were performed by one person, the cashier, from approximately September 2005 until March 2007.

The financial assistant told us the reason given by the prior administrative officer for placing both functions under the cashier was to more evenly spread the unit's work. The cashier stated that she raised a concern at the time with the administrative officer regarding the inherent conflict. The cashier did not take the matter to the country director, she told us, because, "[t]he administrative officer was my front line supervisor."

The administrative officer segregated these responsibilities in March 2007, soon after his arrival at the post.

BILLINGS REGISTER

The billings officer did not maintain a billings register.

A detailed billings register (billings log) is required by Peace Corps Manual (PCM) section 777.5.0 and Overseas Financial Management Handbook (OFMH) section 7.2.1. The register is an essential document for ongoing monitoring and control over billings and collections and for the administrative officer's regular, periodic review required by PCM section 777.3.1.

The billings officer did not keep a billings register until June 2007. She re-created the register for FY 2006 and FY 2007

**BILLINGS
DOCUMENTATION**

through June 2007 using her billing records. However, the register for July – August 2007, along with the related bills of collection, did not always include complete descriptions of the nature of the billings. The descriptions on the general receipts were also not always complete.

The financial assistant told us that the register, without collections information, was discontinued in FY 2003 because, “[n]o one ever asked about it or reviewed it.” The administrative officer told us he has been reviewing the billings register monthly.

Precise descriptions in the register would permit a more effective review.

The post did not maintain adequate billings documentation.

GAO Standards state:

Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination.

The post did not maintain documentation supporting all billings, in particular, the phone bills on which staff and Volunteer wardens had identified their personal calls. Thus, we were unable to verify that the staff and wardens had identified all their personal charges on the phone bills, and that all identified personal charges had been properly billed and collected.

PHONE BILL REVIEW

The billings officer did not perform a complete review of the monthly phone bills.

The financial assistant told us she did not review the detailed phone bills, other than for international calls, to determine that all personal calls had been identified.

OFMH section 7.2.1 states as one of the billing officer’s responsibilities:

Determine the amount owed based on the following documentation/information: personal use of telephone/fax – itemized bill from the utility company.

PERSONAL PHONE CHARGES

The above items taken together constituted a significant deficiency in internal control over a key financial area and resulted in the possibility of billing and/or collection errors going undetected.

The post did not bill and collect timely for personal calls; further some personal charges were excessive.

PCM section 777.8.0, “Amounts due from Agency Employees, Volunteers, Experts, etc.,” states that the billing officer “will issue a separate or summary bill at the end of each month.” In addition, PCM section 777.16.4 states: “[a]n employee indebtedness should be settled promptly.”

Further, PCM section 777.15.1 states: “[a]ggressive action ... shall be taken by the appropriate office heads or field officials to collect all claims.”

The post did not bill and collect in a timely manner for personal phone calls made by staff and wardens on post-issued cell phones. For example, a billing of \$266 in local currency equivalent for personal cell phone calls in May 2007 was issued and collected in August 2007; a billing of \$557 in local currency equivalent for personal cell phone calls for the period October 2006 – February 2007 was issued and collected in April 2007.

The billings officer told us that phone bills, upon their receipt at the beginning of the month, were placed in the mailboxes of staff and wardens for them to identify their personal calls. The billing officer issued the bills of collection when the analyzed bills were returned to her.

In addition, several staff and wardens had excessive personal phone billings, which principally reflected international calls. Examples included billings of \$527, \$499, and \$305 in local currency equivalent.

In June 2007, the post prohibited international calls on the phones of most staff and all wardens. Also, in May 2007, the post determined that wardens should use their official cell phones for official calls only. However, a warden, on vacation outside the country from August to September 2007, used her post-issued warden cell phone. She told us she did not realize that making international calls was no longer permitted on warden cell phones.

RECOMMENDATIONS

Effective billing and collection procedures, clearly communicated and diligently enforced, along with effective internal controls, are essential to the management of post assets.

We recommend:

- 1. That the billings officer include in the billings register complete descriptions of the billings.**
- 2. That the administrative officer ensure that descriptions in the billings register are complete and adequate to perform his periodic review.**
- 3. That the billings officer include complete descriptions of the billings on the bills of collection, and that the collections officer include complete descriptions of the collections on the general receipts.**
- 4. That the post establish a policy whereby the billings officer is required to provide phone bills to staff having post-issued cell phones immediately upon the overall phone bill's receipt, and that staff are required to settle their personal phone charges within a timely period thereafter.**
- 5. That the administrative officer closely monitor the prohibition of international personal calls on post-issued cell phones and take appropriate action on offenders.**

IMPREST FUND MANAGEMENT

IMPREST FUND SECURITY

The cashier did not personally set the combination to the imprest fund safe.

