



Peace Corps Office of Inspector General



Peace Corps/Guatemala Office in Antigua, Guatemala



Flag of Guatemala

Final Audit Report: Peace Corps/Guatemala IG-09-04-A

January 2009



**Final Audit Report:
Peace Corps/Guatemala
IG-09-04-A**

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

Gerald P. Montoya
Assistant Inspector General for Audit

January 2009

EXECUTIVE SUMMARY

We found that Peace Corps/Guatemala's financial and administrative operations were not functioning effectively and did not fully comply with agency policy and federal regulations. We identified several areas that need improvement. Some of the more important findings are summarized below.

Billings and Collections

Collections from Volunteer living allowance refunds were not recorded in the accounting system with a bill of collection (BOC). As a result, refunds of Volunteer allowances totaling \$6,911.61 are unaccountable. Also, funds being kept outside of the imprest fund were vulnerable to loss and misappropriation.

Volunteer Support

The post did not send Volunteer termination notifications in a timely manner. Notifications are needed in order to compensate Volunteers in a timely manner once service is completed.

Personal Services Contracts

The post did not seek authority from the Chief Acquisition Officer to pay benefits in excess of what is required by the local compensation plan. As a result, the post was incurring unnecessary payroll costs of over \$50,000 annually.

Property Management

The post did not maintain accurate property inventory records.

Medical Supplies and Pharmaceuticals

The post did not maintain adequate medical supply records for all pharmaceuticals including performing the necessary inventory verifications.

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

Our report contains 21 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies detailed in the accompanying report.

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INTRODUCTION

The Office of Inspector General conducted an audit of Peace Corps/Guatemala December 28 – February 15, 2008. Additionally, the audit field work was extended through July 2008 to provide audit support to our investigative division. We previously conducted an audit of the post, and the report was issued October 8, 2003 (IG-03-03-AE).

More than 4,500 Volunteers have served in Guatemala since the arrival of the first group in 1963, and they have provided community development assistance in rural and poor areas. At the time of our review, approximately 175 Peace Corps Volunteers were working with public and private institutions, providing assistance through projects in agriculture, environment, health, municipal development, and youth sectors.

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

Peace Corps/Guatemala financial and administrative operations were not operating effectively. The post's compliance with Peace Corps policies and federal regulations needs improvement.

Billings and Collections

Collections from Volunteer living allowance refunds were not recorded in the accounting system with a bill of collection (BOC). As a result, refunds of Volunteer allowances totaling \$6,911.61 are unaccountable. Also, funds being kept outside of the imprest fund were vulnerable to loss and mismanagement.

Volunteer Support

The post did not send Volunteer termination notifications in a timely manner. Notifications are needed in order to compensate Volunteers promptly after service has been completed.

Personal Services Contracts

The post did not seek authority from the Chief Acquisition Officer to pay benefits in excess of what is required by the local compensation plan. As a result, the post was incurring unnecessary payroll costs of around \$50,000 annually.

Property Management

The post did not maintain accurate property inventory records.

Medical Supplies and Pharmaceuticals

The post did not maintain adequate medical supply inventory records for all pharmaceuticals and did not perform required inventory verifications.

BILLINGS AND COLLECTIONS

Collections from Volunteer living allowance deposits were not recorded in the accounting system with a bill of collection (BOC).

Peace Corps Manual (PCM) section 221.6.1.5 states:

If there are any changes from the time the voucher and supporting list are prepared and the time the payment is received by the Volunteers' bank (e.g., Volunteer terminates early or is medically evacuated, or the amount is incorrect), Post must prepare a Bill of Collection.

We found 29 instances where the post did not prepare bills of collection (BOCs) for refunds from Volunteer living allowance deposits. A review of Volunteer allowances paid October 2004 through January 2007, showed that \$6,911.61 in refunds due the Peace Corps were unaccountable.¹

In some cases, the refunds were collected in cash from individual Volunteers upon completion of service or early termination of service. While in other instances, the post obtained a refund check from the bank handling the Volunteer allowance accounts.

The condition found relating to the unaccountable funds occurred because there was a complete breakdown in internal controls, responsible post staff failed to follow established Peace Corps policies and procedures, and management did not provide adequate oversight of the post's financial activities. For example:

- There was inadequate separation of duties for billings, collections, and other critical financial and administrative processes. The administrative assistant was responsible for determining monthly allowance payments to Volunteers, preparing the monthly listings used to authorize allowance amounts to be deposited into individual Volunteer accounts, transmitting the listings to the bank, collecting cash refunds directly from Volunteers, and collecting check refunds from the bank.

The administrative assistant should not have been performing duties associated with both the billing and collections officer functions. Only the cashier should be acting as the collections officer. Preparation of BOCs and entering them into FOR Post was being accomplished by another employee in the finance office.

- The administrative assistant was also responsible for handling the preparation of the checklist forms when Volunteers complete service (COS) or terminate their service early (ET). This form is used to document that Peace Corps property, including funds, held by departing Volunteers was returned to the Peace Corps.

