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OFFICE OF INSPECTOR GENERAL

To: Aaron Williams, Director
Rosie Mauk, Associate Director, VRS
Daljit Bains, Chief Compliance Officer

From: Kathy A. Buller, Inspector General 

Date: October 11, 2011

Subject: Final Report on the Audit of the Mid-Atlantic Regional Recruiting Office (IG-12-01-A)

Transmitted for your information is our final report on the audit of the Mid-Atlantic Regional Recruiting Office.

Management concurred with all 8 of the recommendations. We closed 7 recommendations based on review of corrective actions and supporting documentation. Recommendation 8 will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. Our comments, which are in the report as Appendix D, address these matters. Please respond with documentation to close the remaining open recommendation within seven days of the estimated completion date provided.

Please accept our thanks for your cooperation and assistance in our review.

Attachment

cc: Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff/Chief of Operations
Elisa Montoya, White House Liaison/Senior Advisor to the Director
Bill Rubin, General Counsel
Lisa Bilder, Chief Acquisition Officer
Michael McKay, Chief of Operations, VRS
Shari Hubert, Director of Recruitment, VRS
Christopher Gilson, Regional Manager, Mid-Atlantic



Peace Corps Office of Inspector General



Mid-Atlantic Regional Recruiting Office



Final Audit Report: Mid-Atlantic Regional Recruiting Office IG-12-01-A

October 2011

EXECUTIVE SUMMARY

The Volunteer Recruitment and Selection office (VRS) is responsible for recruiting, selecting, and placing Peace Corps Volunteers at posts for overseas service. VRS maintains nine Regional Recruitment Offices (RRO) located in: Boston, New York City, Rosslyn (now located at Peace Corps headquarters in Washington, D.C.), Atlanta, Chicago, Dallas, Seattle, San Francisco and Los Angeles. RROs conduct recruiting, selecting, and processing of Peace Corps Volunteer candidates within an assigned geographical area. The Mid-Atlantic RRO recruits applicants from Delaware, the District of Columbia, Maryland, North Carolina, Virginia and West Virginia.

In general, the Mid-Atlantic RRO's financial and administrative operations were functioning satisfactorily and complied with agency policies and federal regulations. However, the Mid-Atlantic RRO did not have a formal diversity plan as part of its overall recruiting strategy as delineated in the Peace Corps Strategic plan for 2009-2014, and we identified administrative operations not in compliance with agency policy and guidance. In addition, we noted deficiencies in contracting and property management.

- The Mid-Atlantic RRO administrative specialist did not have an official Certificate of Appointment to perform contracting officer duties for a Blanket Purchase Agreement (BPA) contract. Further, the administrative specialist/contracting officer did not complete the contracting officer training prior to performing contracting officer duties as required under agency policy and guidance.
- The solicitations for a part-time, on campus, Peace Corps Volunteer recruiter position inappropriately included a U.S. Department of Labor (DOL) Service Contract Act Wage Determination for the recruiter position.
- The Mid-Atlantic RRO's equipment and supply inventory could not be verified to existing inventory records because the inventory records had not been kept current.

Management concurred with all 8 of our recommendations and took timely action to remediate our findings. As a result, we closed 7 recommendations. Recommendation 8 remains open pending a copy of the goals and milestones for the diversity outreach strategy.

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BACKGROUND

The Office of Inspector General conducted an audit of the Mid-Atlantic RRO October 19 - November 3, 2010. The Mid-Atlantic RRO was last audited in 2006. The total budget for FY 2010 was \$257,300 and FY 2009 was \$223,700.

The Mid-Atlantic RRO works to attract applicants to the Peace Corps by communicating the mission of the Peace Corps through diverse media groups and carrying out targeted recruitment campaigns. The goal and result of these activities cumulates in the interviewing, selecting, and processing of Peace Corps candidates to volunteer overseas in the following areas: agriculture, environment, business, information and communication technology, youth and community development, education, and health.