PCM section 760.9.4 requires that the cashier personally set the combination and change it at least annually. The policy states: "The security officer or technician is not allowed to set or know the combination to the safe."

However, the post relied on a representative from the U.S. embassy's engineering security office (ESO) to change the combination annually.

Having the cashier as the sole person who sets the combination and changes it at least annually reflects the cashier's responsibility for safeguarding the imprest fund and personal accountability for its contents.

During the course of the audit, the RSO stated that he would request a representative from the ESO to train the cashier how to change the combination during the representative's next visit to the post.

Subsequent to the audit, the administrative officer reported to us that the embassy's Security Technical Specialist came to the post and trained the cashier how to change the combination, and that she proceeded to change the combination herself without assistance. Consequently, no recommendation is being made.

VOLUNTEER ALLOWANCES

SETTLING-IN ALLOWANCE SURVEYS

The post did not conduct settling-in allowance surveys in FY 2006.

At the completion of pre-service training, newly assigned Volunteers are given a settling-in allowance to provide for their needs when arriving at their sites. PCM section 221.3.1 states that the allowance is for the purchase of "necessary housing supplies, clothing, and equipment."

To verify that the allowance is appropriate, PCM section 221.4.2 requires that the post conduct Volunteer settling-in allowance surveys and related independent surveys.

The post did not conduct these surveys in FY 2006. The administrative officer did not know why these were not conducted. At the time of the audit, the post was in the process of conducting settling-in surveys for the Volunteer group that swore in August 24, 2007.

LIVING ALLOWANCE DEDUCTIONS

The post deducted from the Volunteers' living allowances contributions to a small projects fund.

The Peace Corps Act, section 2504 (b), which is included in PCM section 101.1.0, states:

Volunteers shall be provided with such living, travel, and leave allowances...necessary for their maintenance and to insure their health and their capacity to serve effectively.

This is reinforced by the definition of living allowances in PCM section 221.3.2 as: "allowances paid to Volunteers for their support while in their country of assignment."

Until June 2007, the post deducted from the Volunteers' living allowance voluntary contributions to a "One Percent Fund." The deducted amount was held by a Volunteer. The fund was used to finance small projects selected by a Volunteer committee.

In June 2007, the country director contacted the Office of the General Counsel and the region's chief of operations for guidance upon her learning that a similar fund at another post had recently been terminated.

The region's chief of operations replied that:

There is no legal authority for Peace Corps posts to maintain or operate such unauthorized funding vehicles (see PCM section 721). In addition, no Peace Corps employee has any authority to withhold part of a PCV's Living Allowance for any reason, except those purposes stated in the Peace Corps Manual. Operating a small grants fund on the side is not an authorized purpose.

The country director closed the fund in June 2007; accordingly, no recommendation is being made.

HOST COUNTRY CONTRIBUTIONS

EXEMPTION FROM TAXES AND FEES

The post did not reflect the exemption from value added tax and identity card fees as host country contributions in its operating plan.

PCM section 722.5 lists “exemption from taxes and fees” as an example of a host country contribution.

The Georgian government waived the payment of value added tax (VAT) and Volunteer identity card fees. However, the post did not reflect the effects of these items as in-kind host country contributions in its operating plan.

According to the administrative officer, the post has not been keeping track of VAT; however, for payments made using the travel and purchase cards, which are controlled in logs, he determined that the amount of VAT waived was \$7,344. In addition, according to the administrative officer, the post obtained 117 Volunteer identity cards in FY 2007; the cost of these cards, \$7,729 in local currency equivalent, was waived by the Georgian government.

Including these in the operating plan reflects the host government’s contribution to post operations.

RECOMMENDATION

We recommend:

- 6. That the post include the effects of the exemption by the Georgian government of Volunteer identity card fees and value added tax as host country contributions in its operating plan.**

VEHICLE MANAGEMENT

VEHICLE LOG REVIEW

Staff did not review the daily vehicle usage logs.

