



Since 1961.

To: Aaron Williams, Director
Dick Day, Regional Director, AF
Daljit Bains, Chief Compliance Officer

From: Kathy A. Buller, Inspector General 

Date: March 31, 2011

Subject: Final Report on the Audit of Peace Corps/Mozambique
(IG-11-05-A)

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

Management concurred with all 24 recommendations. We closed 19 recommendations. Five 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
Esther Benjamin, Associate Director of Global Operations
Lynn Foden, Chief of Operations, AF
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Heidi Broekemeier, Country Desk Officer



Peace Corps Office of Inspector General



PC/Mozambique office in Maputo



Local villagers in northern Mozambique



Flag of Mozambique

Final Audit Report: Peace Corps/Mozambique IG-11-05-A

March 2011

EXECUTIVE SUMMARY

The Office of Inspector General (OIG) found that Peace Corps/Mozambique's financial and administrative operations and its compliance with agency policies and federal regulations required improvement in several key areas. The following are some of the more important findings:

Imprest Fund Management

Staff did not settle their interim cash advances within three working days of issuance. In addition, the combination to the imprest fund safe was set by the U.S. Embassy Pretoria's engineering support liaison rather than the cashier. Further, the alternate cashier's safe used a padlock instead of the required three-tumbler combination lock.

Volunteer Allowances

A market basket survey was not performed in connection with the 2009 Volunteer living allowance survey.

Property Management

The general services assistant (GSA) maintained the property inventory database and also performed the physical inventory verification. In addition, required periodic reconciliations were not performed and we found numerous discrepancies in the database.

Vehicles Management

During the fiscal years 2008, 2009, and 2010 through May 31, 2010, only the GSA initialed the logs. Weekly reviews by the staff members initiating vehicle repairs; billing for authorized, non-official use; and maintaining the vehicle maintenance records are required.

Personnel Management and Personal Services Contract

Security background certifications or updates were not on file for 15 of 28 personal services contractors (PSCs) and intelligence background certifications had not been obtained from staff. Further, some staff were not evaluated in 2009, and others were not evaluated for both 2008 and 2009. Also, compensatory time was not always recorded.

Medical Supplies

The medical unit did not use the required dispensed inventory form and did not provide dispensed drug information to the medical supplies inventory control (MSIC) clerk to update the inventory log. We found discrepancies in 13 of the 20 medical supplies tested.

Our report contains 24 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

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BACKGROUND

The Peace Corps commenced its program in Mozambique in 1998 with the arrival of the first group of 24 trainees. At the time of our visit, 125 Volunteers were engaged in two project sectors: education and health – HIV/AIDS. The country director (CD) arrived at the post in May 2009, and the administrative officer (AO)¹ arrived in March 2008.

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 B provides a full description of our audit objective, scope, and methodology.

AUDIT RESULTS

IMPREST FUND MANAGEMENT

The cashier did not set the combination to the imprest fund safe, and the alternate cashier's safe used a padlock rather than a three-tumbler combination lock.

Peace Corps Manual Series (MS) 760.5.2 states: "The cashier must personally set the combination to the safe. The Embassy Regional Security Officer (RSO) or technician assisting with the changing of the combination is not authorized to set or know the combination to the safe.... The combination should be changed at least annually, whenever, there is a change in cashiers, or whenever the combination becomes known to a person other than the cashier."

MS 760.5.0 states: "Imprest funds must be stored in a U.S. government approved safe, preferably a cashier's or money safe, with a three-tumbler combination lock."

The imprest fund safe's combination was set by the embassy's engineering security liaison (ESL) from Pretoria, South Africa, rather than the cashier. The ESL's last visit to the post was May 2009. The cashier told us that she had not been trained how to set the combination. The RSO stated that he would ask the ESL to train the cashier on his next visit.

In addition, the alternate cashier's safe, which was used to hold the imprest fund upon its transfer from the cashier, used a padlock rather than the required three-tumbler lock. The RSO told us he would ask the ESL to examine the safe to see if a three-tumbler lock could be added.

We recommend:

- 1. That the cashier be trained on how to set the combination to the imprest fund safe.**

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

- 2. That the cashier change the combination at least annually.**
- 3. That the alternate cashier's safe use a three-tumbler lock rather than a padlock if the safe is to be used to hold the post's imprest fund.**

Staff did not clear their interim cash advances in a timely manner.

The Overseas Financial Management Handbook (OFMH) section 13.18.2 requires that interim cash advances be "liquidated (accounted for) within three (3) working days." The policy further states: "It is the responsibility of the cashier to monitor the clearance of interim advances and to notify the Administrative Officer if advances are not cleared within 3 days for direct follow-up action."

We found that interim advances were not consistently cleared in a timely manner. Ten of the 20 (50%) monthly imprest fund reconciliations between October 2008 and May 2010 showed delinquent interim cash advances. One month's accompanying Monthly Checklist for Verifying Officer incorrectly stated, "Yes," to the question whether interim cash advances were being liquidated timely. Several other Checklists stated that the benchmark was five, instead of the correct three working days.

The education program assistant/office manager in the regional office in Nampula in northern Mozambique has used a rolling advance of 25,000 meticaïs (about \$715) to pay for office, vehicle, utilities, and other expenses. Due to distance and communications complexities in the country, he had not cleared his interim advance within three working days. The AO requested the headquarters cashier liaison's assistance in finding a solution. The cashier liaison, in turn, has contacted the U.S. depository officer for advice and guidance.