¹ The total of unaccountable funds is calculated by adding \$4,776.91 (bank-issued refund checks) and \$2,134.70 (cash refunds).

- This form also documents the amount of allowance refunds due and collected from Volunteers prior to leaving the post. We noted that several COS forms contained discrepancies between the amounts due and the amounts collected. Often times the amount due from Volunteers showed zero when a refund would have been due. Some checklist forms appeared to have been altered.
- The administrative assistant failed to prepare BOCs in a timely manner and in some cases they were not prepared at all. As a result, there was little accountability for the refunds.
- Management oversight of the post's financial operations by the administrative officer was lacking. The administrative officer was not monitoring the billing and collection activities for Volunteer refunds. Even when deficiencies in the billing and collection process were brought to the administrative officer's attention, she failed to take corrective action.

The administrative assistant admitted negligence in the handling of refunds but gave no clear explanation for the unaccountable funds. The administrative officer and cashier were also unable to provide a clear explanation for the unaccountable refunds.

Based on data examined, we were unable to determine whether the \$4,776.91 in unaccountable refunds made by bank-issued checks were payable to the U.S. disbursing Officer (USDO) or to the administrative assistant. This is because the post did not maintain adequate documentation to determine disposition of the bank refunds issued by check and there was no record of such deposits in the USDO account.²

Additionally, the cashier did not have any record of cash refunds totaling \$2,134.70 collected directly from Volunteers ever being deposited into the imprest fund.

Any refunds of the Volunteer monthly living allowance deposits should be immediately collected into the imprest fund or deposited into the post's USDO account using a BOC. Without a BOC and proper fiscal coding, there is no accountability for the funds, and as a result, no assurance that collected funds are being credited to the appropriate obligations. Further, the lack of accountability over such funds exposes the Peace Corps to the risks associated with fraud, waste, and abuse.

² We attempted to obtain copies of the refund checks from the bank. Unfortunately, the bank had been recently purchased by another financial institution, and the records we needed for verification were purged or sent to storage. We waited several months to allow the bank time to research the status of these refunds; however, they subsequently informed us that they were unable to provide any of the requested documentation.

We recommend:

1. That the country director ensure that the internal controls over the billings and collections functions be re-established and consistently followed to ensure the accurate and timely collection of debts due the Peace Corps and to improve accountability of Peace Corps assets. Re-establishment of internal controls should be formalized in writing, including actions taken to prevent future loss of Peace Corps funds and any planned future actions to strengthen internal controls. These actions should include clearly defined separation of duties and responsibilities related to paying Volunteer allowances, preparing billings to recoup excess living allowance refunds, establishing and recording BOCs in FOR Post, processing Volunteer COS and ET documentation, and specific controls to ensure accurate, timely and complete collection of funds due the Peace Corps from any source.
2. That the country director formally designate a billing officer and provide clearly defined instructions to ensure that all debts due to the Peace Corps are billed and collected in a timely manner.
3. That the country director-designated billing officer prepare a BOC for all reimbursements due to Peace Corps, including refunds for Volunteers' living allowances. For refunds due from the bank, the billing officer should prepare a BOC as soon as a refund is identified. In cases where refunds are due directly from Volunteers, the billing officer should establish a BOC in FOR Post as soon as it is identified to document accountability for funds due to the Peace Corps.
4. That the cashier immediately collect into the imprest fund or the USDO account all reimbursements due to Peace Corps, including refunds for Volunteers' living allowances.
5. That the administrative officer consistently monitor billings and collection activities by performing monthly reviews of Volunteer allowance deposits and verify that any allowance refunds due the Peace Corps are properly collected.

6. That the administrative officer notify the country director by email each month when they have verified the accuracy of the billings and collections.

The administrative assistant was performing collection activities and held funds outside of the imprest fund.

PCM section 221.6.1.7 states:

If the total payment for Volunteer allowances by the bank or other institution exceeds the payment requirement due to an early termination (ET), administrative separation, early Close of Service (COS) or other change in the number/status of Volunteers, a collection should be made. The collection can be made by check, payable to the US Treasury or in cash, credited to the allowance obligation.

The administrative assistant stated that when the amount of the Volunteer living allowance check deposited in a Volunteer's account exceeded the actual amount the Volunteer was entitled to receive, she would sometimes collect cash directly from Volunteers (at the end of the Volunteer's service) or in some cases, a refund check was received from the bank. The administrative assistant maintained the cash and checks in a drawer in the finance office separate from the imprest fund without proper accountability.

During the audit we documented that the administrative assistant received a \$1,046.61 bank check comprised of three separate Volunteer allowance refunds that went unrecorded for five months. The administrative assistant indicated to us that the bank check was not cashed within 90 days and therefore expired. She told us that she requested the bank reissue the check. The administrative assistant was unable to provide a valid explanation for holding the check for five months before passing it to the cashier for deposit. Our reconciliation of related accounts confirmed that although the \$1,046.61 was ultimately accounted for, a timely deposit was not made in accordance with Peace Corps policy.