PCM section 522.4.1.7 requires that the administrative officer review the daily vehicle usage logs on a weekly basis and maintain them for review by the country director on a monthly basis. Additionally, PCM section 527.6.1 requires that staff members responsible for keeping vehicle maintenance records, initiating vehicle repairs, and billing for authorized non-official use, review, initial, and date the logs weekly.

The administrative officer began reviewing the daily vehicle usage logs in June 2007, and the general services manager (GSM) began reviewing, initialing, and dating the logs in September 2007. The GSM told us that he had been reviewing the logs beginning in April 2007, but that he had not been documenting his review.

Review of the logs is an important procedure to verify that the post's vehicles are being used appropriately.

Because the required staff members are presently performing the required reviews and documenting them, no recommendation is being made.

TRAVEL MANAGEMENT

TRAVEL VOUCHER TIMELINESS

Staff did not always submit their travel vouchers within five days of a trip's completion.

PCM section 812.18.10 states that travel vouchers "must be completed and submitted within five working days after completion of travel."

We noted one travel voucher was submitted six weeks after the staff member's return, two vouchers were submitted five weeks after the staff member's return, and two vouchers were submitted two weeks after the staff member's return.

Prompt submission of travel vouchers permits their timely processing, clearing of any cash advances, and reimbursement to the traveler.

TRAVEL AUTHORIZATIONS

Staff did not sign their international travel authorizations.

Agency staff are required to sign their travel authorizations (TAs). However, until June 2007, post management did not instruct staff to sign their TAs, and the staff did not sign them.

PCM section 812.18.1.1 states that the TA "constitutes the legal basis for performing official travel and incurring related expenses." Signing the TA documents the traveler's agreement with its provisions.

As post staff are presently signing their TAs, no recommendation is being made.

RECOMMENDATION

We recommend:

7. **That the post instruct its staff to submit their travel vouchers within five working days after a trip's completion and institute a control procedure to monitor the staff's compliance.**

PERSONNEL MANAGEMENT

TIME AND ATTENDANCE

The post's official time and attendance records contained discrepancies.

The timekeeper did not accurately enter all time and attendance information on the post's official time records (PC-57s). The discrepancies were a departure from time and attendance policy and procedure, including guidance in PCM sections 742.6.1 and 630.4.6. For example:

- Compensatory time, in the form of credit hours, was recorded on the PC-57s even though the entries caused the total to exceed 24 hours, the post's maximum. We noted several instances where carry-forward balances were greater than 24 hours.
- Overtime hours on drivers' PC-57s for 2006 and 2007 did not agree with the drivers' overtime sheets for several pay periods. The timekeeper corrected the drivers' PC-57s during the course of the audit.
- In 2006, the timekeeper entered 75 hours of additional compensatory time for the training manager and cross-cultural coordinator for extra hours worked during pre-service training (PST); the post's policy at the time authorized 72 hours. This special 72-hour compensatory time was discontinued in 2007.

In addition, supervisors signed the PC-57s for 2006 and 2007 in August 2007. The forms are required to be signed by supervisors as of June 15 and December 15, following PCM section 742.8.0.

The country director said: "There was a lack of understanding by the timekeeper of the importance of keeping accurate time records."

DRIVERS' OVERTIME

The requirement for accurate official time and attendance records makes their careful preparation and timely review essential.

The post's overtime policy for drivers did not reflect their actual driving requirements.

The post's PSC Handbook provided for 16 hours of paid overtime per pay period for drivers. Additional overtime hours worked in a pay period were to be reflected as compensatory time to a maximum of 24 credit hours permitted in accordance with post policy.

We noted, on the drivers' PC-57s, pay periods having overtime hours worked but not compensated, either by overtime pay or by compensatory time. The situation resulted from heavy driving requirements during peak periods such as PST.

The country director stated that she was aware of the significant workload of the drivers during busy periods and that she wished to employ a fair driver overtime policy. She told us, as example of her concern, that she had reinstated drivers' overtime pay in September 2006, soon after her arrival at the post; it had been eliminated one year earlier. The 16-hour pay period maximum for overtime pay was used, she told us, because she "did not want the drivers working without appropriate rest time."

The post has requested authorization for an additional driver in recognition of its estimated future driving needs. In addition, the country director and the administrative officer are in the process of reviewing the post's driver overtime policy, taking into account historic and estimated future driving requirements.

