



Peace Corps Office of Inspector General



Peace Corps office in Managua



Flag of Nicaragua

Final Audit Report: Peace Corps/Nicaragua IG-09-12-A

July 2009



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A handwritten signature in blue ink, reading "Gerald P. Montoya". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gerald P. Montoya
Assistant Inspector General for Audits

July 2009

EXECUTIVE SUMMARY

Several functions of Peace Corps/Nicaragua's financial and administrative operations were not in compliance with agency policy and federal regulations. In addition, internal control over certain operations was not effective. The following provides a summary of the more significant findings.

Imprest Fund

The post did not properly safeguard the imprest funds using a U.S. government approved safe with separate cash boxes for different currencies.

Time and Attendance

The post did not establish adequate controls over time and attendance to ensure records were properly supported and reviewed by supervisors.

Property Management

The post lacked separation of duties between maintaining property inventories and conducting the inventory count. Also, property inventory records were not properly maintained.

Medical Supplies

The post did not establish an effective process for tracking and inventorying medical supplies.

Vehicle Management

The post did not use the correct vehicle usage logs, did not have an adequate process to ensure vehicles were properly maintained, and did not separate duties for dispensing fuel and recording fuel consumption. In addition, the post did not procure the least costly vehicle and failed to dispose of vehicles timely.

Personal Services Contracts

Personal services contract folders were incomplete and staff did not sign the intelligence background information certification.

Volunteer Support

The post did not conduct a market basket survey in fiscal years 2007 and 2008 to verify the accuracy of Volunteer allowances surveys.

There were no reportable conditions in the areas of the post's billings and collections, budget, grants, and International Cooperative Administrative Support Services.

Our report contains 55 recommendations, which, if implemented, will strengthen internal controls and correct the deficiencies detailed in this report. Management fully concurred with all of the recommendations. We closed 47 recommendations based on management's comments and request additional documentation for 8 recommendations.

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INTRODUCTION

The Office of Inspector General (OIG) conducted an audit of Peace Corps/Nicaragua covering the period October 1, 2007 – February 13, 2009. We conducted a site visit to Peace Corps/Nicaragua from January 25 – February 13, 2009.

The Peace Corps began its program in Nicaragua in 1968. However, operations were suspended in 1979. In May 1991, Peace Corps returned to Nicaragua. Peace Corps Crisis Corps Volunteers assisted Nicaragua in Natural Disaster Reconstruction from 1998 to 2001. At the time of our visit, 169 volunteers were working in the areas of Public Health, Small Business, Education, Environment, and Agriculture. The country director has worked for Peace Corps/Nicaragua for over five years and the administrative officer for over eight years.

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

Our audit disclosed that the post's compliance with Peace Corps policies and federal regulations in some areas required improvement and internal control over certain operations was not effective. However, we found no reportable conditions in the areas of the post's billings and collections, budget, grants, and International Cooperative Administrative Support Services.

Administrative Operations

The post did not sufficiently document the receipt of goods and services. The post did not properly safeguard the imprest fund. Personal services contract folders were incomplete and staff did not sign the intelligence background information certification. Documentation for leases did not include sufficient evidence of competition. In addition, the post did not ensure supervisory review of time and attendance records.

Internal Controls

The post lacked separation of duties between maintaining property inventories and conducting the inventory count. The post did not implement an effective process for tracking and taking inventory of medical supplies. In addition, the post did not ensure vehicles were adequately managed.

Volunteer Support

The post did not conduct a market basket survey in FYs 2007 and 2008 to verify the accuracy of Volunteer allowances surveys.

A. ACCOUNTING FOR OBLIGATIONS AND LIQUIDATIONS

1. Goods and services were ordered and received prior to purchase request approval and obligation of funds.

Peace Corps Manual (PCM) section 753.4.1 states:

The controls at a post must be adequate to assure that neither over obligations nor over expenditures occur within limitations placed on line items and on the overall amounts available in sections [of] the budget in total.

Overseas Financial Management Handbook (OFMH) section 32.3 states:

An obligation is a firm reservation of funds that creates a legal liability on the Government for the payment of goods or services ordered. In general terms, the obligation must indicate the requirement (goods/services/other), the vendor, and the cost and be authorized by staff with delegated procurement authority. For accounting purposes, the term "obligation" includes goods and services that have been ordered, but which may or may not have been received. The obligation is made using funds available at the time the order is placed or contract executed, even though payment may take place in a future fiscal year. Documents used for obligation include contracts, leases, purchase orders, and travel authorizations.

Several employees at the post ordered and received office supplies and printing services before the administrative officer approved the purchases and obligated funds in FORPost, the agency accounting system used by overseas posts. Only the country director, administrative officer, and programming and training officer had delegated procurement authority to approve purchases of goods and services. In fiscal year (FY) 2008, employees purchased \$1,435 in supplies and services without proper approval. The administrative officer, subsequent to receipt of those goods and services, authorized payment and recorded an obligation in FORPost upon receipt of the vendor's invoices.

Post staff must submit a purchase request for approval when they identify a need for goods or services. This allows the approving official to verify that there are sufficient funds available to initiate a purchase. The post increases the risk of exceeding its budget and violating the Antideficiency Act when they do not ensure there is sufficient funding available before ordering and receiving goods and services.

We recommend:

- A.1.a That the administrative officer require that post staff submit purchase requests to an approving official prior to placing orders for goods and services so that funding availability can be verified and funds are obligated on approval.

2. *The post did not properly document receipt of goods and services.*

According to OFMH section 66.3:

The most frequent question is related to who can sign the (many) payment vouchers and, in this instance, the key is to assure separation of duties, so that whomever receives the goods/services is different from whomever approves the payment. Quite simply, this separation is required to prevent fraud.

The delegations required to process payments are normally made to the approving official (who approves the payment) and the "receiving official" who certifies that the items/services that were authorized, by the original obligation, have been received. The authority to approve payments is an inherent governmental function and must be administered by direct hire staff (FP or FSN).

The authority to receive goods, on behalf of the Government, may be delegated to either direct hire staff OR to a PSC under the supervision of direct hire staff.

The country director delegated receiving authority to the administrative officer. When the post received goods or services, the administrative assistant prepares and the administrative officer signs the form PC-2059, "Payment Voucher and Receiving Report." The form includes a line stating, "I certify that the ordered items were received and accepted on _____, except as follows: _____." However, the administrative officer did not consistently enter the required date in the space provided on the form. The administrative officer signed as receiving official and the country director approved the payments. Although this provided adequate separation of duties, the administrative officer was not always aware of the date goods or services were received.

On several occasions post staff received the purchased goods or services directly. For example, the storage clerk received office supplies and signed the vendor's invoice as being received, but did not include the date. As a result, the administrative officer could not always enter a receipt date on the form PC-2059.

OFMH section 66.10 states:

Payments to vendors issued by PC/W [Peace Corps/Washington] are made consistent with Federal accounting practices and the Prompt Payment Act, 31 U.S.C. § 3903. The purpose of the Prompt Payment Act is to ensure that federal agencies make timely payment to vendors and to provide for late interest penalties against agencies that pay vendors after a payment due date. Under the Prompt Payment Act, payment to a vendor is due 30 days after receipt of a proper invoice or after Government acceptance of the supplies delivered or services performed; whichever date is later. In

consideration that the 30-day period for payment may begin when the Peace Corps receives a proper invoice, it is important that the vendor provides all required documentation to initiate the processing for payment. Posts should enter vendor invoices into FORPost upon receipt of goods/services or properly prepared invoice, whichever is later. The date entered into FORPost is the date used as the receipt date for Prompt Payment.

Without a properly documented date of receipt the administrative officer could not ensure that he entered the invoices into FORPost on the correct date. As a result, the post did not have assurance that it complied with the Prompt Payment Act, paid invoices timely, and avoided potential interest penalties.

We recommend:

- A.2.a That the country director designate a receiving officer, other than the administrative officer, that is accountable for accepting deliveries of goods and services and completing the required information, including the date of receipt, on form PC-2059, "Payment Voucher and Receiving Report."

B. IMPREST FUND

1. The post did not appoint an alternate cashier.

PCM section 760.8.0 states:

Each principal (Class B) cashier must have an alternate cashier at the same location. If assisting in regular cashier duties, the alternate must have his or her own safe or a separate drawer with a separate three-tumbler, government approved security lock in a shared safe.

In most cases, an alternate cashier will only serve in the absence of the principal cashier, normally using funds from an interim advance from the Class B cashier. The Country Director or his/her designee must determine if the absence of the principal cashier will be of such length as to justify the transfer of the imprest funds to the alternate cashier. In such cases, a formal transfer of funds, including imprest fund reconciliation, must be accomplished and the combination of the safe must be changed.

In addition, PCM section 760.9.0 requires that cashiers be direct hire employees, either foreign personnel or foreign service national (FSN); speak and read English fluently; meet embassy security requirements; and have appropriate experience and abilities.

As indicated in Peace Corps policy, the alternate cashier must be a U.S. direct hire or FSN. In FY 2008, the country director and programming and training officer were U.S. direct hires and the administrative officer and cashier were the only FSN employees. The post did not appoint an alternate cashier even though the administrative officer was qualified. As a result, when the cashier separated from the Peace Corps on December 19, 2008, the post did not have an officially designated cashier for 25 days. On January 8, 2009, the administrative officer was designated as temporary cashier. Subsequently, the post hired a new cashier on March 15, 2009. In addition, on February 1, 2009 the post converted the financial assistant position to FSN status. This will allow the financial assistant to be an alternate cashier.

We determined that the post recognized the need for an alternate cashier and has taken appropriate action to prevent future occurrences of gaps in the cashiering function when the primary cashier is away from the post. As a result, we are not making any recommendations related to the appointment of an alternate cashier.

2. *The cashier did not use a U.S. government approved safe to store imprest fund cash.*

PCM section 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 safe should be kept in a protected area, such as a sturdy enclosed room with a cashier's window designed to prevent people from reaching the safe or cash box.

In the event a safe is not available on site, a temporary storage facility with a bar-locked cabinet and a three-tumbler combination lock must be provided. Until these protections are in place, a cashier may not accept custody of funds.

Although the area within the cashier's cage contained three safes, only two of them appeared to be official U.S. government safes. When the former cashier left the post on December 19, 2008, the administrative officer removed the cash from the imprest fund safe. Instead of using the other official safe, the administrative officer placed the imprest fund cash in the third safe that was much smaller and did not include the three-tumbler combination lock or bar-lock as required by Peace Corps policy.

The administrative officer said that he moved the funds out of the official safe because the post had not yet changed the combination to the official safe when the former cashier left. PCM section 760.5.2 states, "The combination [to the imprest fund safe] should be changed annually, whenever there is a change in cashiers, or whenever the combination becomes known to a person other than the cashier."

The post is not in compliance with Peace Corps policy and increases the risk of theft by storing imprest fund cash in non-government approved safes. By changing the lock on the official safe as soon as the cashier left the agency, the post could continue to use the appropriate safe without concern of unauthorized access from previous employees.

We recommend:

- B.2.a That the administrative officer immediately move the imprest fund cash to a safe containing a U.S. government approved three-tumbler combination lock and request the regional security officer determine whether the safes in the cashier cage are approved for U.S. Government use.
- B.2.b That the new principal cashier, upon assuming post cashiering responsibilities, keep the cash in a U.S. government approved safe within the cashier's cage or appropriate secure area.
- B.2.c That the administrative officer ensure that the combination of the safe where imprest fund cash is stored be immediately changed when there is a change in the responsible cashier.