In another example, the cashier stated that she noticed that the administrative assistant was holding cash collected from Volunteers. According to the cashier, the administrative assistant stated that she was holding cash until she could convert it to a check for deposit into the imprest fund. The administrative assistant's reasoning for holding the cash was invalid since Peace Corps policy provides that such cash and checks should be promptly deposited into the imprest fund. However, the cashier did not inform the administrative officer or country director regarding the administrative assistant's departure from policy.

Because of the mishandling of these funds, the BOC documentation and the associated funds were not recorded or deposited into the imprest fund until five months after the

funds were received by the Peace Corps. As a result, accountability over these funds was lacking and they were vulnerable to misappropriation.

The post should not maintain cash other than as recorded deposits in the imprest fund as it presents a high risk situation for inappropriate allocation of funds, including fraudulent use. In addition, until a BOC is created to recognize collection of debt there is no accountability for the associated funds collected.

We recommend:

7. That the country director ensure that the cashier immediately collects Volunteer living allowance refund checks and related cash and promptly makes a deposit into the imprest fund or the USDO account.
8. That the country director ensure that refunds from the bank be made payable to the U.S. Disbursing Officer rather than an employee.
9. That the country director take action to ensure that only the cashier is authorized to collect funds.

VOLUNTEER ALLOWANCES

The post did not send Volunteer termination notifications in a timely manner.

OFMH section 16.5 requires that the post notify Volunteer and PSC Financial Services within 24 hours (one business day) of a Volunteer's completion of service (COS) or early termination (ET). A final readjustment allowance payment is made to the Volunteer by check or electronic fund transfer within 3 - 6 weeks of the Volunteer's COS or ET date.

A review of 20 Volunteer termination notifications disclosed that 10 were sent to Peace Corps headquarters beyond the 24-hour time frame.

The executive secretary, who was responsible for sending the documents, stated that she sent the information to Peace Corps headquarters as soon as she received it. She further explained that the delay existed in her receiving the information from other staff members and that she often received Volunteers' COS/ET checklists several days after the COS/ET date.

It is important that the post send termination notifications (formerly known as COS or ET cable) within 24 hours because any delays in receipting of the termination document at headquarters impacts the Peace Corps' progress in the timely processing and issuance of final readjustment allowances to Volunteers.

We recommend:

10. That the country director establish a process so that the information required for termination cables is provided timely to the person responsible for sending the documents to Peace Corps headquarters.

PERSONAL SERVICES CONTRACTS

The post did not seek approval from the Chief Acquisition Officer to pay salary benefits in excess of what is required by local compensation plan.

PCM section 743.10.4.3 states:

...the Country Director may not deviate from benefits in the LCP [local compensation plan] (deleting, adding or modifying a benefit) without an exception approved by the HCA [Head of the Contracting Activity/ Chief Acquisition Officer]. A Country Director may request an exception from the HCA.

A review of 28 personal services contracts (PSC) showed that employees were being paid salary benefits that averaged 7.6% above authorized the local compensation plan salary amounts. This additional amount was labeled “other benefits.” We verified that the practice began in FY 2004 when the post ceased paying severance pay at the end of each contract period since it was contrary to federal contracting regulations. The administrative officer stated that rationale to justify the extra pay at the time was to minimize potential claims by employees because of an interpretation in the local employment laws. However, the documentation provided did not appear to support her justification for the additional salary benefits. As a result of this practice, for FY 2007 the unnecessary payments to PSCs amounted to \$53,011.85. Over the period October 1, 2003 through September 30, 2007 the post paid \$195,418.60 in unnecessary salary benefits.

The country director indicated to us that he was unaware that the contract salary benefits were not in accordance with current Peace Corps policy guidelines. He was also not aware of the need to seek authority for a deviation from the LCP. He subsequently agreed that the additional salary benefits should not be paid and initiated action to adjust contract salaries accordingly.

As a general policy, benefits for local hire PSCs should be aligned with the benefits in the LCP in accordance with PCM section 743.10.4.1. The post should always provide justification for any deviations from the LCP-authorized benefits. Lack of proper

justification for exceptions to policy related to PSC payroll may result in unnecessary expenditure of Peace Corps funds.

We recommend:

11. That the country director review the benefits paid to PSCs to ensure that they are in line with the local compensation plan.
12. That the country director receive approval from the Chief Acquisition Officer prior to paying salary benefits in excess of what is required by the local compensation plan.

PSC files did not contain intelligence background information certification forms.

PCM section 743.8.1 states:

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.

None of the 16 PSC files reviewed contained completed intelligence background information certification forms. The administrative officer told us that he believed that the forms were misfiled. Our audit disclosed that the contract files were poorly organized, incomplete, and may have contributed to the condition found.