RECOMMENDATIONS

We recommend:

- 8. That the timekeeper compare the staff's 2006 and 2007 timesheets with the official time and attendance records (PC-57s) and adjust the official records for any discrepancies.**

9. That the administrative officer review the timekeeper's comparison of staff timesheets with the PC-57s and verify that the official records, as adjusted, are accurate.
10. That supervisors review and sign the PC-57s as of June 15 and December 15 in accordance with agency policy.
11. That the country director and administrative officer complete their review of the post's overtime policy for drivers, giving consideration to the drivers' historic and future driving requirements, and modify the policy as needed.

PROPERTY MANAGEMENT

INVENTORY LISTING

Two laptops were tagged but were not on the inventory listing.

The post's inventory listing was, in general, in good form. However, two laptops, secured in the office of the IT specialist, were tagged but were not on the listing.

The GSM was uncertain why the discrepancy had occurred. He conjectured that the two laptops were not posted to the inventory listing when they were acquired, and that their posting was not verified before beginning the April 2007 complete physical inventory, as required by PCM section 511.5.5. He further stated that the laptops might have been in use outside the office when the last inventory was taken and, thus, the discrepancy was not noted at that time.

RECOMMENDATION

We recommend:

12. That the general services manager ensure that property acquisitions are entered into the inventory system when they are received at the post.

PROCUREMENT

CONTRACTOR FILES

The post's contractor files contained discrepancies.

Our review of the post's personal services contractor (PSC) files disclosed the following discrepancies:

- The post did not have five-year security investigation updates for the five staff members requiring them. The RSO told us that he was in the process of completing the updates.
- The post's actual policy for handling unused vacation leave, in the PSC Handbook, differed from the personal services contracts.

PCM section 743.10.4.1 states that "contractors are entitled only to those benefits specifically stated in the [personal services] contract." The policy defines leave as a benefit.

According to the administrative officer and the timekeeper, the PSC Handbook contained the correct policy.

The personal services contracts stated:

Unused vacation leave may be carried over under subsequent option periods of this contract but shall not be carried over to any subsequent contracts.

The PSC Handbook stated:

Leave that is carried over must be used by the end of pay period 7 of the following year.

Staff were not requested to sign, and did not sign, contractor release forms for their prior contracts, as required by PCM section 743.24.0. The forms were signed by staff during the course of the audit and, accordingly, no recommendation being made.

RECOMMENDATIONS

We recommend:

13. That the country director obtain from the RSO five-year security investigation updates for the five staff members requiring them and have these placed in the respective contractors' files.
14. That the post use its actual policy for unused annual leave in its personal services contracts.

INFORMATION SECURITY

SAFEGUARDING OF SOCIAL SECURITY NUMBERS

The post's swearing-in cable contained the new Volunteers' full social security numbers.

PCM sections 223.4.1.2 and 223.4.1.3 require that the post send to headquarters a "Trainee arrival cable" with the names of new Trainees upon their arrival in the country, and a "swearing in cable" with the names of newly sworn-in Volunteers.

The post's August 2007 swearing-in cable contained the Volunteers' full social security numbers. The June 2007 arrival cable and the 2006 arrival and swearing-in cables were handled correctly and did not contain the full social security numbers.

The executive assistant, who prepared the cables, told us that she inadvertently used the 2005 swearing-in cable, which contained the full social security numbers, as a model for the August 2007 swearing-in cable.

Controlling personal identifiers of Volunteers is an essential element of information security.

RECOMMENDATION

We recommend:

15. That the post not use the full social security number on the Trainee arrival and Volunteer swearing-in cables.

LIST OF RECOMMENDATIONS

WE RECOMMEND:

1. That the billings officer include in the billings register complete descriptions of the billings.
2. That the administrative officer ensure that descriptions in the billings register are complete and adequate to perform his periodic review.
3. That the billings officer include complete descriptions of the billings on the bills of collection, and that the collections officer include complete descriptions of the collections on the general receipts.
4. That the post establish a policy whereby the billings officer is required to provide phone bills to staff having post-issued cell phones immediately upon the overall phone bill's receipt, and that staff are required to settle their personal phone charges within a timely period thereafter.
5. That the administrative officer closely monitor the prohibition of international personal calls on post-issued cell phones and take appropriate action on offenders.
6. That the post include the effects of the exemption by the Georgian government of Volunteer identity card fees and value added tax as host country contributions in its operating plan.
7. That the post instruct its staff to submit their travel vouchers within five working days after a trip's completion and institute a control procedure to monitor the staff's compliance.
8. That the timekeeper compare the staff's 2006 and 2007 timesheets with the official time and attendance records (PC-57s) and adjust the official records for any discrepancies.
9. That the administrative officer review the timekeeper's comparison of staff timesheets with the PC-57s and verify that the official records, as adjusted, are accurate.
10. That supervisors review and sign the PC-57s as of June 15 and December 15 in accordance with agency policy.
11. That the country director and administrative officer complete their review of the post's overtime policy for drivers, giving consideration to the drivers' historic and future driving requirements, and modify the policy as needed.
12. That the general services manager ensure that property acquisitions are entered into the inventory system when they are received at the post.