3. *The cashier did not adequately secure the cash within the imprest fund safe and kept items unrelated to the imprest fund in the safe.*

PCM section 760.5 paragraphs 1, 3, and 4 state:

Only items that are accountable as part of an imprest fund may be kept in the imprest fund safe. Accountable documents include money, checks, deposit slips, general receipts, interim advance receipts, paid sub-vouchers, and copies of reimbursement vouchers in-transit. No other funds or items may be stored in the cashier room or "cage."

Each sub-cashier or alternate cashier should maintain a cash box of his/her own with its own key or combination lock.

If a post operates both dollar and local currency funds, the two funds must be kept in separate cash boxes, accounted for separately, and may not be intermingled.

The cashier inappropriately kept a set of keys and documents not related to the imprest fund inside the safe. By placing additional items in the safe, the cashier must open the safe more than necessary and increases risks associated with cash loss or theft.

In addition, the cash was kept in plastic trays and paper bags instead of cash boxes. Cash boxes are necessary to ensure cash is adequately secured and also to prevent errors in cash counts. Further, the boxes help separate the cashier's funds from an alternate cashier's funds.

We recommend:

- B.3.a That the cashier secure the cash in separate, locked cash boxes within the safe.
- B.3.b That the cashier remove all items not related to the imprest fund from the imprest fund safe.

4. *The cashier conducted cashiering operations outside of the cashier cage.*

OFMH section 13, exhibit D, states, "Payments should be made only from a secure cashier office."

The administrative officer, serving as alternate cashier, could not access his FORPost account from the computer within the cashier cage. As a result, he carried checks and cashier paperwork to his office on a separate floor to enter payments and cash receipts into FORPost.

The cashier cage is designed to provide a secure location to conduct cashier operations. By conducting cashier operations outside of the cashier cage the administrative officer did not to comply with Peace Corps policy and increased the risk of theft or loss.

We recommend:

- B.4.a That the information technology specialist resolve the problem with the administrative officer's access to FORPost in the cashier cage.
- B.4.b That the cashier conduct all cashier operations within the cashier cage.

C. TIMEKEEPING

1. *The post did not establish adequate controls over employee time and attendance.*

Government Accountability Officer report GAO-03-352G, "Maintaining Effective Control over Employee Time and Attendance Reporting," states:

Supervisory authorization and approval is a key part of ensuring the propriety of T&A [time and attendance] information. The supervisor or other authorized official should review and authorize employee's planned work schedules and applications for leave, and review and approve employee submissions of actual time worked and leave taken, as well as information in T&A reports, and any adjustments or corrections to T&A records.

State Department Foreign Affairs Handbook Volume 4, Handbook 3, 525.2-2 through 525.2-3 states:

Supervisors are accountable for the accuracy of T&A reports. Since approval of T&A reports is based on the reliance of management controls, the supervisors must have a reasonable basis for verifying accuracy and compliance with those controls.

Supervisors must review and approve T&A reports of employees for whom they are responsible. Supervisors must also ensure that the approved T&A reports are submitted to the servicing payroll office by the due date. In case of any adjustment to leave records of an employee, the supervisor must review and certify such changes on the leave statement.

The post's employees recorded arrival time and departure time in a post-developed log book at the office entrance. The timekeeper used the log book to enter employee time and attendance in the time and attendance worksheet, and then used the worksheet information to fill in the annual attendance record.

However, the log book did not include a paragraph stating that the time was accurate nor did it require supervisory signature. Also, the log book was not designed to accumulate time by pay period making the transfer of data inefficient and prone to errors. Further, employee signatures and time recorded in the log were sometimes illegible and did not account for sick or annual leave. As a result, it was difficult to reconcile an employee's daily attendance with the annual attendance records.

Peace Corps domestic employees are required to record time, attendance, and leave on an Individual Time Certification Sheet (form PC-1548). This form records daily attendance for the biweekly pay period and shows evidence of supervisory review. During our audit, we noted that the employees were using only the log book to record their time and attendance on a daily basis. We believe that use of the log book may be practical for purposes of documenting arrival and departure data. However, it does not fulfill the above stated criteria that establishes minimal requirements for recording of time and attendance data.

The Peace Corps/Nicaragua Staff Handbook required staff, "To record attendance daily on an 'Individual Time Certification Sheet' and certify it for submission to their supervisor and timekeeper at the end of each pay period." We believe that by following

the post's handbook and using the PC-1548, or a similar form requiring the same types data, the post will strengthen its internal control over time and attendance. Use of such a form will provide a more consistent and coherent method to capture all of the necessary time and attendance data. After discussing the time and attendance issue with the administrative officer, he instructed his staff to immediately begin using the PC-1548.

We recommend:

- C.1.a That the country director ensure that staff record their time and attendance using PC-1548, or a similar form that captures all of the minimally necessary time and attendance data, and that supervisors certify the data recorded through signature.

D. MEDICAL SUPPLIES

1. The post did not maintain adequate separation of duties over its medical supplies.

PCM section 734.3.4 states:

The Medical Supply Inventory Control Clerk (MSIC Clerk) is designated by the Country Director. The MSIC Clerk maintains the Medical Inventory Control Log, which houses the inventory status of all medical supplies that are specially designated or controlled substances purchased, received, and stocked at post. The MSIC Clerk must be a person from outside the Medical Unit staff.

The Acceptance Point Clerk (APC) is responsible for receiving medical supplies at post and coordinating their initial inventory and transfer to the Medical Unit. The APC works with both the MSIC Clerk and the PCMO [Peace Corps Medical Officer] to ensure that medical supplies are delivered and inventoried. The APC must not be an individual assigned to the Medical Unit staff, and cannot serve as the MSIC Clerk. Further, the APC may not perform the quarterly inventory of medical supplies.

According to PCM section 734.3.5.3:

The MSIC 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). . .

The PCMO must use form PC-734C to record the item and quantity dispensed, to whom it was dispensed, and when dispensed. . .

Copies of the PC-734C forms and disposal records should be sent to the MSIC Clerk at least monthly. Before providing copies of the form PC-734C to the MSIC Clerk or anyone other than Medical staff, the section of the form containing personally identifiable information must be removed and destroyed.

On November 26, 2008, Peace Corps updated PCM section 734 to improve internal controls over medical supplies. The updated guidance assigned the MSIC clerk inventory responsibilities. However, other than designating a MSIC clerk, the post had not begun to implement the new requirements. We determined that a PCMO was still primarily responsible for the medical supply inventory, acquisition, receipting, storage, and disposal of medical supplies. Further, an acceptance point clerk was not designated and in place as required by the new policy. As a result, the post did not have adequate separation of duties and the MSIC clerk could not ensure records were accurate or complete.

It is important that the post implement the revised Peace Corps policy related to medical supplies and equipment in a timely manner. Adequate separation of duties is critical to effective internal control and minimizes the risks associated with fraud, waste, and abuse.

We recommend:

- D.1.a That the country director designate a staff member as an acceptance point who is outside the medical unit and not the medical supply inventory control clerk to immediately begin to receive, inspect, and distribute medical supplies to the medical unit and assume all other duties as described in PCM section 734.
- D.1.b That the country director designate a staff member outside of the medical unit who is not the medical supply inventory control clerk or acceptance point to perform quarterly physical inventories of medical supplies.
- D.1.c That the country director ensure that duties associated with receipt and acceptance of medical supplies; maintaining official medical supply inventory records of specially designated items and controlled substances; and periodic physical inventory counts be without exception, assigned to separate staff members that are outside the medical unit.

2. Medical inventory records were not accurately maintained.

PCM section 734.3.5 states:

The CD [country director] and PCMO share the responsibility to maintain effective control over medical supplies to ensure that these items are properly dispensed or disposed of in accordance with Peace Corps policies and procedures. Assurance that effective controls are in place is achieved through maintaining appropriate segregation of duties, accurate record keeping, secure storage, and periodic inventories.

We attempted to verify the existence of the seven controlled substances listed on the monthly inventory of controlled substances. Controlled substances are regulated by the Drug Enforcement Agency because of potential abuse and safety concerns. The inventory record did not list the correct number of tablets for one of the seven substances. A PCMO had listed 60 tablets on the inventory, but our count confirmed there were only 36 tablets. The PCMO said that the last inventory was incorrect and the error was attributable to recording two full boxes without opening them to verify the number of tablets inside.

In addition, our audit sample included one of the non-controlled pharmaceuticals. We compared the medical unit's records for dispensing the item with the most recent inventory that had included a physical count. The PCMOs used a wall chart to record when they dispensed non-controlled medical supplies. The chart listed a quantity of 360 pills. However, our count disclosed that there were only 160 pills were on hand. The MSIC clerk checked through prescriptions and identified 100 pills that a medical officer dispensed but did not record on the chart. The clerk could not readily explain the remaining difference. By the end of the week the PCMOs had determined the disparity in the inventory record was caused by a miscalculation in the quantity received. When the medical staff received ten boxes of pills they incorrectly recorded 30 pills per box instead of the actual quantity of 20 pills per box. As a result, the post overstated the inventory by 100 pills.

Accurate and complete inventory records are critical to effective internal control over medical supplies. In addition, accurate inventory records are necessary to ensure that there is an adequate supply of medicals supplies available to treat Volunteers. Effective inventory procedures are necessary to prevent theft, loss, and potential abuse of medical supplies. We address the need for improved medical supply tracking and inventory procedures in paragraph D.1. Before implementing inventory procedures in accordance with PCM section 734, the records must be accurate and complete.

We recommend:

- D.2.a That the country director require that an immediate physical inventory count of medical supplies be performed by a designated staff member (as discussed in recommendation D.1.b above).
- D.2.b That the country director, in conjunction with the medical officers, review the results of the comprehensive physical inventory and reconcile any differences found. The medical officers must fully explain all discrepancies found, provide proposed adjustments in inventories accordingly, and report any losses in accordance with PCM section 734.
- D.2.c That the country director approve the proposed adjustments (if any) to the inventory.
- D.2.d That the medical supply inventory control clerk document the results of the comprehensive medical supply inventory together with any approved adjustments to the inventory in permanent inventory records as prescribed in PCM section 734.
- D.2.e That the medical unit provide the medical supply inventory control clerk with PC-743C forms recording the dispensing of all medical supplies that are specially designated or controlled substances at least on a monthly basis.
- D.2.f That the medical supply inventory control clerk maintain an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, PC-743C forms recording dispenses, disposal documentation, and reconciliation of the results from the quarterly physical inventory counts.

3. *The post did not have sufficient medical office space to provide adequate storage of medical supplies.*

PCM section 734.3.5 states:

The CD and PCMO share the responsibility to maintain effective control over medical supplies to ensure that these items are properly dispensed or disposed of in accordance with Peace Corps policies and procedures. Assurance that effective controls are in place is achieved through maintaining appropriate segregation of duties, accurate record keeping, secure storage, and periodic inventories.

PCM section 734.3.6.1 states:

Posts must provide secure storage for all medical supplies that are specially designated or controlled substances. Secure storage must provide effective controls and safeguards against theft and diversion. Controlled substances must be kept in a bar-locked cabinet with a three-way combination lock. The filing cabinet must be placed in a locked room (such as a medical supply closet) within a locked office building. Any cabinet or safe used to store controlled substances that weighs less than 750 pounds must be bolted or cemented to the floor or wall in such a way that it cannot be easily removed.

During our site visit in February 2009, we observed vaccines stored in an unlocked refrigerator (see pictures). The medical staff did not adequately monitor access to the refrigerator. The refrigerator was located on a different floor than the medical officers, in the same room as the copy machine and staff refrigerator. This did not provide secure storage of medical supplies and increased the risk of lost or stolen medical supplies. Additionally, a refrigeration malfunction could go unnoticed and result in the loss or unknowing use of spoiled medical supplies.