It is important for Peace Corps to obtain and maintain completed intelligence background information certification forms for all prospective 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:

13. That the country director ensure that all staff members have completed intelligence background information certification forms maintained on file in accordance with Peace Corps policy.

Several PSC files were missing a statement of work.

PCM section 743.9.4 states:

Before soliciting for a Personal Services Contract award, a written detailed statement of work and a statement of required minimum qualifications covering duties to be performed shall be prepared. A copy of the statement of work and required minimum qualifications shall be provided to potential candidates.

We found that 10 of the 28 PSC files reviewed did not contain statements of work. During the audit, two statements of work were subsequently located and included in the files.

Statements of work are essential to the contract as it documents an understanding of the work to be performed and Peace Corps policy requires they be included with the PSC files.

We recommend:

14. That in accordance with Peace Corps policy, the administrative officer ensure that a statement of work is always included within the personal services contract files.

PSC performance evaluations were not completed in accordance with Peace Corps policy.

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. ... 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 with copies forwarded to the Regional Training Officers or Programming and Training Advisors, Program Officers or Director of Medical Services, as appropriate depending upon the nature of the contracted services.

We were unable to verify that nine PSC contract files reviewed contained a recent annual performance evaluation. There is a possibility that the evaluations had been completed; however, the documentation that we required to determine whether the evaluations had been done could not be found because of the poor condition of the contract files. The administrative officer acknowledged the poor condition of the files and indicated that the required evaluations may not have been conducted.

Evaluations are an important tool in documenting staff performance, assist in identifying areas where training is needed, and are useful in management decision making regarding retention of PSCs. The evaluations should always be performed upon the completion of each contract period and included in the PSC's file.

We recommend:

15. That the country director or other designated supervisor conduct annual performance appraisals of all Peace Corps staff members and ensure that copies be included in their files.

IMPREST FUND

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

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

There was no documentation on when the imprest fund safe combination was last changed. The cashier stated that she did not know when the last time the safe combination was reset.

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

We recommend:

16. That the country director request an Embassy RSO representative provide training to the cashier on how to change the safe combination.

PROPERTY MANAGEMENT

The post did not maintain accurate property inventory records and there was no assurance that required inventory verification was being performed on an annual basis.

PCM section 511 describes the procedures for maintaining an accurate inventory record. PCM section 511.4.0 states: “The Property Officer is responsible for receiving and properly recording new property (including acquisition cost) in the property management database.”

Further, PCM section 511.5.2 requires that an inventory verification be performed at least once a year.

We reviewed the property inventory listing and noted that the list did not contain the location of the property. Nevertheless, we attempted to validate the accuracy of the post’s inventory records and quickly discovered that many of the items could not be readily located for verification. We also could not determine when the post had last completed their annual physical inventory.

We noted that the staff responsible for property management did not have a clear understanding of the purpose of accurate property records.

Accurate and complete inventory records along with periodic physical inventory verifications are essential to effective accountability over property and minimize risks of Peace Corps assets being subjected to fraud and abuse.

We recommend:

17. That the country director ensure that a complete property physical inventory be conducted and the post’s property records be updated accordingly.
18. That the country director ensure that the necessary training be arranged for staff members responsible for inventory verification on the software program used to record and track inventory.

MEDICAL SUPPLIES

The post did not maintain adequate medical supply records for all pharmaceuticals including performing the necessary inventory verifications.

PCM section 734.2.1.6 states that:

The PCMO/PCMC [Peace Corps Medical Officer/Peace Corps medical contractor] must maintain medical supply records for all pharmaceuticals, controlled substances, and expendable supplies. This inventory control system may be maintained in manual or automated form. (PC is in the process of implementing a standard inventory control system).

The PCMO/PCMC is responsible for establishing the accuracy of inventories, maintaining appropriate controls, and ensuring the proper usage of all medical supplies and equipment. A general inventory of supplies must be taken at least every month by the Country Director or designee. The PCMO/PCMC must inventory controlled medical substances monthly. The control of such items must be consistent with local and U.S. laws and regulations.

We noted that general inventory of medical supplies and pharmaceuticals were not being maintained consistently. Additionally, monthly verification of the general inventory was not being performed by the country director or designee. We also determined that inventory of controlled substances were not performed monthly.

To comply with Peace Corps and other federal requirements, ensure that Volunteers receive quality health care, and adequately safeguard assets it is essential that an accurate and complete medical supplies inventory listing be consistently maintained. Further, periodic inventory verification is important to maintaining integrity of the medical supply inventory records.

We recommend:

19. That the PCMO establish and consistently maintain accurate and complete inventory records for the post's medical supplies and pharmaceuticals.
20. That the country director or designee conduct the required monthly verification of general inventory and the PCMO perform monthly inventories of controlled substances in accordance with Peace Corps policy and other federal requirements.