13. That the country director obtain from the RSO five-year security investigation updates for the five staff members requiring them and have these placed in the respective contractors' files.
14. That the post use its actual policy for unused annual leave in its personal services contracts.
15. That the post not use the full social security number on the Trainee arrival and Volunteer swearing-in cables.

POST STAFFING

At the time of our visit, the post had 32 staff positions. The positions included three U.S. direct hire employees, two foreign service nationals, and 27 personal services contractors including three working on a part-time basis.

We interviewed eleven staff, who all stated that they enjoyed working for the Peace Corps. Many told us that their greatest job satisfaction was in supporting and working with the Volunteers. Staff also cited the effective working relationships within the office. A number of local staff asked about training opportunities to strengthen their job performance skills and to grow professionally.

Many of the Volunteers we interviewed praised the active involvement of the country director and the staff and their demonstrated personalized interest in the Volunteers' well-being. Some Volunteers proceeded to identify particular management, program, medical, administrative, and other staff members by name and describe how they had assisted them in the office and at their sites. In addition, Volunteers acknowledged the administrative unit's availability and responsiveness.

PC/Georgia Positions

Position	Status
Country Director	USDH
Executive Assistant	PSC
Administrative Officer	USDH
Programming and Training Officer	USDH
Program Manager/TEFL, West Georgia	PSC
Program Manager/TEFL, East Georgia	PSC
Program Manager/Business and Social Entrepreneurship	PSC
Training Manager	PSC
Home Stay Coordinator	PSC
Language and Cross Cultural Coordinator	PSC
Safety and Security Coordinator	PSC
Medical Officer	PSC
Medical Officer	PSC
Medical Assistant	PSC
Cashier	FSN
Financial Assistant	FSN
General Services Manager	PSC
General Services Assistant	PSC
IT Specialist	PSC
Receptionist	PSC
Lead Guard	PSC
Guard (5)	PSC
Driver (3)	PSC
Janitress (2) – part-time	PSC
Maintenance/General Laborer – part-time	PSC

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 audits are conducted in accordance with the government auditing standards prescribed by the Comptroller General of the United States.

As noted in the report, we were unable to obtain assurance that billings and collections were handled in accordance with Peace Corps policy due to the deficiencies in internal controls and procedures including the absence of telephone records with identified personal calls to support the related billings, which condition existed during most of the audit period.

The audit of Peace Corps/Georgia covered fiscal years 2006 and 2007 through August 31, 2007. While at the post, we interviewed key staff including the country director, the administrative officer, and the programming and training officer, administrative support staff, and the senior medical officer. We also interviewed 11 Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them, and we visited a selection of Small Project Assistance projects funded by the United States Agency for International Development. At the end of our review, we briefed the country director and administrative officer. At headquarters, we conducted a general briefing for 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, current Peace Corps initiatives and policies, and other federal regulations.

APPENDIX B


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



Peace
Corps

MEMORANDUM

To: H. David Kotz, Inspector General

From: Jay Katzen, EMA Regional Director 

Date: December 13, 2007

Subject: **Regional Response to the Preliminary Report on the Audit of Peace Corps/Georgia (November 2007)**

It is with pleasure that EMA Region and PC/Georgia respond to the Preliminary Audit Report on Peace Corps/Georgia. EMA and Post concur with eleven of the fifteen recommendations, partially concur with one, and do not concur with three recommendations.

Attached is our response to each recommendation with a description of the back-up documentation if applicable.

Please do not hesitate to contact us with further questions.

Recommendations and Responses

1. That the billings officer include in the billings register complete descriptions of the billings.

CONCUR: This recommendation was actionable immediately, thus implemented during the OIG audit. Following guidance from the auditor, the billings officer is providing complete descriptions of the billings.