Unsecured Refrigerator Storing Medical Supplies



According to the country director, the medical offices did not have space for the refrigerator. The medical office consisted of three small offices, the supply storage area, and the front desk. The post could alleviate concerns of inadequate storage space by increasing the medical office space.

In February 2009, the post was building an additional office on the second floor. By rearranging the office, the country director could create additional room on the first floor for the medical officers to expand into. With additional space, the medical officers could properly secure their refrigerator and arrange the physical layout to improve the workflow.

It is essential that the post provide secure storage over medical supplies. This is especially critical for controlled substances and other items that would be subject to losses resulting from pilferage. Peace Corps policy requires that both controlled substances and medical supplies that are specially designated be kept in secure areas that provide protection against theft and diversion.

We recommend:

D.3.a That the country director increase the size of the medical offices to provide adequate and secure space to store all medical supplies in compliance with Peace Corps policy.

D.3.b That the medical unit install a lock on the refrigerator containing medical supplies to secure the items until they can be relocated to the medical office.

E. PROPERTY MANAGEMENT

1. The post did not maintain adequate separation of duties over management of the property inventory records and performance of the physical inventory verification.

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

The general services officer (GSO) served as the property officer. The property officer is responsible for receiving and properly recording new property in the property management records. The property officer’s duties also include signing for all new property, attaching the bar-code to the property, and recording property disposals. However, the GSO also conducted the annual physical inventory verification. As a result, the post lacked proper separation of duties in this area. The Government

Accountability Office, “Standards for Internal Control in the Federal Government,” states:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

To ensure effective internal control and comply with Peace Corps and federal policy an individual assigned to conduct inventory counts must be independent of the inventory management and recording process. Further, the individual assigned to perform an inventory should not be an accountable property holder for the property they will physically count.

We recommend:

- E.1.a That the country director separate the duties of maintaining the inventory records and conducting the annual physical inventory by appointing an individual other than the property officer to conduct the annual inventories.

2. The post did not maintain or verify inventory records in accordance with policy.

PCM section 511.5.5 states:

The inventory is a reconciliation of the previous year's records against all acquisitions, transfers, disposals and other property changes that have occurred throughout the year.

PCM section 511.5.6 requires:

Individuals other than the Property Officer check database property reports against physical inventory of property to confirm the existence of property listed on the inventory record.

[The property officer] contact individuals and organizations to whom non-expendable property is assigned to verify the presence and condition of the property issued.

Note on inventory all property that may be excess to office needs as well as property that is unserviceable; initiate actions to redistribute or dispose of these items.

The post did not conduct sufficient inventories and ensure the property officer updated the property records. In November 2008, the property officer printed out a list of accountable property for each individual assigned property (accountable property holder). The property officer accompanied some of the accountable property holders when conducting an inventory. However, the property holders did not always annotate all changes on the inventory records and only one annotated a date for the inventory. Further, the inventories were not consistently marked. Most of the inventories had a “c” or “x” next to each item, but did not explain what these letters indicated. Other property holders inserted a check mark next to items, but there were some items without a check mark, causing confusion as to whether such items had been verified or if the property record was incorrect.

The post cannot ensure accurate property records without an adequate inventory process that confirms the physical existence and condition of each property. A lack of accurate and complete inventory records will result in increased risks associated with pilferage and other losses of property. PCM section 511.5.2 states, “Each office must take an inventory at least once a year, physically counting each item to verify that all property is on hand and properly recorded in the property management database. Offices may inventory various categories of non-expendable property throughout the year to balance workload.” As discussed in paragraph E.1, the post must assign physical inventory responsibility to an individual other than the property officer or accountable property holder of the property being inventoried. Inventorying different types of property throughout the year is more efficient enabling individuals that oversee performance of physical inventories to focus more on their principal assigned duties.

We recommend:

- E.2.a That the country director ensure there is a consistent inventory process in place that clearly indicates property has been verified, discrepancies are noted, and the dates of inventories are documented. Further, accountable property holders must not be assigned to perform physical inventory of property they are held accountable for.
- E.2.b That the property officer develop a schedule that provides for inventory different property categories throughout the year to ensure that all property is inventoried within a year.

3. The property officer did not update the property records timely and completely.

PCM section 511.5.6 states:

[The property office] prepares final inventories, making necessary changes in the property management database and including explanations of overages/shortages.

PCM section 511.5.7 states:

The Property Account Holder certifies the accuracy of the completed inventory, using the Property Account Holder's Annual Property Certification memo.

The property officer did not update the property records based on the annual inventory. During the annual inventory the property officer or property account holders compared the property record to the actual property. They wrote on the inventory whether the property was excess, disposed, or in different location than indicated in the property records. In November 2008, the physical inventories identified 29 properties listed on the inventory twice and 90 properties noted as excess, not on the list, or other annotations indicating a problem with the record. In February 2009, we conducted a judgmental sample of 35 property records and included two of the items listed on the inventory twice and 4 property records that had unusual annotations on the November 2008 inventory. During our testing we determined that the most current inventory contained the following errors.

Table 1. Issues With Property Inventory

Issue	Items
Missing or not located	One telephone
Listing on the inventory twice	Two different chairs
Not properly marked as not serviceable or excess	One telephone, two cell phones, and a computer
No longer had visible barcodes	Two pieces of furniture, a computer, a safe, a cell phone, and an industrial vacuum
Not in the location listed on the inventory	A refrigerator and an industrial vacuum

We concluded that the property officer was not updating property records timely and had not corrected all of the discrepancies identified during the last inventory. PCM section 511.3.3 states, "The Property Account Holder (PAH), usually a Country Director, Regional Manager, or headquarters office manager, is ultimately responsible for all Peace Corps personal property within his or her office." Neither the country director nor administrative officer had confirmed that the property officer updated the property records after the last inventory.

Without accurate and up-to-date inventories the post did not have reasonable assurance that the property officer would identify property theft and loss. In addition, the Peace Corps relies on the property records for entering accurate and complete data related to its assets into the financial records. As a result, posts need to maintain current property records and accurate inventories to ensure Peace Corps financial statements present correct information.

We recommend:

- E.3.a That the property officer review the results of the last inventory and update the property records and continue to consistently update the property records immediately after each physical inventory.
- E.3.b That the country director verify that all property records are updated timely after each physical inventory.

4. The post did not dispose of excess property timely.

PCM section 511.8.0 states:

Worn out or excess property must be disposed of in a timely fashion. The practice of storing and accounting for property in excess of requirements is uneconomical and an unnecessary administrative burden. Accordingly, the Property Account Holder or designee shall inspect property on a routine basis. If property is not used or under-used, immediate action must be taken to dispose of such property either through transfer, sale or redistribution to other offices.

The property officer kept excess property in a storage shed located within the Peace Corps perimeter and in a leased warehouse space within the city (see pictures below). The property was not well organized or managed. During the sample inventory testing the property officer had to climb over tables and boxes to locate items included in our sample. Although the administrative officer informed us that the post will use some of the property to furnish the new associate Peace Corps director's residence, most of the property is excess to the post's needs and should be sold or disposed of using a method determined to be the most cost effective to the government.

Property in the Peace Corps Storage Shed (left) and Warehouse (right)



In the past, the post relied on the embassy to sell its excess property. According to the administrative officer, the embassy would not include the Peace Corps property in their FY 2008 auction because of the large amount of property State Department needed to sell. As a result, the Peace Corps had to lease larger warehouse space at the offsite location because it did not timely dispose of property considered as excess.

In our opinion, if the post would have sold its excess property instead of waiting on another embassy auction, it may have avoided renting the additional storage space. The administrative officer informed us that the larger warehouse cost less. However, depending on how much property the post could sell, we believe that it could have found less expensive storage alternatives by reducing its inventory of excess property. PCM section 511.8.5 permits the post to sell excess property to the public. This policy further specifies that posts may dispose of obsolete property or property for which the estimated cost of collection and disposal exceeds the estimated proceeds of sale, provided the post fully documents the process and complies with applicable laws and regulations.

By storing increasingly greater amounts of excess property for longer periods of time such items inevitably continue to deteriorate and decrease in value. Additionally, property managers spend more time managing the excess property and performing annual inventories. By selling or otherwise disposing of unneeded property, posts could use the proceeds for other purposes and avoid the administrative, and often times costly burden of managing large quantities of excess property.

We recommend:

- E.4.a That the property officer organize and document all property in the storage shed and warehouse. The documentation must include all excess property and its condition to provide an accurate listing of items in need of sale or other means of disposal.

- E.4.b That the post inform the embassy of all excess property to be sold at the next auction. If the embassy is unable to sell the property timely, the post must arrange to sell it through a public sale in accordance with the Peace Corps Manual section 511.
- E.4.c That the post immediately dispose of obsolete property or property not worth selling because the cost of storing and maintaining it would exceed the benefit. The disposal must be fully documented in accordance with the Peace Corps Manual section 511.
- E.4.d Once the post sells or disposes its excess property, that the country director, in coordination with the property manager, reassess the post's storage requirements and determine the most efficient means to secure and store excess property on hand. Specifically, the post must reconsider the size of storage space needed and develop a standard operating procedure for organizing and storing its excess property.

F. VEHICLE MANAGEMENT

1. The post exceeded its authorized number of vehicles and did not sell excess vehicles timely.

PCM section 527.5.1.1 states:

A post may not maintain a vehicle fleet in excess of the established ceiling in the post's VFP [Vehicle Fleet Plan], except:

- (a) As approved by M/OBO;
- (b) For a temporary period necessary to dispose of an excess or replaced vehicle. (Posts should dispose of excess vehicles immediately as set out in MS 511, Property Management. Replaced vehicles shall be disposed of within 60 days of placing the new vehicle in service); or
- (c) For vehicles loaned to the Peace Corps without cost.

The post did not dispose of vehicles in the most time efficient manner. As a result, the post exceeded its vehicle ceiling established in the vehicle fleet plan. The following chart shows the post's vehicle count, authorized level, and number of vehicles awaiting disposal from August 2007 to February 2009.

Table 2. Post Vehicle Levels

Time	Event	Actual Number of Vehicles	Authorized Level of Vehicles	Awaiting Disposal
August 2007	FY 2007 Vehicle Status Report included two vehicles requiring disposal in November 2007.	14	12	2
January 2008	Post purchased four vehicles.	18	12	2
February 2008	Headquarters approved five vehicles for disposal.	18	12	7
March 2008	Post purchased one vehicle.	19	12	7
April 2008	Post sold five vehicles including two approved in 2007 and three approved in 2008.	14	12	2
July 2008	Headquarters approved the local purchase of one vehicle.	14	12	2
August 2008	Post purchased one vehicle.	15	12	2
August 2008	FY 2008 Vehicle Fleet Plan increased the vehicle level.	15	13	2
February 2009	Post had not disposed of the two vehicles awaiting disposal.	15	13	2

The post had received approval to delay until November 2007, the disposal of two vehicles it had replaced. However, the post did not sell the vehicles until April 2008, five months after the extension had expired. The vehicles approved for disposal continued to depreciate and lose resale value for five months.

Additionally, two other vehicles that had been approved for disposal in February 2008, were not disposed of timely. The post has a maximum of 60 days after replacement to dispose of a vehicle unless the region grants an extension. The post replaced the two vehicles in January and March 2008. In June 2008, the region approved the post's request to keep one of these vehicles until a new vehicle arrived and the other vehicle until November 2008 because of the large number of training groups.