IT SECURITY

The post did not monitor to ensure that all Volunteers and Trainees reviewed and signed the mandatory IT security access agreement forms.

PCM section 543.2.4 states:

V/Ts must review the mandatory guidelines set out in PCM 543.3.0, and sign the form in Attachment A verifying that they will abide by the guidelines for use of Peace Corps computer equipment.

The post's IT security specialist did not know whether all Volunteers and Trainees were signing the necessary IT security forms before granting access to Peace Corps computer systems. When we requested verification that the forms were being signed, the IT security specialist indicated that he could not confirm this without researching the status of the forms. As a result, it was apparent that monitoring to ensure the forms were being executed was not being consistently performed.

The purpose of Peace Corps policy requiring Volunteers and Trainees to review IT security guidelines and signify they understand them by signing a form is to provide some assurance that Peace Corps data is secure and computers are protected from viruses and other cyber threats. The policy also defines appropriate uses of Peace Corps computer equipment and specifies prohibited practices. Individuals that are unaware of Peace Corps IT security guidelines may compromise data security or otherwise misuse computer equipment.

We recommend:

21. That the IT security specialist ensure that all Volunteers and Trainees have reviewed the IT security guidelines set out in PCM section 543 and are signing the related form prior to granting access to Peace Corps computer systems.

POST STAFFING

At the time of our visit, the post had 42 staff positions: two U.S. direct hire employees, two foreign service nationals, and 38 personal services contractors. In addition, a regional Peace Corps Safety and Security Officer is stationed in Guatemala.

We interviewed five staff, including one U.S. direct hire and one Peace Corps Medical Officer. They all stated that they very much enjoyed working for the Peace Corps; however, several of them stated that there was a need for additional training of administrative staff. Many staff members have been at the post for several years, and some were returned Volunteers from Guatemala. In addition, the country director at the time of our audit was in the process of leaving the Peace Corps to work for another government agency, the staff appeared to be still adjusting to the plan to move to facilities outside of Guatemala City.

PC/Guatemala's Positions

Position	Status
Country Director	USDH
Executive Secretary	PSC
Administrative Officer	FSN
Program and Training Officer	USDH
Training Director	PSC
APCD/Municipal Development	PSC
APCD/Rural Home Preventive Health	PSC
APCD/Youth Development	PSC
APCD/Sustainable Rural Tourism	PSC
APCD/Healthy Schools	PSC
APCD/Sustainable Agriculture	PSC
Project Specialist (5)	PSC
Administrative Assistant (2)	PSC
Cashier	FSN
IT Specialist	PSC
Driver/Messenger (2)	PSC
Receptionist	PSC
Janitor (2)	PSC
Peace Corps Medical Officer (2)	PSC
Medical Secretary	PSC
Safety and Security Coordinator	PSC
Language Coordinator (2)	PSC
Language Facilitators (7)	PSC
Technical Trainer	PSC
Training Center Secretary	PSC
General Services Officer	PSC
Training Specialist	PSC

LIST OF RECOMMENDATIONS

We recommend:

1. That the country director ensure that the internal controls over the billings and collections functions be re-established and consistently followed to ensure the accurate and timely collection of debts due the Peace Corps and to improve accountability of Peace Corps assets. Re-establishment of internal controls should be formalized in writing, including actions taken to prevent future loss of Peace Corps funds and any planned future actions to strengthen internal controls. These actions should include clearly defined separation of duties and responsibilities related to paying Volunteer allowances, preparing billings to recoup excess living allowance refunds, establishing and recording BOCs in FOR Post, processing Volunteer COS and ET documentation, and specific controls to ensure accurate, timely and complete collection of funds due the Peace Corps from any source.
2. That the country director formally designate a billing officer and provide clearly defined instructions to ensure that all debts due to the Peace Corps are billed and collected in a timely manner.
3. That the country director-designated billing officer prepare a BOC for all reimbursements due to Peace Corps, including refunds for Volunteers' living allowances. For refunds due from the bank, the billing officer should prepare a BOC as soon as a refund is identified. In cases where refunds are due directly from Volunteers, the billing officer should establish a BOC in FOR Post as soon as it is identified to document accountability for funds due to the Peace Corps.
4. That the cashier immediately collect into the imprest fund or the USDO account all reimbursements due to Peace Corps, including refunds for Volunteers' living allowances.
5. That the administrative officer consistently monitor billings and collection activities by performing monthly reviews of Volunteer allowance deposits and verify that any allowance refunds due the Peace Corps are properly collected.
6. That the administrative officer notify the country director by email each month when they have verified the accuracy of the billings and collections.
7. That the country director ensure that the cashier immediately collects Volunteer living allowance refund checks and related cash and promptly makes a deposit into the imprest fund or the USDO account.