Documentation attached: See sample for November 2007.

2. That the administrative officer ensure that descriptions in the billings register are complete and adequate to perform his periodic review.

CONCUR: This recommendation was actionable immediately, thus implemented during the OIG audit. Following guidance from the auditor, the Administrative Officer performs checks on a weekly basis of all descriptions in the billings register to ensure that they are complete and adequate.

3. That the billings officer include complete descriptions of the billings on the bills of collection, and that the collections officer include complete descriptions of the collections on the general receipts.

CONCUR: Post acknowledges this recommendation, and the billings officer is including complete descriptions of the billings on the bills of collection, and the collections officer is including complete descriptions of the collections on the general receipts.

Documentation attached: See samples from November 2007.

4. That the post establish a policy whereby the billings officer is required to provide phone bills to staff having post-issued cell phones immediately upon the overall phone bill's receipt, and that staff are required to settle their personal phone charges within a timely period thereafter.

CONCUR: Post acknowledges this recommendation with an updated policy implemented in November 2007.

Documentation attached: See revised post policy dated November 6, 2007.

5. That the administrative officer closely monitors the prohibition of international personal calls on post-issued cell phones and take appropriate action on offenders.

PARTIALLY CONCUR: Post did issue a prohibition on international calls by staff whose positions do not require them to make international calls for Safety and Security reasons by blocking all international calling on their PC-issued cell phones. International calling capability on PC cell phones is limited to: CD, AO, PTO, PCMC, Assistant PCMC, Safety & Security Coordinator, and Executive Secretary. The Administrative Officer closely monitors international personal calls made on post-issued cell phones.

Documentation attached: See revised post procedure dated November 6, 2007.

6. That the post include the effects of the exemption by the Georgian government of Volunteer identity card fees and value added tax as host country contributions in its operating plan.

CONCUR: Post acknowledges this recommendation and has since adjusted its FY 2008 operating plan to include the forecasted effects of the exemption by the Georgian government of Volunteer identity card fees as well as VAT.

Documentation attached: See revised HCC page for inclusion in FY08 OpPlan.

7. That the post instruct its staff to submit their travel vouchers within five working days after a trip's completion and institute a control procedure to monitor the staff's compliance.

CONCUR: Post acknowledges this recommendation with an updated procedure implemented in November 2007. New post procedure outlines AO and FA responsibilities for monitoring and follow-up on outstanding travel vouchers.

Documentation attached: See revised post procedure dated November 6, 2007.

8. That the timekeeper compare the staff's 2006 and 2007 timesheets with the official time and attendance records (PC-57s) and adjust the official records for any discrepancies.

DOES NOT CONCUR: The Peace Corps Manual (MS 742) states that the PC-57 only applies to US Direct Hire domestic staff. Historically we have extended its use to US Direct Hire staff overseas. However, it has never been extended to all overseas staff (to include FSNs and local PSCs). Our understanding is that the PC-57 was designed to reconcile with NFC payroll and its State Department predecessor. Local PSCs need to reconcile with HRMS in the CFO's office, and FSNs with their embassy's payroll system. For this reason, we believe that applying the PC-57 to all annual leave reconciliation problems would be inappropriate and would also entail a significant workload that appears unnecessary.

As recommendation 8 pertains to PSCs, we do not concur with this recommendation.

9. That the administrative officer reviews the timekeeper's comparison of staff timesheets with the PC-57s and verify that the official records, as adjusted, are accurate.

DOES NOT CONCUR: The Peace Corps Manual (MS 742) states that the PC-57 only applies to US Direct Hire domestic staff. Historically we have extended its use to US Direct Hire staff overseas. However, it has never been extended to all overseas staff (to include FSNs and local PSCs). Our understanding is that the PC-57 was designed to reconcile with NFC payroll and its State Department predecessor. Local PSCs need to reconcile with HRMS in the CFO's office, and FSNs with their embassy's payroll system. For this reason, we believe that applying the PC-57 to all annual leave reconciliation problems would be inappropriate and would also entail a significant workload that appears unnecessary.

The Administrative Officer at Post will continue to monitor the PC-57s for all USDHs and verify that these records are accurate.