Subsequently, the FY 2008 vehicle fleet plan increased the ceiling by one vehicle. However, the post did not inform the Post Logistic Support Office (PLSO) as to the status of disposal for these vehicles or whether it intended to keep one of the vehicles. The post still had not disposed or transferred the two replaced vehicles as of February 2009. Therefore, the post did not comply with the terms of the extension to the 60 day limit on retaining excess vehicles and also exceeded the vehicle limitation in the vehicle fleet plan. Based on sales of similar vehicles, the Peace Corps could have gained approximately \$32,800 in sales from these vehicles by taking timely action to replace and sell the vehicle.

The post expressed concerns that the current vehicle authorization level may not be sufficient to meet the needs of the post. The Integrated Planning and Budget System FY 2009 – 2011 submission stated, “. . . Post’s vehicle fleet is not adequate from a security perspective. Additional vehicles to support overall operations continue to be a high priority for Post.” If the post needs an additional delay of disposal for its vehicles to meet its current requirements and mitigate security risks it must justify any such delays and request proper approval from headquarters by providing appropriate supporting documentation to the region and PLSO.

It is important that posts regularly communicate its vehicle needs and status with the region and the PLSO to ensure headquarters is able to maintain adequate control over the agency’s vehicle levels and document decisions pertaining to the post’s fleet plans. Also, selling excess fleet vehicles that have been replaced by new purchased vehicles is more cost effective when done in a timely manner and Peace Corps policy requires that such vehicles be disposed within 60 days of placing new vehicles in service.

We recommend:

- F.1.a That the post dispose or transfer all excess vehicles in accordance with the approval to delay disposal or request the an additional approval to delay disposal from the region and Peace Corps post logistics support office.
- F.1.b That the country director maintain the post’s number of vehicles in accordance with the post’s approved vehicle fleet plan.

2. *The administrative officer did not adequately justify the purchase of a vehicle that was not the least expensive option.*

The Peace Corps Vehicle Fleet Management Guide provides instructions on vehicle acquisition and disposal. For local procurement of vehicles, the guide requires posts to evaluate the life cycle costs to determine which vehicle is the least costly. Life cycle cost is the total purchase price, shipping costs, maintenance costs, and additional expenses less the vehicle’s expected resale value. Posts must submit the life cycle cost comparison to the PLSO with each vehicle order.

In July 2008, the post requested to procure a vehicle locally. The administrative officer sent the PLSO an email with the prices of three vehicle options and attached quotes from vendors. The administrative officer requested permission to purchase a Toyota RAV even though it was not the cheapest option. The Toyota was \$1,688 more than a similar Honda CRV model. The administrative officer explained that the Toyota was the best value because of a higher resale value and lower maintenance and repair costs. However,

the administrative officer did not provide the PLSO with the life cycle cost comparison to justify his purchase request. Subsequently, the Inter-America and the Pacific regional management and the PLSO approved the purchase without the required justification.

Prior to finalizing the acquisition, the post found a fourth vendor that offered the Toyota RAV at a lower cost, enabling the post to purchase the desired vehicle at the least expensive cost. However, the administrative officer still did not provide the necessary cost comparison to the PLSO.

Further, the post purchased a blue-gray model of the Toyota RAV. The Peace Corps Vehicle Fleet Management Guide requires posts to purchase white vehicles, unless a different color is justified, because:

- White vehicles are associated with government and development agencies.
- White vehicles reflect heat (as opposed to darker colors which absorb heat). In a desert or tropical environment, a vehicle painted white can be up to 20 degrees cooler than a darker counterpart, thus easing strain on the engine and the air conditioning.
- White vehicles are typically less expensive and more readily available from fleet distributors.

The post's documentation did not include a justification for the choice in color. The PLSO informed us that it did not require the post to send justification of color to their office because the post procured the vehicle locally. However, Peace Corps policy did not provide for exceptions to the color justification requirement in cases of locally procured vehicles. The administrative officer explained that the color was at no additional cost and was available at the time of purchase. However, according to Peace Corps guidance, the post's documentation must include an explanation of the choice in color because it was an exception to the standard policy.

Preparation of cost comparisons and related justifications for local purchase of vehicles is a critical internal control associated with ensuring that Peace Corps' management has appropriate oversight, the post's major purchases are cost effective, and posts are in compliance with applicable Peace Corps policy.

We recommend:

- F.2.a That the Post Logistics Support Office require that the post's administrative officer always submit the required purchase documentation for local vehicle procurements, including a lifecycle cost comparison and justification for purchasing vehicles that are not white. The cost comparisons, any associated justifications, and approvals must be maintained in the fleet vehicle documentation files at post.

F.2.b That the administrative officer provide the required cost comparison and associated justifications to the Post Logistics Support Office whenever purchasing a vehicle.

3. *The general services officer did not implement the required Vehicle Usage Log (Peace Corps form 522A) or ensure employees followed Peace Corps policy for logging vehicle usage.*

PCM section 522.4.1.7 states:

Each trip taken with a Peace Corps vehicle overseas must be recorded by the driver in the daily vehicle log. See Attachment B, "Form 1490 B" (Form 1490 B supersedes Form 1490 in MS 527). Such log shall be reviewed by the administrative officer on a weekly basis and maintained for review by the Country Director on a monthly basis.

The post used a spreadsheet that it had developed to track vehicle usage, instead of the required Daily/Weekly Vehicle Usage log. The spreadsheet did not contain all of the required information including fields for authorizing trip signature, reviewed by, and mechanical issues. In addition, vehicles logs reviewed were incomplete and inaccurate. Based on a review of FY 2008 vehicle usage logs, we determined that drivers were not entering whether trips were for official use only. The country director approved one employee to use the vehicle for personal use on October 29, 2008, but the employee incorrectly indicated on the log that the trip was "official work" and not "other authorized travel." Another five vehicle usage logs were incomplete because the drivers did not consistently fill in the field that shows whether the trip was for "official work" or "other authorized travel." Although the vehicle usage logs were incomplete, the GSO and administrative officer stamped them as "reviewed."

PCM section 522 is currently under revision and attachments were recently revised resulting in form 1490 B being replaced by attachment B, Peace Corps form 522A, "Weekly Vehicle Usage Log." Use of the Peace Corps Vehicle Usage Log (form 522A) is a critical part of the system for internal control over the use of fleet vehicles and is necessary to ensure employees use government vehicles for official business or other authorized purposes. The usage logs must contain all the necessary information to enable compliance with Peace Corps policies.

We recommend:

F.3.a That the country director require that the general services officer, in coordination with the administrative officer, implement Peace Corps form

522A to track vehicle usage and instruct vehicle users on how to complete the form.

4. *The general services officer did not establish an effective process for vehicle maintenance.*

PCM section 527.5.3 states:

Each post will maintain vehicles and records of the following:

- (a) Manufacturer recommended preventive maintenance as outlined in the vehicle manual for operation under extreme conditions as appropriate;
- (b) Purchase and installation of special, heavy-duty parts and accessories that the post determines are required by local conditions, e. g., oil pan and gas tank protective plates, lock-out hubs, roll bars, roll cages, and heavy-duty springs.

The maintenance records were not well organized or easily located because the GSO kept vehicle maintenance records within the vehicle usage folders. In addition, the records did not include manufacturer recommended preventive maintenance information. As a result, the GSO could not effectively manage his fleet. For example, during our site visit we determined that five vehicles had faulty backdoors which would not open. Often times the back door is the nearest exit in a vehicle and in case of an emergency would need to function properly. We notified the GSO who subsequently was able to repair the doors. In our opinion, the post could have corrected this problem sooner if better maintenance records were kept and consistently used to identify and schedule repair of problems with vehicles.

Good maintenance records are essential to vehicle safety, reliable operation, and resale value. Further, Peace Corps policy requires posts to maintain current and complete maintenance records on its vehicle fleet.

We recommend:

- F.4.a That the country director require that the general services officer maintain separate files for each vehicles' maintenance schedule. The schedule must include manufacturer suggested maintenance and list all servicing of the vehicle.
- F.4.b That the general services officer must regularly review the driver comments on mechanical issues

once the post implements the required vehicle usage log.

5. *The general services officer did not ensure all fleet vehicles were equipped with fire extinguishers and first aid kits.*

PCM section 522.6.2 requires that each vehicle includes a safety (first aid) kit.

PCM section 270.3.2 states, “

The CD [country director] is responsible for establishing procedures to monitor and assess personal safety and security environments for V/Ts [volunteers/trainees] and for apprising the RD [regional director] of safety and security issues that may emerge. The CD is responsible for establishing and maintaining protocols for communicating safety and security information to PC/W [Peace Corps/Washington] and to V/Ts throughout their service.

During the site visit, we inspected five of the 13 vehicles to determine if they were equipped with the necessary safety supplies. Three of the five did not have fire extinguishers and none of the vehicles contained a first aid kit. The administrative officer said that the first aid kits cannot be stored in the vehicles because the heat would negatively affect contents and informed us that the security guards keep vehicle supplies inside their office. We were informed that whenever a vehicle left the post, the security guards issued the driver a bag containing repair tools. However, we observed that first aid kits were not included with items issued by the guards.

Fire extinguishers and first aid kits are important to providing personal safety for staff, Volunteers, and Trainees while being transported in Peace Corps vehicles.

We recommend:

- F.5.a That the general services officer ensure that all fleet vehicles are equipped with serviceable fire extinguishers.
- F.5.b That the general services officer develop a list of safety equipment that should be in each vehicle or issued by the guard post in accordance with Peace Corps policy.

6. *The post did not provide adequate separation of duties related to custody over fuel storage and recording its distribution.*

The Government Accountability Office, “Standards for Internal Control in the Federal Government,” states:

Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

The post maintains a fuel holding tank within its compound for purposes of refueling Peace Corps vehicles. The administrative officer is the approving authority for fuel purchases and reviews fuel usage logs. However, the post’s driver controlled all of the functions related to the fuel distribution including key access to unlock the fuel holding tank, dispensing of fuel, maintaining fuel logs to record use, and signed receipt of the fuel.

There was inadequate separation of duties, because the same individual controlled the custody of the fuel in the post’s holding tank and recording its use. The country director monitored monthly vehicle mileage and the administrative officer compared the vehicle purchased fuel with the vehicle usage log. However, these controls can only detect potential issues after they occur instead of preventing unauthorized fuel usage.

Establishing separation of duties related to custody and distribution of the post’s fuel supply is a critical part of the post’s system for internal control designed to prevent fraud, waste, and abuse associated with fuel consumption. To comply with federal and Peace Corps policy, the post needs to strengthen its controls by separating the responsibilities for custody of fuel and its distribution for use.

We recommend:

- F.6.a That the country director separate the responsibility for maintaining custody over fuel storage from the recording of fuel distributed for use.

G. PERSONAL SERVICES CONTRACTS

1. *The post did not include a copy of the most recent performance evaluations in the personal services contract (PSC) files.*

PCM section 743.19 states:

It is U.S. Government policy that a PSC's performance be evaluated during and at the completion of each contract. Only complete and

objective written performance evaluations may be utilized in the acquisition process to assess the PSC's past performance and in considering the contractor for future awards.

All PSCs will be evaluated by the country director, or another Peace Corps employee designated by the country director, during and at the completion of their in-country work. A copy of the evaluation should be maintained by the Country Director. . .

Eleven of the 14 PSC files we reviewed did not contain a copy of the employee's most current performance evaluation. Further, four of these 11 PSC files did not contain any previous evaluation.

PCM section 743 includes attachment F, "Personal Service Contract File Checklist." This checklist assists posts in identifying and including all necessary information in PSC files. The checklist includes statement of work, competition documents, security clearance, and intelligence background certification. Although two of the 14 PSC files reviewed contained a checklist, it was not the most current version.