8. That the country director ensure that refunds from the bank be made payable to the U.S. Disbursing Officer rather than an employee.
9. That the country director take action to ensure that only the cashier is authorized to collect funds.
10. That the country director establish a process so that the information required for termination cables is provided timely to the person responsible for sending the documents to Peace Corps headquarters.
11. That the country director review the benefits paid to PSCs to ensure that they are in line with the local compensation plan.
12. That the country director receive approval from the Chief Acquisition Officer prior to paying salary benefits in excess of what is required by the local compensation plan.
13. That the country director ensure that all staff members have completed intelligence background information certification forms maintained on file in accordance with Peace Corps policy.
14. That in accordance with Peace Corps policy, the administrative officer ensure that a statement of work is always included within the personal services contract files.
15. That the country director or other designated supervisor conduct annual performance appraisals of all Peace Corps staff members and ensure that copies be included in their files.
16. That the country director request an Embassy RSO representative provide training to the cashier on how to change the safe combination.
17. That the country director ensure that a complete property physical inventory be conducted and the post's property records be updated accordingly.
18. That the country director ensure that the necessary training be arranged for staff members responsible for inventory verification on the software program used to record and track inventory.
19. That the PCMO establish and consistently maintain accurate and complete inventory records for the post's medical supplies and pharmaceuticals.
20. That the country director or designee conduct the required monthly verification of general inventory and the PCMO perform monthly inventories of controlled substances in accordance with Peace Corps policy and other federal requirements..

21. That the IT security specialist ensure that all Volunteers and Trainees have reviewed the IT security guidelines set out in PCM section 543 and are signing the related form prior to granting access to Peace Corps computer systems.

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/Guatemala covered fiscal years 2004, 2005, 2006, 2007, and 2008 through March 31, 2008. While at the post, we interviewed key staff: the country director, the administrative officer, staff responsible for administrative support, and one of the two medical officers. At the end of our audit, we briefed the country director and administrative team. 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 in meeting our audit objective.

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

APPENDIX B

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT

MEMORANDUM

To: Kathy Buller, Inspector General

From: Allene Zanger, Regional Director, Inter-America and Pacific

Date: December 5, 2008

Subject: Preliminary Report on the Audit of Peace Corps Guatemala

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

The Region has concurred with 21 of 21 of the IG's recommendations, and feels that its program in Guatemala has been strengthened by this review.

The Region also appreciates the Inspector General's willingness to review and revise the finding relating to the Miscellaneous Benefits for locally contracted PSCs. In 2003, when this benefit was instituted, it was fully allowable under the policy in effect at that time. This benefit was broadly discussed with the Office of Contracts and the Chief Financial Officer, and the Region contends that it made sense at the time. Additionally, many of the contracts awarded in 2003 were valid through 2008, so the Region maintains that their terms were allowable through their expiration. We concur that any Personal Services Contracts awarded after February 2005, when the policy changed, should not have included this benefit without express approval of the Head of Contracting Authority. Therefore we assert that the figure of \$195,418.20 in questionable expenses is not completely accurate. Subsequent to your audit and the February 2008 change in MS 743, no PSC in Guatemala is receiving benefits that are not allowed under the local compensation plan.

Thank you for the care and diligence displayed in the process of this audit.

PEACE CORPS/ GUATEMALA

RESPONSE TO THE SEPTEMBER 2008

PRELIMINARY AUDIT REPORT

OF THE OFFICE OF INSPECTOR GENERAL

LIST OF IG RECOMMENDATIONS WITH RESPONSES

Billings and Collections

1. **That the country director ensure that the internal controls over the billings and collections functions be re-established and consistently followed to ensure the accurate and timely collection of debts due the Peace Corps and to improve accountability of Peace Corps assets. Re-establishment of internal controls should be formalized in writing, including actions taken to prevent future loss of Peace Corps funds and any planned future actions to strengthen internal controls. These actions should include clearly defined separation of duties and responsibilities related to paying Volunteer allowances, preparing billings to recoup excess living allowance refunds, establishing and recording BOCs in FOR Post, processing Volunteer COS and ET documentation, and specific controls to ensure accurate, timely and complete collection of funds due the Peace Corps from any source.**

Concur: The administrative officer's last day with Peace Corps Guatemala was March 18, 2008. Effective February 25, 2008, the duties involving Volunteer allowances done by the financial assistant cited in the audit report were transferred to a different financial assistant. This financial assistant prepares monthly allowance amounts for Volunteers and calculates amounts to be collected from the Volunteers or the bank due to ETs, change of COS date or other reasons. The new AO, now on board, is the billing officer, and prepares BOCs and enters them into FORPost. Cash collections and check refunds from the bank are handled by the cashier.

Date of Completion: February 25, 2008 and ongoing;

Documentation Submitted: 2 Memos from CD, Todd Sloan, from March 18, 2008 and March 24, 2008 designating transfer of AO duties to the Acting AO, Ruby Flores. Memo from CD, Martha Keays, on November 10, 2008, delegating AO responsibilities to new AO, Lilian Monterroso. SOW for new AO, Lilian Monterroso, hired November 10, 2008.