Further, the GSA held a recurring interim cash advance of 10,000 meticaïs (about \$286) for a number of years. An analysis prepared for us by the cashier showed that this advance was used sporadically and rarely in the amount of the advance. The AO confirmed to us that she had eliminated the GSA's advance.

Clearing interim advances in a timely manner ensures a prompt return of unused funds and a prompt accounting for funds used.

We recommend:

- 4. That post staff clear their interim cash advances within three working days and that the administrative officer remind staff of this requirement.**
- 5. That the cashier monitor interim advances and notify the administrative officer of advances that have not been cleared within three working days.**

6. **That the administrative officer follow up delinquent outstanding interim advances brought to her attention by the cashier.**
7. **That the imprest fund verifying officer report uncleared interim cash advances on the Monthly Checklist for Verifying Officer.**
8. **That the cashier liaison, in consultation with the U.S. depository officer and the Office of General Counsel, determine a solution to permit the proper clearing of interim cash advances by the post's regional office.**

VOLUNTEER ALLOWANCES

The post did not conduct a living allowance market basket survey in 2009.

At the conclusion of pre-service training, newly sworn-in Volunteers are given a settling-in allowance to provide for their needs when arriving at their sites. MS 221.3.1 states that the allowance is for the purchase of “necessary housing supplies and equipment.”

In addition, MS 221.5.1 states that “Volunteers are entitled to a living allowance in order that they may serve effectively and safely overseas.” Living allowance surveys are the principal means by which a post verifies that the allowance is adequate and, if not, determines an appropriate adjustment. Properly performed surveys are critical to ensure that the allowance reflects the current living needs of the Volunteers.

According to MS 221.5.7.2, “To verify living allowance survey submissions, a Market Basket Survey shall be conducted by staff...The market basket survey is to be used as a guide to validate the cost data on the living allowance survey submissions.” MS 221.5.7.3 states: “Increases or decreases to the base living allowance must be based on the findings of the Volunteer living allowance survey, as supported by the market basket survey....”

The post did not perform a market basket survey in connection with its 2009 Volunteer living allowance survey. The financial management specialist told us this was an oversight. A market basket survey was performed in connection with the 2008 living allowance survey.

Volunteers rely upon the post to provide them with adequate allowances, which are mandated by Section 2504 of the Peace Corps Act. Complete living and settling-in allowance surveys help ensure that the related allowances are adequate.

We recommend:

9. **That the post conduct a market basket survey in connection with its Volunteer living allowance survey.**

The post's internal controls and procedures over property inventory, and its compliance with policy, were weak.

“Standards for Internal Control in the Federal Government” (GAO/AIMD-00-21.3.1) issued by the Government Accountability Office (hereafter, GAO Standards) state, “An agency must establish physical control to secure and safeguard vulnerable assets.... Such assets should be periodically counted and compared to control records.” The GAO Standards assert that “...control activities help to ensure that all transactions are completely and accurately recorded.”

The GAO Standards also require the separation of incompatible duties. They state, “Key duties and responsibilities need to be divided and segregated among different people to reduce the risk of error or fraud.”

MS 511.5.5 states, “Before beginning inventory, the Property Officer should check the property management records against written documentation of property/equipment changes to ensure that all changes have been entered in the property management database.” MS 511.6.1 requires that “the Administrative Officer reconcile the inventory against receiving reports and requisition forms at least once a quarter.”

MS 511.6.2.2 states, “Custody receipts are used for longer term issue, or when releasing non-expendable property to Volunteers, staff or contractors to use away from the Peace Corps office.... Each PO [property officer] must maintain a separate suspense file of outstanding custody receipts, kept in alphabetical order by name of the person the property is assigned to.”

The post's internal controls and its compliance with policy were inadequate, as follows:

- The GSA maintained the property inventory database and also performed the physical inventory verification, violating the internal control requirement to segregate these responsibilities.
- The property officer did not reconcile the property management database with written documentation of changes before beginning the inventory, to make certain that the changes were recorded.
- The AO did not reconcile the inventory against receiving reports and requisition forms at least once a quarter.
- The property officer did not obtain custody receipts for Peace Corps property maintained in the residences of the U.S. direct hire staff.

In addition, of the 65 inventory items selected for testing, we found 19 discrepancies. They included post property that was not recorded, recorded property that was not able to be found, property listed as disposed that was in use and vice versa, and incorrect locations noted in the database for some property. We also noted property with no tag or with two tags. The number

of discrepancies raised concerns about the completeness and conscientious performance by the GSA of the physical inventory in April – May 2010, about a month before the audit. Unrecorded assets represent a serious condition because these assets are particularly vulnerable to theft, loss, or misuse.

Adequate and properly implemented internal controls and procedures, and adherence to policy requirements, are essential for effective accountability and oversight over post property. Control procedures such as maintaining an accurate and complete property inventory database, updating it for changes on an ongoing basis, performing periodic reconciliations during the year, and conducting careful and complete physical inventory verifications and investigating discrepancies, are important steps in protecting the property from waste, fraud, and abuse.

The above deficiencies made the post's property vulnerable to loss. Without appropriate controls in place, including segregation of duties and periodic reconciliations, and without accurate and reliable inventory data, property could well be lost or stolen, and the situation not identified. The resulting property loss would have an adverse financial impact on the agency.

We recommend:

- 10. That the post conduct a review of invoices for the last two years to ensure that all acquired post property has been recorded and update the property inventory database as required, verify that all property has one tag, and conduct a complete physical inventory.**
- 11. That the administrative officer reconcile the inventory against receiving reports and requisition forms at least quarterly, and that the property officer reconcile the property inventory database with written documentation of changes before the physical inventory is conducted.**
- 12. That the property officer obtain custody receipts from the U.S. direct hire staff holding Peace Corps property in their residences.**

VEHICLES MANAGEMENT

Management oversight over vehicle usage was deficient.