Evaluations are essential for determining whether PSCs are fulfilling the duties assigned in their contracts. The evaluations also assist in identifying developmental needs. Without proper documentation the country director may be unable to justify employee promotions, terminations, and other administrative actions. Additionally, use of the Personal Service Contract File Checklist is an effective management tool to ensure compliance with Peace Corps policy.

We recommend:

- G.1.a That the country director or other designated supervisor conduct annual performance evaluations of all personal services contractors and ensure that copies of the evaluations be included in their files.
- G.1.b That the administrative officer prepare a Personal Service Contract File Checklist for each PSC file to ensure all required elements are contained within the files.

2. *The personal services contract files did not always include documentary evidence that the post competed positions.*

PCM section 743.9.2.1 states:

...offers are to be requested from at least three potentially qualified candidates. If three qualified candidates cannot be identified without

advertising, the contract must be advertised locally in accordance with Embassy/Post practice for direct-hire employees or PSCs (e.g., Post/Embassy bulletin board or website, in a general circulation newspaper) or using some other method that would reasonably be expected to produce at least three potentially qualified candidates.

Three of the 14 PSC files reviewed did not contain documentation showing that the contracts were competitively awarded. Without evidence of an appropriate competitive process, there is no assurance that a contract was awarded in accordance with Peace Corps policy requiring fair and open competition.

We recommend:

G.2.a That the administrative officer ensure that applicable Peace Corps policy is fully complied with by requiring that personal services contract positions be competed and related documentation of the competitions be retained in personal services contractor files for all future contracts.

3. *Personal services contractors did not complete the required intelligence background information certification form.*

According to PCM section 743.8.1:

Personal Services Contractors are subject to the policy and eligibility standards set forth in Peace Corps Manual Section 611 concerning eligibility of applicants with intelligence backgrounds. ... 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.

PCM section 611.1.0 states:

The policy is founded on the premise that it is crucial to the Peace Corps in carrying out its mission that there be a complete and total separation of Peace Corps from the intelligence activities of the United States government, both in reality and appearance. Any semblance of a connection between Peace Corps and the intelligence community would seriously compromise the ability of the Peace Corps to develop and maintain the trust and confidence of the people of the host countries.

The administrative officer was not aware of the requirement for PSC's to complete the intelligence background information certification form. As a result, the post did not have

assurance that employees had not been associated with intelligence activities that may compromise the host country's confidence in the Peace Corps.

It is important for the administrative officer to obtain and maintain completed intelligence background information certification forms for all PSCs because agency policy dictates that individuals who have prior connections with intelligence activities through employment, related work, or even family relations may be ineligible for a personal services contract.

We recommend:

- G.3.a That the country director require all personal services contractors to complete an intelligence background information certification form in accordance with Peace Corps policy.
- G.3.b That the administrative officer include copies of personal services contractors' completed intelligence background information certification in their respective files.

4. The administrative officer did not request and obtain updated security clearances for personal services contractors.

PCM section 743.8 states:

Foreign nationals are not permitted access to classified information or material. Also, the Country Director must request the Embassy Security Officer to conduct an appropriate investigation of a proposed PSC prior to executing a Personal Services Contract with a foreign national.

Upon the post's request, the embassy security officer will conduct an investigation and issue a security clearance if the employee receives a favorable investigative report. The security clearances are valid for five years and list the expiration date on the form provided to the Peace Corps.

During our review of PSC and FSN files, we determined that several files did not contain a security clearance and many of the security clearances on file were more than five years old. The embassy security officer provided a comprehensive list of the Peace Corps/Nicaragua employees that included the date of their last security clearance. The list showed that seven of the 36 employees did not have any security clearance and 15 employees did not have a security clearance update within the last five years; the oldest one had expired in June 2000.

Executive Order 10450 states, “The interests of the national security require that all persons privileged to be employed in the departments and agencies of the Government, shall be reliable, trustworthy, of good conduct and character, and of complete and unswerving loyalty to the United States.” Security clearances are necessary to safeguard Peace Corps information and resources from untrustworthy or unreliable individuals. Maintaining current security clearances provides reasonable assurance that employees are in fact reliable, trustworthy, and of good conduct and character.

We recommend:

- G.4.a That the administrative officer request that the embassy security officer perform a security clearance investigation for the seven employees lacking a clearance and updated security clearances for the 15 employees with expired clearances.
- G.4.b That the administrative officer track the employee security clearance expiration dates to ensure the post requests updated clearances timely.
- G.4.c That the administrative officer include copies of the security clearances in the personal services contractor files.

H. LEASES

1. Lease files did not contain all required documentation.

PCM section 733.4.2 states:

Upon identifying property/space needs, a market survey shall be conducted to determine availability and price of property meeting those needs. Methods of conducting a market survey may include advertising in the local media or contacting rental agents.

We reviewed all five leases at the post and determined that none of the lease files contained evidence of a market survey. According to the administrative officer, the post uses a rental agent. One file included an excel spreadsheet listing 15 properties that the post had reviewed. However, the files did not contain correspondence or other evidence that a rental agent was used.

In order to ensure the best use of Peace Corps funds and comply with policy, all appropriate approvals and associated documentation must be obtained before leases are signed and included in the lease files.

We recommend:

- H.1.a That the administrative officer maintain all required information in current lease files, including documentation related to arrangements with rental agents.

I. RECORDS MANAGEMENT

1. *The post did not adequately store financial records.*

PCM section 892.6.5 states:

Offices shall institute adequate records management controls over the maintenance and use of records to ensure that records can be located when needed and that they are preserved for eventual disposition. Procedures for complying with this requirement are in the Records Management Handbook available from the Records Officer. Offices shall also follow the guidance for safeguarding specific types of records in various manual sections (see MS 267, Volunteer Medical Records; MS 833, National Security Classified and Agency-Designated Protected Information; MS 893, Freedom of Information Act Administration; and MS 897, Privacy Act Administration).

PCM section 892.6.6 further states:

Offices shall ensure that permanent records are preserved and that records that are no longer of use to the Agency are properly disposed of or retired. All offices must comply with retention standards approved by the Archivist of the United States. Retention standards for Peace Corps records are contained in the Records Management Handbook.

The post properly stored the three most current FY's financial documents in files located in the financial office. The financial assistant maintained the documents in binders, color-coded by FY, and arranged in alphabetical order. However, FY 2005 financial files were kept in boxes in the storage shed. Records related to prior FYs were disorganized and in boxes in the warehouse. Both the storage shed and warehouse are not considered secure for purposes of storing personal identifiable information because they are accessible to many individuals.

OFMH section 22 and the "Peace Corps Guide to Record Management" provide agency record retention policies in accordance with the National Archives and Records Administration requirements. The post must retain most financial records for three years. However, each type of record has a different requirement, for example posts must maintain contract files for six years and three months after final payment. Therefore,

good record retention practices are necessary to ensure compliance with Peace Corps and federal regulations.

Financial records may contain personal identifiable information, and as a result, must be kept in a secure place with limited accessibility until they are properly disposed. The post could improve its record retention process by marking all binders and storage containers with instructions on how and when to dispose the documents.

We recommend:

- I.1.a That the country director require that the financial records be removed from the storage shed and warehouse and relocated to a secure area. Further, he ensure only those records determined to be useful or that are inside the required retention period be preserved. Records selected for disposal must be destroyed in accordance with Peace Corps policy.
- I.1.b That the administrative officer mark financial record binders and storage containers with the retention period and disposal instructions.

J. INFORMATION TECHNOLOGY

1. The Information Technology (IT) specialist did not maintain separate records related to the staff's information technology training and security awareness program.

According to PCM section 542.76.1:

The IT security awareness program shall:

- a. Be designed to raise staff awareness of, and sensitivity to, security threats and vulnerabilities, as well as the need to protect systems, data, and networks;
- b. Require that every system user attend refresher awareness programs on an annual basis. Refresher program activities may be in the form of seminars, briefings, videotapes, or computer-based products delivered via CD-ROM, Intranet, Internet, or local area network (LAN). The simple distribution of newsletters or security awareness items, such as, key chains, pens, buttons, or notepads, can be used to supplement the refresher courses; and

- c. Require all system users to receive, and acknowledge receipt of, the Peace Corps IT Users' Security Brochure, maintained in IRM, which outlines responsibilities and establishes computer system rules, before they are granted access to the agency's IT applications and systems.

The IT specialist is responsible for granting and restricting access to the post's computer network. Only authorized personnel with appropriate security training should have access to the network. Therefore, it is important that the IT specialists have immediate access to records associated with user training and permissions.

At the post, the administrative assistant maintained the security awareness and user verification forms within each employee folder. As a result accessibility by the IT specialist was limited and impaired his ability to track and maintain the employees' compliance with IT requirements.

The IT specialist should maintain records pertaining to IT training and security awareness in files separate from post employee personnel files. This enables the IT specialist to have immediate and efficient access to the records for purposes of determining whether users at the post comply with applicable Peace Corps policies and access has been appropriately been restricted to only authorized users.

We recommend:

- J.1.a That the IT specialist maintain a complete file containing all post employee training documentation related to Information Technology and security awareness in accordance with Peace Corps Manual section 542 security and training requirements.

2. The Information Technology specialist and administrative officer did not confirm and timely remove unnecessary user accounts from the computer network.

PCM sections 542.21.2 and 542.21.3 state:

Account Managers are responsible for . . . expeditiously removing or disabling accounts, when necessary.

Program Managers are responsible for . . . expeditiously notifying account managers of the need for accounts to be removed or disabled.

The IT specialist identified 13 questionable user accounts and provided the names of the users to the administrative officer on January 16, 2009. Six of the questionable accounts were names of people and seven were generic accounts such as "spam" and "outofsite." The IT specialist promptly disabled seven of the accounts, but needed confirmation from

the administrative officer concerning the need for the remaining six accounts. At the time of our audit, all six accounts questioned by the IT specialist were still active.

In order to maintain effective security the post's server must be restricted to authorized individuals with a need for computer access. Timely removal of unnecessary user accounts prevents unwanted access to Peace Corps information and safeguards the network from potential harm.

We recommend:

- J.2.a That the information technology specialist, in conjunction with the administrative officer, promptly determine the need for the six questionable user accounts and immediately remove accounts determined to be unnecessary from the server.

K. VOLUNTEER SUPPORT

1. The post did not conduct market basket surveys to determine whether Volunteer allowances were appropriate.

PCM section 221.5.7.2 states:

To verify living allowance survey submissions, a Market Basket Survey shall be conducted by staff. A market basket survey consists of selected staple items commonly appearing on the living allowance survey from each allowance category and should be priced by staff in multiple locations. If there are locality supplements being paid to some Volunteers, it is recommended that a separate market basket survey be conducted in each locality. The market basket survey is to be used as a guide to validate the cost data on the living allowance survey submissions. Large differences in prices between the market basket items and the volunteer allowance submissions should be reviewed by post during the analysis of the surveys and adjusted, if necessary.

The administrative officer informed us that the post had not conducted a market basket survey in the last two years. According to the administrative officer, the post compared living allowances surveys to the cost of goods survey reported by the Nicaraguan government. However, the reports were not specifically divided by the same localities the Peace Corps Volunteers were assigned. Further, the post did not document the comparison of the living allowance surveys and government reports. In our opinion, the post would have more assurance that Volunteer allowances were appropriate if the staff conducts market basket surveys in accordance with PCM section 221.

Market basket surveys are required by Peace Corps policy and are essential for determining whether Volunteer allowances are reasonable. Without the market basket survey, the post must rely on data submitted by the Volunteers and outside information which may not be fully sufficient for purposes of setting a reasonable allowance.