2. **That the country director formally designate a billing officer and provide clearly defined instructions to ensure that all debts due to the Peace Corps are billed and collected in a timely manner.**

Concur: The AO was designated billing officer on February 14, 2008. Upon arriving in country June 16, 2008, the new CD designated the acting AO as billing officer. The new AO was designated billing officer November 10, 2008. She is aware of responsibilities of this position, as defined in the OFMH and PC Manual.

Date of Completion: November 10, 2008 and ongoing.

Documentation Submitted: Memo from CD, Martha Keays, on June 16, 2008 designating Ruby Flores as Post Billing Officer. Memo from CD, Martha Keays, on November 10, 2008, designating the new AO, Lilian Monterroso, as the Post Billing Officer. SOW for new AO.

3. **That the country director-designated billing officer prepares a BOC for all reimbursements due to Peace Corps, including refunds for Volunteers' living allowances. For refunds due from the bank, the billing office should prepare a BOC as soon as a refund is identified. In cases where refunds are due directly from Volunteers, the billing officer should establish a BOC in FOR Post as soon as it is identified to document accountability for funds due to the Peace Corps.**

Concur: As of February 14, 2008, the billing officer does these procedures.

Date of Completion: February 14, 2008 and ongoing.

Documentation Submitted: Memo from CD, Martha Keays, on June 16, 2008 designating Ruby Flores as Post Billing Officer. Memo from CD, Martha Keays, on November 10, 2008, designating the new AO, Lilian Monterroso, as the Post Billing Officer. SOW for new AO.

4. **That the cashier immediately collect into the imprest fund or the USDO account all reimbursements due to Peace Corps, including refunds for Volunteers' living allowances.**

Concur: As of March 18, 2008, the cashier is immediately collecting all reimbursements due Peace Corps. Between February 8, 2008 and March 18, 2008, there were no collections made.

Date of Completion: March 18, 2008 and ongoing.

Documentation Submitted: Receipts of deposits and records of reimbursements to PC.

5. **That the administrative officer consistently monitor billings and collection activities by performing monthly reviews of Volunteer allowance deposits and verify that any allowance refunds due the Peace Corps are properly collected.**

Concur: The new AO, designated billing officer November 10, 2008, reviews billings and collections activities.

Date of Completion: November 10, 2008 and ongoing.

Documentation Submitted: SOW for new AO.

6. **That the administrative officer notify the country director by email each month when they have verified the accuracy of the billings and collections.**

Concur: The acting AO, designated billing officer June 16, 2008, notified the country director of the accuracy of the billings and collections until November 10, 2008 when the new AO was designated billing officer and assumed this responsibility.

Date of Completion: June 16, 2008 and ongoing.

Documentation Submitted: Bill of Collections Log, 11.7.2008

7. **That the country director ensure that the cashier immediately collects Volunteer living allowance refund checks and related cash and promptly makes a deposit into the imprest fund or the USDO account.**

Concur: As of March 18, 2008, the cashier immediately collects refund checks and cash and deposits them appropriately.

Date of Completion: March 18, 2008 and ongoing.

Documents Submitted: Records of collections and Receipts of deposits.

8. **That the country director ensure that refunds from the bank be made payable to the U.S. Disbursing Officer rather than an employee.**

Concur: As of March 18, 2008, the bank issues refund checks made payable to the USDO.

Date of Completion: March 18, 2008 and ongoing.

Documents Submitted: 2 Copies of bank checks from the bank payable to the USDO.

9. **That the country director take action to ensure that only the cashier is authorized to collect funds.**

Concur: The cashier is designated the collections officer. The most recent delegation was June 16, 2008, upon arrival of the new country director.

Date of Completion: June 16, 2008 and ongoing.

Documents Submitted: Delegation of Authority by CD, Martha Keays, on June 16, 2008 delegating Sonia de Gonzales as Cashier.

Volunteer Allowances

10. **That the country director establish a process so that the information required for termination cables is provided timely to the person responsible for sending the documents to Peace Corps headquarters.**

Concur: The cashier receives the completed termination checklist directly from the volunteer. The financial assistant then verifies all calculations are correct and gives the checklist to the executive secretary, who sends the termination notification within one business day of the COS or ET.

Date of Completion: June 16, 2008 and ongoing.

Documentation Submitted: Sample of PCV COS cable from 11.14.2008

Personal Service Contracts

11. **That the country director review the benefits paid to PSCs to ensure that they are in line with the local compensation plan.**

Concur: As of FY08, PSCs receive compensation and benefits according to the Local Compensation Plan. The first contracts date from December 2007.

Date of Completion: December 2007 and ongoing.

Documentation Submitted: FSN Compensation Plan from May 30, 2008. Sample PSC Statements of Payment for 3 PC/GT employees.

12. **That the country director receive approval from the Chief Acquisition Officer prior to paying salary benefits in excess of what is required by the local compensation plan.**

Concur: No PSCs are receiving benefits in excess of what is required by Local Compensation Plan.