Vehicles represent the agency's single most significant owned assets at a post, and their utilization and maintenance are major post costs. The importance of the agency's vehicle investment and the opportunity for waste or abuse make oversight by post management essential. In recognition of the importance of ongoing oversight, agency policies have been established requiring regular, periodic reviews by post management of vehicle usage, primarily by scrutinizing the post's vehicle usage logs and investigating unusual or questionable items.

MS 527.6.1 states, “Each week, the log should be reviewed, initialed, and dated by the staff members responsible for: initiating vehicle repairs; billing for authorized, non-official use; and maintaining the vehicle maintenance record....”

We found that management oversight of vehicle usage was not in compliance with Peace Corps requirements. During the fiscal years 2008, 2009, and 2010 through the time of the audit, only the GSA initialed the vehicle usage logs. However, the logs were not dated as required, raising a question about the timeliness of the GSA’s review.

Review of the post’s vehicle usage logs is an important internal control procedure to ensure that the post’s vehicles are being used appropriately and personal use is reimbursed.

We recommend:

- 13. That the required staff members review, initial, and date the vehicle usage logs weekly and investigate unusual or questionable postings.**

The post did not maintain vehicle maintenance records.

MS 527.6.1 states: “A maintenance record (see Attachment C) must be prepared for each vehicle and updated whenever maintenance is performed or maintenance expenses are reported.”

The GSA did not keep maintenance records for the vehicles. These records are particularly important in Mozambique because the vehicles are subjected to substantial usage and wear over rough terrain, and repairs and maintenance are performed in multiple locations, at the post and at a Toyota dealership in a nearby town in South Africa. For these reasons effective ongoing monitoring and control over maintenance (both warranty and specialized) are essential. Maintenance records also permit the AO to exercise appropriate oversight.

We recommend:

- 14. That the post set up and keep maintenance records for the Peace Corps vehicles and that the records be reviewed periodically by the administrative officer.**

The post's personnel files were incomplete.

MS 743.8.2 states, "For all host country 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...of the proposed PSC prior to executing the contract." In addition, "The CD must request re-certification of a continuously employed PSC every five years.... Documentation will be filed in the individual PSC's contract file at post."

MS 743.8.4 states: "Prospective PSCs are required to complete the Intelligence Background form provided as Attachment A to Manual Section 611, in addition to being certified through the appropriate security clearance process."

MS 743.19.0 states: "It is U.S. Government policy that a PSC's performance be evaluated during and at the completion of each contract.... All PSCs will be evaluated by the Country Director, or another Peace Corps employee designated by the Country Director...." OFMH section 3.1 requires that the CD ensure that staff are evaluated.

Security background certifications or updates were missing for many staff. The safety and security coordinator prepared a control listing of certification status during the audit showing that 15 of 28 PSCs did not have current and valid security certifications or updates on file. Eight PSCs had no security certifications on file, five PSCs had only temporary certifications on file, and two PSCs required updates as five years had lapsed since the previous certification. The RSO acknowledged that his office needed to complete and provide the missing certifications to the post. Further, intelligence background certification forms were not on file for staff. The AO thought that these were part of the security certification.

In addition, a number of staff who report to the CD and AO were not evaluated in 2009. Further, some staff, including the general services assistant and the drivers, were not evaluated in both 2009 and 2008. Some staff completed the self-evaluation part of the appraisal, but their supervisors did not complete their section of the form. Also, a few staff told us that performance discussions with their supervisors had not occurred and that the staff did not receive copies of their appraisals. We noted one completed evaluation form in the personnel files that had not been signed by the staff member or the supervisor. Further, the files did not contain appraisals of the Peace Corps medical officer (PCMO) and part-time PCMO for 2008 and 2009. The PCMO told us that she had copies of her appraisal.

Evaluations provide feedback to staff and create the opportunity for a dialogue regarding past performance, future expectations, and career goals.

We recommend:

- 15. That the country director ensure that the post has security background certifications or updates on file for all staff and, on an ongoing basis, ensure that the required security background investigation is conducted prior to executing the personal services contract.**
- 16. That the administrative officer obtain intelligence background certifications from all personal services contractors and place these in their contract files.**
- 17. That the country director ensure that all staff are evaluated, that copies of the performance appraisals are given to staff members, and that the originals are placed in the personal services contractors' files.**

The post's time and attendance records were incomplete.

MS 742.6.1 and 630.4.6 provide guidance in proper time and attendance procedure. Further, the GAO Standards require "accurate and timely recording of transactions and events" and state that "control activities help to ensure that all transactions are completely and accurately recorded."

The post provided compensatory time to staff for extra hours worked. However, for some staff, including the drivers, the post did not maintain records for compensatory time. Their timesheets did not reflect the extra hours worked that earned compensatory time. Further, the official time and attendance records, maintained on Form PC-57, did not always reflect compensatory time taken as leave. Proper internal control over time and attendance requires a complete accounting for all time including compensatory time.

In addition, the official time and attendance records were not reviewed by supervisors. Form PC-57 has a place on the form to document such review. These records are important documents for such information as hours worked and leave, and should be reviewed periodically by supervisors.

We recommend:

- 18. That the staff record compensatory time on timesheets and that the timekeeper reflect compensatory time in the official time and attendance records.**
- 19. That supervisors periodically review their staff's official time and attendance records and document the reviews**

TRAVEL MANAGEMENT

The post's international travel vouchers contained discrepancies.