We recommend:

- K.1.a That the post conduct a market basket survey in conjunction with each living allowance survey and compare the results to determine if volunteer allowances are reasonable. In accordance with Peace Corps policy, the post must analyze significant differences and make any necessary adjustments in living allowances.

L. TRAVEL

1. Travel vouchers were not submitted timely.

OFMH sections 55.6.1 and 57.6 require staff to prepare travel vouchers within five days of completion of travel. The post administrative unit is required to review and approve travel vouchers.

Four out of five travel obligations we reviewed were submitted more than five days after return from travel. Vouchers must be submitted timely in order to reimburse staff for their travel expenses, to clear debts from interim cash advances for travel, and to more effectively manage the travel budget.

We recommend:

- L.1.a That the country director require staff to submit travel vouchers timely in accordance with Peace Corps policy.

QUESTIONED COSTS AND FUNDS PUT TO BETTER USE

We identified funds to be put to better use during the course of the audit. They are discussed in the accompanying audit report and enumerated below along with the recommendation number in the report. (Amounts are in U.S. dollars or U.S. dollar equivalents of Nicaraguan Cordobas.)

Funds Put to Better Use

Recommendation number	Description	Amount
F.1.a	Vehicle awaiting disposal	\$32,800

POST STAFFING

At the time of our visit, the post had 38 staff positions: two U.S. direct hire (USDH) employees, two FSNs, and 34 PSCs. The following lists the Peace Corps Nicaragua staff as of January 16, 2009.

PC/Nicaragua's Positions

Position	Status
Country Director	USDH
Programming and Training Officer	USDH
Administrative Officer	FSN
Cashier (vacant during site visit)	FSN
Administrative Assistant	PSC*
Administrative Assistant	PSC
Driver and Storage Clerk	PSC
Driver and Messenger	PSC
General Services Assistant	PSC
Health Project Specialist	PSC
HR Specialist	PSC
Information Technology Specialist	PSC
Language & Culture Facilitator (2)	PSC
Language and Culture Facilitator (4)	PSC
Logistics Coordinator	PSC
Master Trainer	PSC
Medical Administrative Assistant	PSC
Medical Officer (4)	PSC
Program Manager (4)	PSC
Project Specialist (5)	PSC
Receptionist	PSC
Safety and Security Coordinator	PSC
Technical Trainer	PSC
Training Manager	PSC

* Position recently reclassified as FSN.

LIST OF RECOMMENDATIONS

WE RECOMMEND:

- A.1.a That the administrative officer require that post staff submit purchase requests to an approving official prior to placing orders for goods and services so that funding availability can be verified and funds are obligated on approval.
- A.2.a That the country director designate a receiving officer, other than the administrative officer, that is accountable for accepting deliveries of goods and services and completing the required information, including the date of receipt, on form PC-2059, "Payment Voucher and Receiving Report."
- B.2.a That the administrative officer immediately move the imprest fund cash to a safe containing a U.S. government approved three-tumbler combination lock and request the regional security officer determine whether the safes in the cashier cage are approved for U.S. government use.
- B.2.b That the new principal cashier, upon assuming post cashiering responsibilities, keep the cash in a U.S. government approved safe within the cashier's cage or appropriate secure area.
- B.2.c That the administrative officer ensure that the combination of the safe where imprest fund cash is stored be immediately changed when there is a change in the responsible cashier.
- B.3.a That the cashier secure the cash in separate, locked cash boxes within the safe.
- B.3.b That the cashier remove all items not related to the imprest fund from the imprest fund safe.
- B.4.a That the information technology specialist resolve the problem with the administrative officer's access to FORPost in the cashier cage.
- B.4.b That the cashier conduct all cashier operations within the cashier cage.
- C.1.a That the country director ensure that staff record their time and attendance using PC-1548, or a similar form that captures all of the minimally necessary time and attendance data, and that supervisors certify the data recorded through signature.
- D.1.a That the country director designate a staff member as an acceptance point who is outside the medical unit and not the medical supply inventory control clerk to immediately begin to receive, inspect, and distribute medical supplies to the medical unit and assume all other duties as described in PCM section 734.

- D.1.b That the country director designate a staff member outside of the medical unit who is not the medical supply inventory control clerk or acceptance point to perform quarterly physical inventories of medical supplies.
- D.1.c That the country director ensure that duties associated with receipt and acceptance of medical supplies; maintaining official medical supply inventory records of specially designated items and controlled substances; and periodic physical inventory counts be without exception, assigned to separate staff members that are outside the medical unit.
- D.2.a That the country director require that an immediate physical inventory count of medical supplies be performed by a designated staff member (as discussed in recommendation D.1.b above).
- D.2.b That the country director, in conjunction with the medical officers, review the results of the comprehensive physical inventory and reconcile any differences found. The medical officers must fully explain all discrepancies found, provide proposed adjustments in inventories accordingly, and report any losses in accordance with PCM section 734.
- D.2.c That the country director approve the proposed adjustments (if any) to the inventory.
- D.2.d That the medical supply inventory control clerk document the results of the comprehensive medical supply inventory together with any approved adjustments to the inventory in permanent inventory records as prescribed in PCM section 734.
- D.2.e That the medical unit provide the medical supply inventory control clerk with PC-743C forms recording the dispensing of all medical supplies that are specially designated or controlled substances at least on a monthly basis.
- D.2.f That the medical supply inventory control clerk maintain an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, PC-743C forms recording dispenses, disposal documentation, and reconciliation of the results from the quarterly physical inventory counts.
- D.3.a That the country director increase the size of the medical offices to provide adequate and secure space to store all medical supplies in compliance with Peace Corps policy.
- D.3.b That the medical unit install a lock on the refrigerator containing medical supplies to secure the items until they can be relocated to the medical office.

- E.1.a That the country director separate the duties of maintaining the inventory records and conducting the annual physical inventory by appointing an individual other than the property officer to conduct the annual inventories.
- E.2.a That the country director ensure there is a consistent inventory process in place that clearly indicates property has been verified, discrepancies are noted, and the dates of inventories are documented. Further, accountable property holders must not be assigned to perform physical inventory of property they are held accountable for.
- E.2.b That the property officer develop a schedule that provides for inventory different property categories throughout the year to ensure that all property is inventoried within a year.
- E.3.a That the property officer review the results of the last inventory and update the property records and continue to consistently update the property records immediately after each physical inventory.
- E.3.b That the country director verify that all property records are updated timely after each physical inventory.
- E.4.a That the property officer organize and document all property in the storage shed and warehouse. The documentation must include all excess property and its condition to provide an accurate listing of items in need of sale or other means of disposal.
- E.4.b That the post inform the embassy of all excess property to be sold at the next auction. If the embassy is unable to sell the property timely, the post must arrange to sell it through a public sale in accordance with the Peace Corps Manual section 511.
- E.4.c That the post immediately dispose of obsolete property or property not worth selling because the cost of storing and maintaining it would exceed the benefit. The disposal must be fully documented in accordance with the Peace Corps Manual section 511.
- E.4.d Once the post sells or disposes its excess property, that the country director, in coordination with the property manager, reassess the post's storage requirements and determine the most efficient means to secure and store excess property on hand. Specifically, the post must reconsider the size of storage space needed and develop a standard operating procedure for organizing and storing its excess property.
- F.1.a That the post dispose or transfer all excess vehicles in accordance with the approval to delay disposal or request the an additional approval to delay disposal from the region and Peace Corps post logistics support office.

- F.1.b That the country director maintain the post's number of vehicles in accordance with the post's approved vehicle fleet plan.
- F.2.a That the Post Logistics Support Office require that the post's administrative officer always submit the required purchase documentation for local vehicle procurements, including a lifecycle cost comparison and justification for purchasing vehicles that are not white. The cost comparisons, any associated justifications, and approvals must be maintained in the fleet vehicle documentation files at post.
- F.2.b That the administrative officer provide the required cost comparison and associated justifications to the Post Logistics Support Office whenever purchasing a vehicle.
- F.3.a That the country director require that the general services officer, in coordination with the administrative officer, implement Peace Corps form 522A to track vehicle usage and instruct vehicle users on how to complete the form.
- F.4.a That the country director require that the general services officer maintain separate files for each vehicles' maintenance schedule. The schedule must include manufacturer suggested maintenance and list all servicing of the vehicle.
- F.4.b That the general services officer must regularly review the driver comments on mechanical issues once the post implements the required vehicle usage log.
- F.5.a That the general services officer ensure that all fleet vehicles are equipped with serviceable fire extinguishers.
- F.5.b That the general services officer develop a list of safety equipment that should be in each vehicle or issued by the guard post in accordance with Peace Corps policy.
- F.6.a That the country director separate the responsibility for maintaining custody over fuel storage from the recording of fuel distributed for use.
- G.1.a That the country director or other designated supervisor conduct annual performance evaluations of all personal services contractors and ensure that copies of the evaluations be included in their files.
- G.1.b That the administrative officer prepare a Personal Service Contract File Checklist for each PSC file to ensure all required elements are contained within the files.
- G.2.a That the administrative officer ensure that applicable Peace Corps policy is fully complied with by requiring that personal services contract positions be competed and related documentation of the competitions be retained in personal services contractor files for all future contracts.

- G.3.a That the country director require all personal services contractors to complete an intelligence background information certification form in accordance with Peace Corps policy.
- G.3.b That the administrative officer include copies of personal services contractors' completed intelligence background information certification in their respective files.
- G.4.a That the administrative officer request that the embassy security officer perform a security clearance investigation for the seven employees lacking a clearance and updated security clearances for the 15 employees with expired clearances.
- G.4.b That the administrative officer track the employee security clearance expiration dates to ensure the post requests updated clearances timely.
- G.4.c That the administrative officer include copies of the security clearances in the personal services contractor files.
- H.1.a That the administrative officer maintain all required information in current lease files, including documentation related to arrangements with rental agents.
- I.1.a That the country director require that the financial records be removed from the storage shed and warehouse and relocated to a secure area. Further, he ensure only those records determined to be useful or that are inside the required retention period be preserved. Records selected for disposal must be destroyed in accordance with Peace Corps policy.
- I.1.b That the administrative officer mark financial record binders and storage containers with the retention period and disposal instructions.
- J.1.a That the IT specialist maintain a complete file containing all post employee training documentation related to Information Technology and security awareness in accordance with Peace Corps Manual section 542 security and training requirements.
- J.2.a That the information technology specialist, in conjunction with the administrative officer, promptly determine the need for the six questionable user accounts and immediately remove accounts determined to be unnecessary from the server.
- K.1.a That the post conduct a market basket survey in conjunction with each living allowance survey and compare the results to determine if volunteer allowances are reasonable. In accordance with Peace Corps policy, the post must analyze significant differences and make any necessary adjustments in living allowances.
- L.1.a That the country director require staff to submit travel vouchers timely in accordance with Peace Corps policy.

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 Peace Corps/Nicaragua covered the period October 1, 2007 – February 13, 2009. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and the medical officer. At the end of our audit, 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. In addition, we reviewed physical documentation for the transactions provided from the accounting system and did not identify any discrepancies.

Our audit criteria were derived from the following sources: federal regulations, the Peace Corps Manual, the Overseas Financial Management Handbook, and current Peace Corps initiatives and policies.

LIST OF ACRONYMS

FSN	Foreign Service National
FY	Fiscal Year
GSO	General Services Officer
MSIC	Medical Supply Inventory Control
OFMH	Overseas Financial Management Handbook
PCM	Peace Corps Manual
PCMO	Peace Corps Medical Officer
PLSO	Post Logistics Support Office
PSC	Personal Services Contractor
USDH	United States Direct Hire

APPENDIX B

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT



Since 1961.