Date of Completion: December 2007 and ongoing.

Documentation Submitted: FSN Compensation Plan from May 30, 2008. Sample PSC Statements of Payment for 3 PC/GT employees.

13. **That the country director ensure that all staff members have completed intelligence background information certification forms maintained on file in accordance with Peace Corps policy.**

Concur: As of September 10, 2008, all staff members have completed intelligence background information certification forms, which are in their personnel folders.

Date of Completion: September 10, 2008 and ongoing.

Documentation Submitted: Sample of SOPs, Supervisor Performance Evaluations and Intelligence Background Certification Forms for 3 PSC employees.

14. **That in accordance with Peace Corps policy, the administrative officer ensure that a statement of work is always included within the personal services contract files.**

Concur: As of September 10, 2008, all PSC files include an SOW.

Date of Completion: September 10, 2008 and ongoing.

Documentation Submitted: Sample of SOPs, Supervisor Performance Evaluations and Intelligence Background Certification Forms for 3 PSC employees.

15. **That the country director or other designated supervisor conduct annual performance appraisals of all Peace Corps staff members and ensure that copies be included in their files.**

Concur: All supervisors are aware of their responsibility to perform annual performance appraisals. Appraisals are presently being done for PSCs whose contracts are up for renewal.

Date of Completion: November 17, 2008 and ongoing.

Documentation Submitted: Sample of SOPs, Supervisor Performance Evaluations and Intelligence Background Certification Forms for 3 PSC employees.

Imprest Fund

16. **That the country director request an Embassy RSO representative provide training to the cashier on how to change the safe combination.**

Concur: A safe expert came to PC/G and taught the cashier how to reset the safe combination. The cashier reset the combination February 27, 2008. The safe combination was changed again November 6, 2008. She maintains a log, recording reset dates.

Date of Completion: February 27, 2008 and ongoing.

Documentation Submitted: Documentation on Safe Expert visit and safe combination change on November 6, 2008.

Property Management

17. **That the country director ensure that a complete property physical inventory be conducted and the post's property records be updated accordingly.**

Concur: The post's property records were updated for the PPIR inventory report due to HQ November 7, 2008. A complete property physical inventory will be completed by November 21, 2008 and records updated.

Date of Completion: November 21, 2008

Documentation Submitted: Copy of Physical Property Inventory report sent November 7, 2008.

18. **That the country director ensure that the necessary training be arranged for staff members responsible for inventory verification on the software program used to record and track inventory.**

Concur: The ITS will provide additional training to the GSO by November 21, 2008 to enable accurate accounting of inventory.

Date of Completion: November 21, 2008 and ongoing.

Documentation Submitted: Training materials. Updated FRPP report.

Medical Supplies

19. **That the PCMO establish and consistently maintain accurate and complete inventory records for the post's medical supplies and pharmaceuticals.**

Concur: The inventory system currently in use was developed for posts by OMS. Post has been informed that OMS is in the process of updating the inventory software and will put the new version in place as soon as it is released (estimated 1st qtr. '09).

Date of Completion: January 30, 2009 and ongoing.

Documentation Submitted: Medical Inventory from November 13, 2008. Email explaining no inventory software has yet been received by Post.

20. **That the country director or designee conduct the required monthly verification of general inventory and the PCMO perform monthly inventories of controlled substances in accordance with Peace Corps policy and other federal requirements.**

Concur: Delegation of Authority by the Country Director was done October 10, 2008 and post is performing the required periodic verification of inventories (general and controlled substances) in compliance with all policy and requirements.

Date of Completion: October 10, 2008

Documentation Submitted: Delegation of authority from October 10, 2008 for Medical Assistant, Ana Luisa de Solares, to conduct the required monthly verification of medical supplies inventory. Medical Inventory conducted November 13, 2008.

IT Security

21. **That the IT security specialist ensure that all Volunteers and Trainees have reviewed the IT security guidelines set out in PCM section 543 and are signing the related form prior to granting access to Peace Corps computer systems.**

Concur: Every PST has a session which includes IT security, during which the IT security access agreement forms are signed by the PCTs and subsequently put in their files.

Date of Completion: February 18, 2008 and ongoing.

Documentation Submitted: Copy of Internet Usage guidelines, IT security access agreement form signed by Volunteer on August 15, 2008.

APPENDIX C

OIG COMMENTS

Management concurred with all 21 recommendations made in our report and we closed all recommendations.

In their response, the 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 we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

APPENDIX D

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

The audit was performed by Gerald P. Montoya.

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

Fraud, waste, abuse, and mismanagement in government affect everyone from Peace Corps Volunteers to agency employees to the general public. We actively solicit allegations of inefficient and wasteful practices, fraud, and abuse related to Peace Corps operations domestically or abroad. You can report allegations to us in several ways, and you may remain anonymous.

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