MS 812 provides policy and guidance on the proper completion of travel vouchers. We noted discrepancies in the post's international travel vouchers. Two of the five travel vouchers we reviewed had incorrect per diem rates. Further, one travel voucher was submitted late, and another did not contain the date submitted by the traveler.

We recommend:

- 20. That the country director instruct post management staff to exercise care in performing reviews of travel vouchers, and that the administrative officer conduct a training for all post staff on proper completion of travel vouchers.**

MEDICAL SUPPLIES

The post did not fully implement the agency's medical supplies inventory policy.

MS 734 specifies the post's requirements relating to medical supplies inventory. The policy was revised in November 2008 to strengthen internal controls and procedures over medical supplies.

MS 734.3.5 delineates overall control objectives and responsible parties. It states: "The CD and PCMO [Peace Corps Medical Officer] share the responsibility to maintain effective control over medical supplies.... Assurance that effective controls are in place is achieved through maintaining appropriate segregation of duties, accurate record keeping, secure storage, and periodic inventories."

MS 734.3.5.3 (a) states: "The MSIC [Medical Supply Inventory Control] Clerk must maintain an accurate and complete set of inventory records for all medical supply items that are specially designated or controlled substances (Medical Inventory Control Log)."

In addition, MS 734.3.5.3 (c) states: "Annually, the Medical Inventory Control Log must be signed by the CD and be submitted to OMS [Office of Medical Services] for review. The annual requirement for CD sign-off of the inventory of specially designated medical supplies and controlled substances will assess inventory on hand as of March 31 and is due to OMS by April 15 each year."

"Peace Corps' Plan to Reduce Use of Personally Identifiable Information and Social Security Numbers," dated September 7, 2007, states: "Peace Corps' policy is to eliminate the unnecessary collection and use of SSNs [Social Security Numbers]." Further: "In almost all cases, the Volunteer Identification Number could take the place of the SSN for Volunteers. There are only a few instances where SSNs are required, and none of these is overseas."

The post did not begin implementing the agency's medical supplies policy, issued in November 2008, until May 2010. An inventory of medical supplies was taken at that time and a medical inventory control log was established under the control of the designated medical supplies inventory clerk. However, the log did not have columns for receipt and dispensing, only inventory and adjusted inventory columns. Further, the log did not include controlled substances or refrigerated vaccines.

Moreover, information on drugs dispensed to Volunteers was not provided by the medical unit to the MSIC clerk using the form in the policy. We found discrepancies between quantities in the log and on the medical unit shelves, resulting principally from dispensings that were not recorded in the log.

In addition, the country director did not submit the medical inventory control log to OMS as required. The submission, which reflects the inventories as of March 31, is due April 15 of each year. The log is an important tool in OMS' review and oversight over post drugs.

Finally, specimens sent to local labs and to the Centers for Disease Control in the United States had the Volunteers' complete SSN. The medical unit was using labels that were sent to it by OMS containing Volunteers' SSNs. OMS informed us that they were deleting the Volunteers' SSNs from the labels.

Accurate and complete inventory records and timely reporting to OMS are important in order to control medical supplies. Effective internal controls and procedures are required to prevent theft, loss, or abuse of the post's medical supplies inventory.

We recommend:

- 21. That the medical unit provide the medical supplies inventory control clerk with information on dispensings to Volunteers and that the medical supplies inventory control clerk expand the control log to include receipts and dispensings and update the log at least monthly.**
- 22. That the country director submit the log to the Office of Medical Services annually as required.**
- 23. That the medical unit ensure that specimens not include the Volunteers' Social Security numbers.**

Discrepances existed between the medical supplies inventory and the related records.

MS 734.3.5 states: "Assurance that effective controls are in place is achieved through...accurate record keeping"

The post did not keep current, accurate, and complete medical inventory records. Of the 20 items we selected for review, 13 contained discrepancies between the medical supplies on hand and the post's records. The discrepancies were principally due to the non-recording in the MSIC clerk's log of drugs dispensed to Volunteers.

Accuracy in the recording of medical supplies and timeliness in the updating of the inventory records are essential in detecting and preventing waste, fraud, and abuse. Further, the reliability of medical inventory information is critical in making correct and cost-effective inventory ordering decisions and ensuring that the medical unit has the appropriate items and quantities of medical supplies on hand to effectively treat Volunteers.

We recommend:

- 24. That the post conduct a complete physical inventory of medical supplies in accordance with agency policy and update the inventory records accordingly.**

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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

LIST OF RECOMMENDATIONS

We recommend:

1. That the cashier be trained on how to set the combination to the imprest fund safe.
2. That the cashier change the combination at least annually.
3. That the alternate cashier's safe use a three-tumbler lock rather than a padlock if the safe is to be used to hold the post's imprest fund.
4. That post staff clear their interim cash advances within three working days and that the administrative officer remind staff of this requirement.
5. That the cashier monitor interim advances and notify the administrative officer of advances that have not been cleared within three working days.
6. That the administrative officer follow up delinquent outstanding interim advances brought to her attention by the cashier.
7. That the imprest fund verifying officer report uncleared interim cash advances on the Monthly Checklist for Verifying Officer.
8. That the cashier liaison, in consultation with the U.S. depository officer and the Office of General Counsel, determine a solution to permit the proper clearing of interim cash advances by the post's regional office.
9. That the post conduct a market basket survey in connection with its Volunteer living allowance survey.
10. That the post perform a review of invoices for the last two years to ensure that all acquired post property has been recorded and update the property inventory database as required, verify that property is tagged, and conduct a complete physical inventory.
11. That the administrative officer reconcile the inventory against receiving reports and requisition forms at least quarterly, and that the property officer reconcile the property inventory database with written documentation of changes before the physical inventory is conducted.
12. That the property officer obtain custody receipts from the U.S. direct hire staff holding Peace Corps property in their residences.
13. That the required staff members review, initial, and date the vehicle usage logs weekly and investigate unusual or questionable postings.