MEMORANDUM

To: Kathy Buller, Inspector General

From: Roger Conrad, Acting Regional Director, Inter-America and Pacific

CC: Garry Stanberry, Deputy Associate Director, Office of Management
Carey Fountain, Chief Acquisition Officer, Office of Acquisitions and Contract
Management
Kathy Rulon, Acting Chief of Staff, Office of the Director
George Baldino, Country Director, Nicaragua

Date: June 26, 2009

Subject: Preliminary Audit Report on Peace Corps/Nicaragua

Enclosed please find the Regional response to the recommendations made by the Office of Inspector General for Peace Corps/Nicaragua, as outlined in the Preliminary Audit Report on Peace Corps Nicaragua.

The Region concurs with all recommendations.

Responses to

Office of Inspector General
Audit Report

Peace Corps/Nicaragua

April 2009

A.1.a That the administrative officer require that post staff submit purchase requests to an approving official prior to placing orders for goods and services so that funding availability can be verified and funds are obligated on approval.

- Concur
- Administrative Officer (AO) training of staff on procurement processes has begun with Senior Staff and will continue with all staff. Further, the mechanism to obligate funds prior to placing orders for goods or services is now in place. Purchase requests must be submitted to the AO in writing so that the obligation of funds is completed before orders are placed. Nevertheless, in conformity with recent guidance from the Chief Financial Officer this mechanism assumes that in cases of PCV/T expenditures for medical care and medication approved by the PCMO, corresponding funds can be obligated upon receipt of invoices provided by the vendors. See sample attached.
- Date of Completion: May 29, 2009.

A.2.a That the country director designate a receiving officer, other than the administrative officer, that is accountable for accepting deliveries of goods and services and completing the required information, including the date of receipt, on form PC-2059, "Payment Voucher and Receiving Report."

- Concur.
- The country director is in agreement with the finding that post did not always properly document the receipt of goods and services. The Country Director will delegate receiving officer responsibility to another staff member in the administrative unit.
- Date of completion: Anticipated completion by July 10, 2009.

B.2.a That the administrative officer immediately move the imprest fund cash to a safe containing a U.S. government approved three-tumbler combination lock and request the regional security officer determine whether the safes in the cashier cage are approved for U.S. Government use.

- Concur
- Imprest fund cash is now safeguarded in a U.S. government approved three-tumbler combination lock. RSO inspected and approved the cashier's office and safes. See attached.
- Date of completion: May 07, 2009.

B.2.b That the new principal cashier, upon assuming post cashiering responsibilities, keep the cash in a U.S. government approved safe within the cashier's cage or appropriate secure area.

- Concur
- The new principal cashier keeps the cash in a U.S. government approved safe within the cashier's cage.
- Date of Completion: May 07, 2009.

B.2.c That the administrative officer ensure that the combination of the safe where imprest fund cash is stored be immediately changed when there is a change in the responsible cashier.

- Concur
- The combination of the safe where imprest fund cash is stored was changed when the new principal cashier assumed responsibilities. The AO will ensure that this practice is continued in the future in accordance with MS 760. See attached.
- Date of completion: May 07, 2009 and ongoing.

B.3.a That the cashier secure the cash in separate, locked cash boxes within the safe.

- Concur
- The cash is now secured in separate, locked cash boxes within the safe.
- Date of completion: May 07, 2009.

B.3.b That the cashier remove all items not related to the imprest fund from the imprest fund safe.

- Concur
- Only items related to the imprest fund are now placed within the imprest fund safe.
- Date of completion: May 07, 2009.

B.4.a That the information technology specialist resolve the problem with the administrative officer's access to FORPost in the cashier cage.

- Concur
- Access to FOR Post has been restored in the cashier cage.
- Date of completion: April 18, 2009.

B.4.b That the cashier conduct all cashier operations within the cashier cage.

- Concur
- With the restoration of FOR Post access in the cashier cage, all cashier operations are now performed within the cashier cage.
- Date of completion: April 18, 2009 and ongoing.

C.1.a That the country director ensure that staff record their time and attendance using PC-1548, or a similar form that captures all of the minimally necessary time and attendance data, and that supervisors certify the data recorded through signature.

- Concur
- A modified copy of PC-1548 has been implemented at Post. Further, the timekeeper has developed a control spreadsheet matrix to monitor the timely completion of time and attendance submissions. See attached sample form.
- Date of completion: May 11, 2009 and ongoing.

D.1.a That the country director designate a staff member as an acceptance point who is outside the medical unit and not the medical supply inventory control clerk to immediately begin to receive, inspect, and distribute medical supplies to the medical unit and assume all other duties as described in PCM section 734.

- Concur
- The country director has designated Financial Assistant Maria Ines Blanco as the acceptance point person outside the medical unit to receive, inspect, and distribute medical supplies to the medical unit. See attached.
- Date of completion: May 15, 2009.

D.1.b That the country director designate a staff member outside of the medical unit who is not the medical supply inventory control clerk or acceptance point to perform quarterly physical inventories of medical supplies.

- Concur
- The country director has designated Administrative Assistant Patricia Villarreal as the staff member to perform quarterly physical inventories of medical supplies. See attached.
- Date of completion: May 15, 2009.

D.1.c That the country director ensure that duties associated with receipt and acceptance of medical supplies; maintaining official medical supply inventory records of specially designated items and controlled substances; and periodic physical inventory counts be without exception, assigned to separate staff members that are outside the medical unit.

- Concur
- The country director has taken corrective action (see responses to D.1.a and D.1.b above) and will ensure continued compliance with the separation of duties described. See sample attached.
- Date of completion: May 15, 2009.

D.2.a That the country director require that an immediate physical inventory count of medical supplies be performed by a designated staff member (as discussed in recommendation D.1.b above).

- Concur
- The country director has instructed Administrative Assistant Patricia Villarreal to conduct a physical inventory count of medical supplies. See attached.
- Date of completion: May 18, 2009.

D.2.b That the country director, in conjunction with the medical officers, review the results of the comprehensive physical inventory and reconcile any differences found. The medical officers must fully explain all discrepancies found, provide proposed adjustments in inventories accordingly, and report any losses in accordance with PCM section 734.

- Concur
- The review, reconciliation of any differences found, along with explanations and proposed adjustments will be conducted upon the completion of the comprehensive physical inventory.
- Date of completion: June 4, 2009.

D.2.c That the country director approve the proposed adjustments (if any) to the inventory.

- Concur
- The country director will approve any necessary proposed adjustments.
- Date of completion: Anticipated completion by June 16, 2009.

D.2.d That the medical supply inventory control clerk document the results of the comprehensive medical supply inventory together with any approved adjustments to the inventory in permanent inventory records as prescribed in PCM section 734.

- Concur
- Action will be taken by the medical supply inventory control clerk upon the completion of the comprehensive medical supply inventory.
- Date of completion: Anticipated completion by June 16, 2009.

D.2.e That the medical unit provide the medical supply inventory control clerk with PC-743C forms recording the dispensing of all medical supplies that are specially designated or controlled substances at least on a monthly basis.

- Concur
- The medical unit has provided the medical supply inventory control clerk with PC-743C forms to record at least on a monthly basis the dispensing of all medical supplies that are specially designated or controlled substances, and will maintain the clerk supplied with these forms on a continuing basis. See attached.
- Date of completion: May 18, 2009.

D.2.f That the medical supply inventory control clerk maintain an accurate and complete medical supply inventory record based on receipting documents provided by the acceptance point, PC-743C forms recording dispenses, disposal documentation, and reconciliation of the results from the quarterly physical inventory counts.

- Concur
- The medical supply inventory control clerk will complete initial action after the current comprehensive physical inventory and the country director will monitor compliance of actions described in recommendations D.2.a through D.2.f on at least a quarterly basis.
- Date of completion: May 22, 2009 and ongoing.

D.3.a That the country director increase the size of the medical offices to provide adequate and secure space to store all medical supplies in compliance with Peace Corps policy.

- Concur
- The country director has requested and is awaiting approval of funds to expand office space for the medical unit. The plan for the proposed expansion is being finalized and coordinated with the owners of the office building leased by post. See attached.
- Date of completion: Anticipated completion December 18, 2009.

D.3.b That the medical unit install a lock on the refrigerator containing medical supplies to secure the items until they can be relocated to the medical office.

- Concur
- The country director is ensuring that the lock on the refrigerator containing medical supplies is being secured by the medical unit. See attached.
- Date of completion: May 12, 2009.

E.1.a That the country director separate the duties of maintaining the inventory records and conducting the annual physical inventory by appointing an individual other than the property officer to conduct the annual inventories.

- Concur
- The country director has appointed Driver and Messenger William Ordeñana to conduct the annual inventories. In practice, Mr. Ordeñana has functioned on numerous occasions as a General Services Assistant to assist with periodic inventories, and therefore brings the necessary skills to this task. See attached.
- Date of completion: May 15, 2009.

E.2.a That the country director ensure there is a consistent inventory process in place that clearly indicates property has been verified, discrepancies are noted, and the dates of inventories are documented. Further, accountable property holders must not be assigned to perform physical inventory of property they are held accountable for.

- Concur
- The country director with the AO have assigned the Administrative Assistant the task of developing a format, schedule and calendar to monitor and document the inventory of the various property categories. With these instruments the country director will be able to check periodically the effectiveness of the inventory process that has been put in place.
- Date of completion: June 26, 2009.

E.2.b That the property officer develop a schedule that provides for inventory different property categories throughout the year to ensure that all property is inventoried within a year.

- Concur
- See response to Recommendation E.2.a. See attached.
- Date of completion: June 26, 2009.

E.3.a That the property officer review the results of the last inventory and update the property records and continue to consistently update the property records immediately after each physical inventory.

- Concur
- The property officer is in the process of updating property records as a result of the latest U.S. Embassy auction held on May 9, 2009, at which numerous Peace Corps property items were disposed. This is providing the property officer the opportunity to conduct a comprehensive update of all PC/Nicaragua property records. See sample from inventory report attached.
- Date of completion: Anticipated completion June 29, 2009.

E.3.b That the country director verify that all property records are updated timely after each physical inventory.

- Concur
- The monitoring schedule and calendar that the AO and AA will have in place will enable the country director to verify in a timely manner property records after each physical inventory.
- Date of completion: Anticipated completion June 29, 2009 and ongoing.

E.4.a That the property officer organize and document all property in the storage shed and warehouse. The documentation must include all excess property and its condition to provide an accurate listing of items in need of sale or other means of disposal.

- Concur
- The property officer began and has advanced an intensive organization of all property in the storage shed and warehouse. This task and the documentation accurately reflecting the property remaining and its condition will be completed by the date below. Further, the AO will monitor future disposals and documentation updates.
- Date of completion: Anticipated completion June 29, 2009 and ongoing.

E.4.b That the post inform the embassy of all excess property to be sold at the next auction. If the embassy is unable to sell the property timely, the post must arrange to sell it through a public sale in accordance with the Peace Corps Manual section 511.

- Concur
- Post disposed of excess property that was able to be sold at the U.S. Embassy auction held on May 9, 2009. Some remaining articles unable to be sold will be disposed of in accordance with Peace Corps Manual section 511.
- Date of completion: Anticipated completion July 31, 2009.

E.4.c That the post immediately dispose of obsolete property or property not worth selling because the cost of storing and maintaining it would exceed the benefit. The disposal must be fully documented in accordance with the Peace Corps Manual section 511.

- Concur
- Post is in the process of disposing of obsolete and property unable to be sold. This process will be completed and the disposal fully documented in accordance with Peace Corps Manual section 511.
- Date of completion: Anticipated completion August 14, 2009.