10. That supervisors review and sign the PC-57s as of June 15 and December 15 in accordance with agency policy.

DOES NOT CONCUR: The Peace Corps Manual (MS 742) states that the PC-57 only applies to US Direct Hire domestic staff. Historically we have extended its use to US

Direct Hire staff overseas. However, it has never been extended to all overseas staff (to include FSNs and local PSCs). Our understanding is that the PC-57 was designed to reconcile with NFC payroll and its State Department predecessor. Local PSCs need to reconcile with HRMS in the CFO's office, and FSNs with their embassy's payroll system. For this reason, we believe that applying the PC-57 to all annual leave reconciliation problems would be inappropriate and would also entail a significant workload that appears unnecessary.

As per agency policy, the CD as supervisor will continue to sign PC-57s for the other USDHs at Post on June 15 and December 15 of each year.

11. That the country director and administrative officer complete their review of the post's overtime policy for drivers, giving consideration to the drivers' historic and future driving requirements, and modify the policy as needed.

CONCUR: In September 2006, Post began to compensate drivers for OT. The current practice is that Post compensates drivers for up to 16 hours of OT per pay period and thereafter allows the drivers to accumulate up to 24 hours of comp time. This practice is one of the more generous practices in the EMA region. During peak periods, such as the 2007 PST, Post hired on-call drivers to minimize demand placed on our permanent drivers.

The Country Director and Administrative Officer reviewed the post's overtime policy for all three drivers and determined that the issue was that some drivers did not take their comp time on a regular basis, which resulted in several hours of time not being compensated. Our concern is with driver's safety and the need for appropriate rest time. A procedure was put in place in November 2007 to better manage OT and Comp Time schedules by the AO and GSM. Also, during scheduled events, such as TDY visits and PST, Post will continue to hire on-call drivers to minimize the increased demand placed on our permanent drivers.

Documentation attached: See revised post procedure dated November 6, 2007.

12. That the general services manager ensure that property acquisitions are entered into the inventory system when they are received at the post.

CONCUR: Post acknowledges this recommendation, and effective November 2007 all receiving documentation for new property must be initialed by GSO and marked "entered into inventory" to signify such.

Documentation attached: See samples of receiving reports from November 2007.

13. That the country director obtain from the RSO five-year security investigation updates for the five staff members requiring them and have these placed in the respective contractors' files.

CONCUR: Post acknowledges this recommendation and has completed the updates and has security clearances for all PSCs on file. All security updates were completed by the RSO by the third week of October 2007.

Documentation attached: See memos from Embassy RSO indicating that all PSCs have up-to-date security clearances on file.

Response to:
OIG Preliminary Audit Report
Peace Corps Georgia
Dated November 2007

14. That the post use its actual policy for unused annual leave in its personal services contracts.

CONCUR: Post acknowledges this recommendation and in November 2007 corrected the PSC template for future contracts. In November 2007, Post also modified all current PSC contracts to account for the actual policy for unused annual leave.

Documentation attached: See attached draft template to be implemented with all FY08 contracts (to be signed in February 2008).

15. That the post not use the full social security number on the Trainee arrival and Volunteer swearing-in cables.

CONCUR: Post acknowledges this recommendation and will not use the full social security number on future Trainee arrival and Volunteer swearing-in cables

Documentation attached: Post will henceforth use VIDA template that records only the last four digits of the SSN. See sample swearing-in cable.

APPENDIX C

OIG COMMENTS

The region concurred with 11 of the 15 of the recommendations, did not concur with three recommendations, and partially concurred with one recommendation. We closed recommendations numbers 1 - 4, 6, 7, and 11 - 15. Recommendation numbers 5 and 8 - 10 remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation number 5, a copy of a memorandum stating that the administrative officer is monitoring international personal calls made on post-issued cell phones.
- For recommendation number 8, a copy of a memorandum stating that the post's timekeeper has compared the staff's 2006 and 2007 timesheets with the post's official time and attendance records (such as PC-57s) and adjusted the official records for any discrepancies.
- For recommendation number 9, a copy of a memorandum stating that the administrative officer has reviewed the timekeeper's comparison of staff timesheets with the post's official time and attendance records (such as PC-57s) and has verified that the official records, as adjusted, are accurate.
- For recommendation number 10, a copy of a memorandum stating that supervisors have reviewed and signed the PC-57s as of June 15 and December 15 in accordance with agency policy.

In their response, the region 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 D

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

The audit was performed by senior auditor Steven Kaffen.

OIG CONTACT

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

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