14. That the post set up and keep maintenance records for the Peace Corps vehicles and that the records be reviewed periodically by the administrative officer.
15. That the country director ensure that the post has security background certifications or updates on file for all staff and, on an ongoing basis, ensure that the required security background investigation is conducted prior to executing the personal services contract.
16. That the administrative officer obtain intelligence background certifications from all personal services contractors and place these in their contract files.
17. That the country director ensure that all staff are evaluated, that copies of the performance appraisals are given to staff members, and that the originals are placed in the personal services contractors' files.
18. That the staff record compensatory time on timesheets and that the timekeeper reflect compensatory time in the official time and attendance records.
19. That supervisors periodically review their staff's official time and attendance records and document the reviews.
20. That the country director instruct post management staff to exercise care in performing reviews of travel vouchers, and that the administrative officer conduct a training for all staff on proper completion of travel vouchers.
21. That the medical unit provide the medical supplies inventory control clerk with information on dispensings to Volunteers and that the medical supplies inventory control clerk expand the control log to include receipts and dispensings and update the log at least monthly.
22. That the country director submit the log to the Office of Medical Services annually as required.
23. That the medical unit ensure that specimens not include the Volunteers' Social Security numbers.
24. That the post conduct a complete physical inventory of medical supplies in accordance with agency policy and update the inventory records accordingly.

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.

The audit of PC/Mozambique was conducted June 1 – 21, 2010, and covered fiscal years 2008, 2009, and 2010 through May 31, 2010. While at the post, we interviewed key staff including the CD, the AO, staff responsible for administrative support, and the full-time medical officer. All staff interviewed told us they enjoyed working at the Peace Corps and interacting with and supporting the Volunteers.

We also interviewed Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them. Volunteers told us they appreciated the interest shown by the staff in their success and well-being and confirmed they had received effective ongoing support from the administrative unit.

As part of the audit process, we briefed the CD and AO. At headquarters, we conducted a general briefing for regional staff.

During the course of the audit, we became aware of possible improprieties in the conduct of a staff member and referred the matter to the OIG Investigative Unit for review.

We relied on computer-processed data from the post's accounting system and verified such data with hard-copy documents as required. 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: federal regulations, the Peace Corps Manual, Overseas Financial Management Handbook, federal regulations, and current Peace Corps policies and initiatives.

APPENDIX B

LIST OF ACRONYMS

CD	Country Director
AO	Administrative Officer
ESL	Engineering Security Liaison
GAO	Government Accountability Office
GSA	General Services Assistant
MS	Peace Corps Manual Section
MSIC	Medical Supply Inventory Control
OFMH	Overseas Financial Management Handbook
OIG	Office of Inspector General
OMS	Office of Medical Services
PC	Peace Corps
PCMO	Peace Corps Medical Officer
PSC	Personal Services Contractor
RSO	Regional Security Officer
SSN	Social Security Number

APPENDIX C

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT



Since 1961.

MEMORANDUM

To: Kathy Buller, Inspector General

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

From: Dick Day, Africa Regional Director *[Signature]*
Ruben Hernandez, Peace Corps Mozambique Country Director

Date: March 16, 2011

CC: Stacy Rhodes, Chief of Staff
Carrie Hessler-Radelet, Deputy Director
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Ana Cardoso, Country Desk Officer

Subject: Response to the Preliminary Audit Report of Peace Corps/Mozambique, 2011

Enclosed please find the region's and post's response to the recommendations made by the Inspector General for Peace Corps/Mozambique, as outlined in the Preliminary Report of the IG Audit.

The Africa Region concurs with all 24 recommendations provided by the OIG in its Preliminary Audit Report: Peace Corps/Mozambique (January 2011).

As a result of this audit, Post has had the opportunity to improve upon some of their practices by implementing the recommendations presented in this report. Post continues to strengthen its administrative and financial operations by proactively reviewing its own internal control. The Region will continue to work with Post to address any outstanding recommendations upon issuance of the Final Report by the Office of the Inspector General.

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Response to the January 2011 Preliminary Report of the Office of Inspector General Financial Audit of Peace Corps/Mozambique

Recommendation No. 1

That the cashier be trained on how to set the combination to the imprest fund safe.

Concur: U.S. Embassy Staff from Pretoria visited Peace Corps/Mozambique (PC/MZ) on November 8, 2010 as part of a follow up visit. The technicians spent three hours with the Cashier in the cashier cage in order to change the combination and were successful in doing so. The Cashier set up the actual combination while the ESC team was assisting but away from the technician's sight. However, the technicians advised the Cashier & the AO that the actual changing of the combination is too complex and technical. They provided the Cashier with instructions on how to change the safe combination; however, they did not provide the tools needed to actually change the combination without their physical technical assistance. The Pretoria ESC team visits Mozambique periodically throughout the year and PC/MZ will schedule visits for their assistance, so that the combination can be changed annually.

Documents Included:

1. 2008 Safe Combination Change Memo
2. Scheduling ESC Team visits w/Peace Corps – 02/28/2011
3. Pretoria ESC Team visits documentation.

Status and Timeline for Completion: Completed

Recommendation No. 2

That the cashier change the combination at least annually.