E.4.d Once the post sells or disposes its excess property, that the country director, in coordination with the property manager, reassess the post's storage requirements and determine the most efficient means to secure and store excess property on hand. Specifically, the post must reconsider the size of storage space needed and develop a standard operating procedure for organizing and storing its excess property.

- Concur
- The country director with the AO and property manager are currently reassessing post's storage requirements, and will use the scheduled inventory of property categories and the annual physical inventory to maintain an accurate estimate of excess property storage needs.
- Date of completion: May 22, 2009.

F.1.a That the post dispose or transfer all excess vehicles in accordance with the approval to delay disposal or request the additional approval to delay disposal from the region and Peace Corps post logistics support office.

- Concur
- Post disposed of one vehicle at the May 9, 2009 U.S. Embassy auction and has requested IAP approval to delay disposal of its 14th vehicle. Post currently has an approved ceiling of 13 vehicles. See attached.
- Date of completion: May 18, 2009.

F.1.b That the country director maintain the post's number of vehicles in accordance with the post's approved vehicle fleet plan.

- Concur
- Post is in compliance with its approved vehicle fleet plan as a result of the corrective action taken and the country director ensures maintaining post's number of vehicles in accordance with the approved plan.
- Date of completion: May 18, 2009.

F.2.a That the Post Logistics Support Office require that the post's administrative officer always submit the required purchase documentation for local vehicle procurements, including a lifecycle cost comparison and justification for purchasing vehicles that are not white. The cost comparisons, any associated justifications, and approvals must be maintained in the fleet vehicle documentation files at post.

- Concur

- Post concurs with the response from Administrative Services, Post Logistics Support Office. See attached.
- Date of completion: May 18, 2009.

F.2.b That the administrative officer provide the required cost comparison and associated justifications to the Post Logistics Support Office whenever purchasing a vehicle.

- Concur
- This will be standard AO practice at post. See attached.
- Date of completion: May 18, 2009 and ongoing.

F.3.a That the country director require that the general services officer, in coordination with the administrative officer, implement Peace Corps form *Preliminary Audit Report: Peace Corps/Nicaragua 25 522A* to track vehicle usage and instruct vehicle users on how to complete the form.

- Concur
- The general services officer in coordination with the AO have implemented Peace Corps Manual form 522A and instructed post vehicle users on how to complete the form. See attached.
- Date of completion: May 11, 2009.

F.4.a That the country director require that the general services officer maintain separate files for each vehicles' maintenance schedule. The schedule must include manufacturer suggested maintenance and list all servicing of the vehicle.

- Concur
- The country director in coordination with the AO will ensure that the general services officer maintains separate files for the maintenance of each vehicle. The file will include the manufacturer suggested maintenance schedule and will list all servicing of the vehicle.
- Date of completion: Anticipated completion June 30, 2009.

F.4.b That the general services officer must regularly review the driver comments on mechanical issues *Preliminary Audit Report: Peace Corps/Nicaragua 26* once the post implements the required vehicle usage log.

- Concur
- The AO and general services officer now review driver comments on the vehicle usage log on a weekly basis. See attached.
- Date of completion: May 11, 2009 and ongoing.

F.5.a That the general services officer ensure that all fleet vehicles are equipped with serviceable fire extinguishers.

- Concur

- All fleet vehicles are now equipped with serviceable fire extinguishers and the general services officer regularly inspects the vehicles to ensure their condition. Post had fire extinguishers in storage and has put one in each vehicle.
- Date of completion: May 11, 2009 and ongoing.

F.5.b That the general services officer develop a list of safety equipment that should be in each vehicle or issued by the guard post in accordance with Peace Corps policy.

- Concur
- The general services officer has developed the list of safety equipment with which each vehicle is equipped or that is issued by the guard post when a vehicle is checked out. See attached.
- Date of completion: May 18, 2009.

F.6.a That the country director separate the responsibility for maintaining custody over fuel storage from the recording of fuel distributed for use.

- Concur
- The country director has assigned responsibility to receive fuel for storage in post's holding tank to the general services officer or, in his absence, to the administrative officer, and the responsibility to distribute fuel for use to the driver and messenger or, in his absence, the driver and storage clerk. See attached.
- Date of completion: May 18, 2009 and ongoing.

G.1.a That the country director or other designated supervisor conduct annual performance evaluations of all personal services contractors and ensure that copies of the evaluations be included in their files.

- Concur
- The country director is developing a schedule and tracking instrument to ensure that performance evaluations of all personal services contractors are conducted and that copies of the evaluations are included in their respective files.
- Date of completion: Anticipated completion June 19, 2009 and ongoing.

G.1.b That the administrative officer prepare a Personal Service Contract File Checklist for each PSC file to ensure all required elements are contained within the files.

- Concur
- The AO has implemented the use of PCM section 743's current "Personal Services Contract File Checklist" attachment for each PSC file at post. Each PSC file is under review to ensure that all required elements are contained.
- Date of completion: Anticipated completion June 30, 2009 and ongoing.

G.2.a That the administrative officer ensure that applicable Peace Corps policy is fully complied with by requiring that personal services contract positions be competed and related

documentation of the competitions be retained in personal services contractor files for all future contracts.

- Concur
- It is post practice to comply fully with Peace Corps policy that requires that personal services contract positions be competed and that related documentation of the competitions be retained in the PSC files. The AO will ensure full compliance with this policy for all future contracts. Post is also reviewing each existing PSC contract to determine which lack evidence of the required competition. See attached.
- Date of completion: May 11, 2009 and ongoing.

G.3.a That the country director require all personal services contractors to complete an intelligence background information certification form in accordance with Peace Corps policy.

- Concur
- All personal services contractors have completed the intelligence background information certification form, and the country director ensures compliance with this requirement for all future contracts. See attached.
- Date of completion: May 11, 2009.

G.3.b That the administrative officer include copies of personal services contractors' completed intelligence background information certification in their respective files.

- Concur
- The AO has included copies of the personal services contractors' completed certification forms in their respective files, and this will continue to be standard practice.
- Date of completion: May 11, 2009 and ongoing.

G.4.a That the administrative officer request that the embassy security officer perform a security clearance investigation for the seven employees lacking a clearance and updated security clearances for the 15 employees with expired clearances.

- Concur
- The AO is coordinating the respective clearances with the Embassy Regional Security Officer. Of the seven employees lacking a clearance, all have been completed and obtained. Of the 15 employees with expired clearances, one has been renewed, leaving a balance of 14. The Administrative Officer is coordinating the remaining clearances with the Embassy Regional Security Officer. See attached.
- Date of completion: Anticipated completion October 30, 2009 and ongoing.

G.4.b That the administrative officer track the employee security clearance expiration dates to ensure the post requests updated clearances timely.

- Concur
- The AO has developed a tracking system to monitor when employee security clearance updates are required. See attached.

- Date of completion: May 11, 2009.

G.4.c That the administrative officer include copies of the security clearances in the personal services contractor files.

- Concur
- The tracking system mentioned in the response to Recommendation G.4.b is also designed to enable the AO to maintain copies of the security clearances in the personal services contractor files.
- Date of completion: May 11, 2009 and ongoing.

H.1.a That the administrative officer maintain all required information in current lease files, including documentation related to arrangements with rental agents.

- Concur
- Documentation of existing lease files is under review and corrective action will be taken to include any missing required documentation. AO standard practice will be to maintain all required documentation for leases. See attached.
- Date of completion: Anticipated completion June 30, 2009 and ongoing.

I.1.a That the country director require that the financial records be removed from the storage shed and warehouse and relocated to a secure area. Further, he ensure only those records determined to be useful or that are inside the required retention period be preserved. Records selected for disposal must be destroyed in accordance with Peace Corps policy.

- Concur
- Progress has been made to remove financial records from the storage shed and warehouse. Records are under review to determine which may be eligible for disposal and destruction, and this in accordance with Peace Corps policy.
- Date of completion: Anticipated completion June 30, 2009.

I.1.b That the administrative officer mark financial record binders and storage containers with the retention period and disposal instructions.

- Concur
- The AO will coordinate and complete this task with actions taken in response to Recommendation I.1.a.
- Date of completion: Anticipated completion June 30, 2009 and ongoing.

J.1.a That the IT specialist maintain a complete file containing all post employee training documentation related to Information Technology and security awareness in accordance with Peace Corps Manual section 542 security and training requirements.

- Concur

- The IT specialist has established and will maintain a complete file containing the entire employee IT training and security awareness documentation required under PCM section 542. See attached.
- Date of completion: May 8, 2009 and ongoing.

J.2.a That the information technology specialist, in conjunction with the administrative officer, promptly determine the need for the six questionable user accounts and immediately remove accounts determined to be unnecessary from the server.

- Concur
- IT Specialist in conjunction with the administrative officer reviewed the need of the six questionable user accounts. As a result of the review, four accounts were removed. The two remaining were justified for PCV related purposes; namely, one account to manage the results of periodic living allowance surveys, and the other for LAN computer use by PCVs at the PC/Nicaragua office.
- Date of completion: May 8, 2009.

K.1.a That the post conduct a market basket survey in conjunction with each living allowance survey and compare the results to determine if volunteer allowances are reasonable. In accordance with Peace Corps policy, the post must analyze significant differences and make any necessary adjustments in living allowances.

- Concur
- The country director will ensure that staff incorporate market basket survey elements in site visits at the time of each living allowance survey. The information collected will be compared with living allowance survey results to identify any significant discrepancies and potential need for living allowance adjustments.
- Date of completion: May 18, 2009 and ongoing.

L.1.a That the country director require staff to submit travel vouchers timely in accordance with Peace Corps policy.

- Concur
- The country director in coordination with the AO and cashier is reinforcing standard practice by instituting a reminder-communication to each staff upon return from travel.
- Date of completion: May 18, 2009 and ongoing.

APPENDIX C

OIG COMMENTS

Management concurred with all 55 recommendations made in our report. As a result, we closed 47 of the recommendations. We request additional documentation to close the remaining 8 recommendations.

Recommendations A.2.a, D.2.b, D.2.c, D.2.d, E.4.b, E.4.c, I.1.b, and K.1.a remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendation A.2.a: a copy of the letter delegating receiving officer responsibility to an individual other than the administrative officer.
- For recommendation D.2.b, D.2.c, and D.2.d: a copy of the adjustments to the medical inventory records based on the most recent physical inventory.
- For recommendation E.4.b: a copy of the auction documentation from the embassy listing the items sold and sales totals.
- For recommendation E.4.c: a copy of the recent property disposal documentation.
- For recommendation I.1.b: a picture or documentation showing the retention periods have been marked on financial record binders and storage containers.
- For recommendation K.1.a: a copy of the most recent market basket survey results.

Although we closed recommendation F.2.a because of anticipated revisions to the vehicle procurement process, the issue of monitoring local vehicle procurements continues to be a concern. In their response, the chief of administrative services stated that he removed the requirement for posts to justify purchases using life-cycle cost because the calculation was only an estimate. We understand that life-cycle cost is not always an accurate measurement of vehicle value. However, this audit and recent events have highlighted the need for additional monitoring of local vehicle procurements. Therefore, we emphasize the need for the Post Logistics Support Office to obtain and review local vehicle procurement justifications. The Peace Corps vehicle policy board is reviewing vehicle procurement process and has recommended the regions and posts, “Establish firm and generally-accepted vehicle selection criteria, vehicle specifications, and the necessary ‘Peace Corps’ standard options for new vehicle purchases.” The Peace Corps will fulfill the intent of this recommendation if regions clearly define the selection criteria and monitor posts’ compliance.

APPENDIX C

In their response, management describes 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 they have taken these actions nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when 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 auditor Bradley Grubb.

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.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

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