Concur: During Pretoria ESC Team visits, the Cashier will change the safe combination, at least once annually.

Documents Included: See documentation included for Recommendation 1.

1. Email from PC/MZ CD Hernandez requesting periodic visits of Pretoria ESC Team to PC/MZ.
2. Pretoria ESC Team visits documentation.

Status and Timeline for Completion: Completed

Recommendation No. 3

That the alternate cashier's safe use a three-tumbler lock rather than a padlock if the safe is to be used to hold the post's imprest fund.

Concur: The alternate cashier safe is no longer in use. PC/MZ is researching methods with the Pretoria ESC Team to modify the current padlock system to a 3-digit tumbler lock, In the meantime, the safe is no longer in use.

Documents included: N/A

Status and Timeline for Completion: Completed

Recommendation No. 4

That post staff clear their interim cash advances within three working days and that the administrative officer remind staff of this requirement.

Concur: All staff are required to clear any cash advances within 3 business days and travel advances within 5 business days. Cashier is proactively emailing staff on Day 3 of the cash advance and copying the AO. Rolling cash advances for Regional Office Managers Marcelino Sendela (Nampula) & Ofelio Chuva (Chimoio) require 7 days to clear. Regional office staff send all receipts & documentation for clearance every Friday via air courier. ForPost processing takes place upon receipt of the package on Mondays. Cash deposits and a new cash advance form is signed every Tuesday, for both the Nampula & Chimoio cash advances. The Cashier conducts a daily cash count. The AO has previously set up an electronic filing system for the Administrative staff. The cashier has been trained on how to use the electronic filing system where she conducts daily cash counts and then saves the documentation on the server. By late afternoon, the AO checks the daily cash count folder to verify what cash advances are currently listed. This is a daily process allowing the AO to verify which cash advances and which travel advances are still outstanding according to dates. The Cashier indicates the dates of each trip corresponding to a travel advance in order to keep track of the staff member's return and subsequent clearance of the travel advance.

Documents included:

1. Word Document with print screen shots of Post's Administration electronic filing system allowing AO to verify on a daily basis which cash & travel advances are still pending
2. ForPost Excel Report (corresponding cashier Line 19 (Interim Advances)/Line 17(Cash on Hand) for the specific example used)
3. Sample Cashier email to staff 03.3.11

Status and Timeline for Completion: Completed

Recommendation No. 5

That the cashier monitor interim advances and notify the administrative officer of advances that have not been cleared within three working days.

Concur: This is currently being done. Cashier is proactively emailing staff on Day 3 of the cash advance and copying the AO. PC/MZ has set up a system whereby regional PSCs send documents/receipts for clearance every Friday. Deposits occur and new cash advances go into effect every Tuesday. The Administrative Unit's current electronic filing system allows for a very transparent process between the AO & Cashier. Cash counts are conducted on a daily basis and the information is saved on the server. The cashier can bring any issues directly to the AO but the AO is also proactively verifying the outstanding cash advances on the daily cash count records.

Documents included:

1. Word Document with print screen shots of Post's Administration electronic filing system allowing AO to verify on a daily basis which cash & travel advances are still pending and corresponding cashier Line 19 (Interim Advances)/Line 17(Cash on Hand) for the specific example used..
2. ForPost Excel Report (corresponding cashier Line 19 (Interim Advances)/Line 17(Cash on Hand) for the specific example used)

3. Sample Cashier email to staff 03.3.11

Status and Timeline for Completion: Completed

Recommendation No. 6

That the administrative officer follow up delinquent outstanding interim advances brought to her attention by the cashier.

Concur: This is currently being done. AO follows up with individual outstanding interim advances via email as a reminder on the third day of an outstanding cash advance. On the fourth day, the AO meets with the staff member to insist on closing the advance and elevates the issue to the CD if necessary.

Documents included:

1. Sample Cashier email to staff 03.3.11

Status and Timeline for Completion: Completed

Recommendation No. 7

That the imprest fund verifying officer report uncleared interim cash advances on the Monthly Checklist for Verifying Officer.

Concur: This has been a standard practice at Post. Please refer to a sampling of three monthly checklists that correspond to a range of monthly unannounced cash counts over the last 6 months.

Documents included:

1. September 2010, November 2010, and February 2011 monthly checklists corresponding to the monthly unannounced cash counts, indicating issues with the three-day cash advance clearance.

Status and Timeline for Completion: Completed

Recommendation No. 8

That the cashier liaison, in consultation with the U.S. depository officer and the Office of General Counsel, determine a solution to permit the proper clearing of interim cash advances by the post's regional office.

Concur: The cashier liaison and OGO will work together to determine whether a system can be put into place that will allow for the clearing of interim cash advances within the time frame required by government regulations and, if not, will consider with OGC other alternatives.

Documents included:

1. Several Emails from the time period prior to, during & following the Financial Audit until present regarding PC/Mozambique's issues with cash advances for its two Regional Offices.

Status and Timeline for Completion: Q3 FY2011

Recommendation No. 9

That the post conduct a market basket survey in connection with its Volunteer living allowance survey.

Concur: A market basket survey has already been conducted for the Settling-In Allowance. Living Allowance Regional market basket surveys (for Maputo-Southern, Chimoio-Central & Nampula-Northern) will be completed during the ongoing rounds of site visits from February through March 2011 in preparation for the submission & subsequent results of the 2011 PCV Living Allowance Survey.

Documents included:

1. Copy of email communication with PCV Clerk & AO and completed results of recently conducted Maputo Settling In Allowance Market Basket Survey.
2. Copy of the February – March site visits plan and corresponding Administrative staff that will be accompanying Programming Staff on these visits & conducting Market Basket Surveys to correspond with the Living Allowance Survey.

Status and Timeline for Completion: April 30, 2011

Recommendation No. 10

That the post perform a review of invoices for the last two years to ensure that all acquired post property has been recorded and update the property inventory database as required, verify that property is tagged, and conduct a complete physical inventory.

Concur: Post inventory review is underway and will be completed by September 30, 2011

Documents to be submitted:

1. Complete Physical Inventory Spreadsheet of all PC Property, for all offices and USDH residences

Status and Timeline for Completion: September 30, 2011

Recommendation No. 11

That the administrative officer reconcile the inventory against receiving reports and requisition forms at least quarterly, and that the property officer reconcile the property inventory database with written documentation of changes before the physical inventory is conducted.

Concur: The property inventory control procedure has been issued to document this process.

Documents included:

1. PC/MZ Inventory Management SOP – Issued February 28, 2011

Status and Timeline for Completion: Completed

Recommendation No. 12

That the property officer obtain custody receipts from the U.S. direct hire staff holding Peace Corps property in their residences.

Concur: Custody receipts will be finalized for the three USDH residences in the meantime the inventory for the Country Director's residence is included.

Documents Submitted:

1. CD House and Property Listing

Documents to be submitted:

1. Custody receipts for USDH Residences.

Status and Timeline for Completion: March 30, 2011

Recommendation No. 13

That the required staff members review, initial, and date the vehicle usage logs weekly and investigate unusual or questionable postings.

Concur: The controlling procedures have been revised to require the Financial Management Specialist (FMS) and AO to review, initial, and date the vehicle usage logs weekly and investigate unusual or questionable postings, as well as bill any approved one-time personal use of a PC vehicle. Vehicle logs are submitted to the AO first for initial signature and then passed on to the FMS for secondary review and signature.

Documents included:

1. Sample of weekly review of vehicle logs

Status and Timeline for Completion: Completed

Recommendation No. 14

That the post set up and keep maintenance records for the Peace Corps vehicles and that the records be reviewed periodically by the administrative officer.

Concur: Individual Binders have been set up for PC/MZ's 11 vehicles. Any direct service or purchase related to vehicle maintenance, whether it be internally done by PC/MZ's Mechanic or an external third-party service provider (most commonly, South Africa Toyota), is being directly filed into the individual corresponding binder thus ensuring that records are being kept in one organized location. PC/MZ just created an additional two checklists for tracking weekly maintenance as well as keeping track of repair & service costs.

Documents included:

1. Weekly Vehicle Maintenance Checklist
2. Vehicle Maintenance & Service Records

Status and Timeline for Completion: Completed

Recommendation No. 15

That the country director ensure that the post has security background certifications or updates on file for all staff and, on an ongoing basis, ensure that the required security background investigation is conducted prior to executing the personal services contract.

Concur: Post has already initiated steps to rectify this beginning in October 2009, prior to the audit. This is not an issue uncovered during the audit but one that Post had been working on for 9 months without an

adequate response from the US Embassy Regional Security Office (RSO) in providing the necessary reviews and certifications. Post does not sign contracts with Personal Service Contractors without at least a temporary certification from the RSO.

All outstanding background and security certifications are now complete.

Documents included:

1. Matrix delineating the actions Post has taken and that led to the completion of all security certifications on July 14, 2010.
2. Matrix of documented clearance dates for all staff as of July 14, 2010.

Status and Timeline for Completion: Completed

Recommendation No. 16

That the administrative officer obtain intelligence background certifications from all personal services contractors and place these in their contract files.

Concur: PC/MZ has completed a review of all PSC records and included the required signed background certifications as documentation for the closure of this recommendation.

Documents included:

1. Signed background certifications for all Personal Service contractors

Status and Timeline for Completion: Completed

Recommendation No. 17

That the country director ensures that all staff are evaluated, that copies of the performance appraisals are given to staff members, and that the originals are placed in the personal services contractors' files.

Concur: In general the description of the concerns identified by the OIG Preliminary Report naturally extrapolates documentation problems to the larger issue of whether or not evaluations were performed. For example we find the following statement to be partially in error: "In addition, a number of staff who report to the CD and AO were not evaluated in 2009."

The CD evaluated all of his direct reports for the 2009 time period (reviews performed in February and March 2010). It is likely that original records were not returned to the contract files by the individuals, however the electronic records were available and verification should have taken place before including the above mentioned statement in the Preliminary Report. There are 7 staff members that Post failed to evaluate during this period. Evaluations for these staff members will be completed during the ongoing 2010 evaluation process by March 30, 2011.

We have completed a review of the records and enclose this documentation to verify the evaluations that were performed and are available for further review. In addition, a reminder of the policy and its requirements has been sent to all supervisors.

Documents included:

1. Summary review of Performance Evaluations 2009 Records for all staff
2. 2009 Post Policy on Performance Evaluations
3. Memorandum to remind Staff about the policy and key steps in the process

Status and Timeline for Completion: March 30, 2011

Recommendation No. 18

That the staff record compensatory time on timesheets and that the timekeeper reflect compensatory time in the official time and attendance records.

Concur: PC/MZ notes that the controlling documents for overseas staff are not the ones referenced in the report. Overseas staff are asked to follow the Embassy procedures which in our case explicitly exclude our Personal Service Contractors (PSC). We therefore use our time sheets as the official time and attendance records and also use the provisions of MS 743-10.5 to guide compensatory time practices.

Post follows the enclosed policy on the use of compensatory time and we are including a couple of samples of its utilization and documentation on the pertinent time sheets that we consider our time and attendance records. Post is not required to utilize PC-57 to track compensatory time for PSCs

For the specific examples of drivers, the OIG Preliminary Report should document that drivers work a standard of 48 hours per week and are not normally considered for compensatory time until the number of hours per period exceeds this level and the supervisor agrees that the compensatory time provisions are necessary. Our drivers do not work compensatory time under normal circumstances and their 48-hour work rate normally covers most instances of what would be considered potential compensatory time for other positions.

Post has revised its guidance on Time and Attendance to explicitly require supervisor review of PC-57 Time and Attendance record for FSNs and USDH staff.

Documents included:

1. Staff Meeting notes on discussion of compensatory time
2. Post Policy on Compensatory Time Provisions
3. Sample Timesheets and Compensatory time approval by Supervisors
4. Time and Attendance PC-57 Supervisory Review for FSN and USDH staff.

Status and Timeline for Completion: Completed

Recommendation No. 19

That supervisors periodically review their staff's official time and attendance records and document the reviews.

Concur: Supervisors review staff timesheets (official time and attendance records) on a biweekly basis. PC-57 summary reports for FSN and USDH will be reviewed at midyear and end of leave year.

Documents included:

1. Staff Meeting notes on discussion of time sheet review and approval
2. Time and Attendance PC-57 Supervisory Review for FSN and USDH staff

Status and Timeline for Completion: Completed

Recommendation No. 20

That the country director instruct post management staff to exercise care in performing reviews of travel vouchers, and that the administrative officer conduct a training for all staff on proper completion of travel vouchers.

Concur: Based on further dialog with the Auditor on February 26, 2011, this recommendation is focused on International Travel Vouchers.

Documents included:

1. Country Director instructions to staff to exercise care in the preparation and review of international travel vouchers and training guidance to staff.
2. Instructions for International Travel Voucher completion
3. Sample travel voucher
4. Email communication with Auditor on Feb. 26, 2011

Status and Timeline for Completion: Completed

Recommendation No. 21

That the medical unit provide the medical supplies inventory control clerk with information on dispensings to Volunteers and that the medical supplies inventory control clerk expand the control log to include receipts and dispensings and update the log at least monthly.

Concur: Post identified a problem of non compliance with the provisions of MS 734 in February 2010. A team was created to define the controlling process for inventory management. The team included the new positions of Medical Supply Inventory Clerk (MSIC) and Acceptance Point Clerk (APC). The team completed their work in formulating the new process by the end of April 2010 (see enclosed process chart) and PC Mozambique has been following the provisions of MS 734 since then. However, OMS has recently provided a new Medical Inventory Tool in an email sent December 23, 2010 that we have adopted to improve our inventory control. The MSIC is receiving the information on the dispensing of medical supplies on a monthly basis.

We wish to provide clarification on a statement in the OIG Preliminary Report:

- “Further, the log did not include controlled substances or refrigerated vaccines.”
Our inventory log includes both of these items; refer to our Annual Report included as a response to Recommendation No. 22.

Documents included:

1. Inventory Management Flow Chart – April 30, 2010
2. Sample Transmittal Form to MSIC
3. Email from OMS December 23, 2010

Status and Timeline for Completion: Completed

Recommendation No. 22

That the country director submit the log to the Office of Medical Services annually as required.

Concur: Please see the response to Recommendation No. 21. Since the process for complying with MS 734 was completed at the end of April 2010, Post completed the physical inventory in May 2010 and then submitted the annual report to OMS on July 8, 2010.

Documents included:

1. July 8, 2010 Annual Report to OMS

Status and Timeline for Completion: Completed

Recommendation No. 23

That the medical unit ensures that specimens not include the Volunteers' Social Security numbers.

Concur: Post received new labels from OMS in October 2010 and has been utilizing the Volunteer ID number used therein instead of the Social Security Number.

Documents included:

1. Correspondence from OMS on the elimination of the use of SSN as identifier Volunteer medical record identifier.
2. Sample new labels for specimens

Status and Timeline for Completion: Completed

Recommendation No. 24

That the post conduct a complete physical inventory of medical supplies in accordance with agency policy and update the inventory records accordingly.

Concur: A physical inventory of medical supplies was completed in May 2010 and submitted on July 8, 2010.

Documents included:

1. Annual report sent to OMS on July 8, 2010 included under Recommendation No. 22

Status and Timeline for Completion: Completed

APPENDIX D

OIG COMMENTS

Management concurred with all 24 recommendations. We closed 19 recommendations: 1, 2, 3, 4, 5, 6, 7, 11, 13, 14, 15, 16, 18, 19, 20, 21, 22, 23, 24.

The following five recommendations remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation 8 - documentation that a solution to permit the proper clearing of interim cash advances by the post's regional office has been determined.
- For recommendation 9 - documentation that a market basket survey has been conducted in conjunction with the Volunteer living allowance survey.
- For recommendation 10 - documentation that the post has completed a review of invoices for the last two years to ensure that all acquired post property has been recorded in the post's property inventory database; verified that property is tagged; and conducted a complete physical inventory.
- For recommendation 12 - documentation that custody receipts have been obtained from the U.S. direct hire staff holding Peace Corps property in their residences.
- For recommendation 17 - documentation all staff have been evaluated, that copies of the performance appraisals have been given to the staff members, and that the originals have been placed in the staff's files.

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

Senior Auditor Steven Kaffen performed the audit of Peace Corps/Mozambique.



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.

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

Or

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

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