Our overall objective in auditing the Mid-Atlantic RRO was to determine if the financial and administrative operations were functioning effectively and complied with Peace Corps policies and federal regulations. Appendix A provides a full description of our audit objective, scope, and methodology.

AUDIT RESULTS

COMMERCIAL CONTRACTS

The administrative specialist was issuing contract modifications and orders above the micro purchase level under Peace Corps wide Blanket Purchase Agreement (BPA) without the proper Certificate of Appointment and adequate training.

For contract orders above the \$3,000 micro-purchase level, the Federal Acquisition Regulation (FAR) states:

Contracting officers shall be appointed in writing on an SF 1402, Certificate of Appointment, which shall state any limitations on the scope of authority to be exercised, other than limitations contained in applicable law or regulation. Appointing officials shall maintain files containing copies of all appointments that have not been terminated.

The \$3,000 micro-purchase authority/limits specified in *Peace Corps Manual* section (MS) 732 are not required to be appointed on an SF 1402, but shall be appointed in writing in accordance with agency procedures.

The Mid-Atlantic RRO has one commercial contract above the micro purchase threshold. This contract was a Peace Corps wide BPA, contract, No. PC-09-9-016. The BPA contract was awarded as a small business set-aside contract on January 7, 2009. Under the BPA, the contractor is to provide "various types of advertisements in college/university publications throughout the United States." The BPA contract base performance period was from December

31, 2008-November 30, 2009. The contract has four one year option periods from December 1st thru November 30th with the final option period ending on November 30, 2013. Orders under the BPA are made through call orders. Under the BPA each RRO has a designated/authorized position to place call orders up to \$25,000 and the Office of Acquisition and Contract Management (OACM) is authorized to place call/orders up to \$100,000.

The Mid-Atlantic RRO administrative specialist was designated in writing by OACM to issue calls/orders up to \$25,000. However, OACM did not prepare the administrative specialist's "Certificate of Appointment" to perform contracting officer duties.

In addition, the administrative specialist did not have the required contracting officer training to perform contracting officer duties under the BPA. Office of Federal Procurement Policy Letter 05-01 required agencies to establish requirements for continuous learning for contracting officers and contracting officer technical representatives (COTRs) and encouraged at a minimum, 40 hours of training every two years. It also established training requirements for federal contract series.

Although the administrative specialist received COTR training after our site visit, additional training is needed. The administrative specialist requires the ability to place orders and sign contract modifications above the \$3,000 micro-purchase limit under the RRO BPA, contract, No. PC-09-9-016. In accordance with FAR 1.602-2, the Peace Corps COTR Certification Procedures Manual, Section IV, states that serving as a COTR does not give the administrative specialist the "...authority to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract." Potentially, lacking sufficient procurement training, the administrative specialist/contracting officer may unknowingly obligate Peace Corps funds for goods and/or services not required for Peace Corps operations.

We Recommend:

1. The Office of Acquisitions and Contract Management issue all modifications and orders above the \$3,000 micro-purchase limit for the blanket purchase agreement.

The BPA contract files did not include the administrative specialist/contracting officer's written justification and basis for determining the contractor's price for a sole source award was fair and reasonable.

There was no evidential data in the contract file to support that the administrative specialist performed an analysis to determine the contractor's price was fair and reasonable. A contributing factor to this situation was the administrative specialist's lack of sufficient procurement/acquisition training.

Peace Corps contracting personnel are required under MS 732 to comply with part 13 of the Federal Acquisition Regulations. Before making award, FAR 13.106-3 requires the contracting officer to determine if the proposed price is fair and reasonable:

If only one response is received, the contracting officer is required to include a statement of price reasonableness in the contract file. The contracting officer may base the statement on: Market research; Comparison of the proposed price with prices found reasonable on previous purchases; Current price lists, catalogs, or advertisements. However, inclusion of a price in a price list, catalog, or advertisement does not, in and of itself, establish fairness and reasonableness of the price; A comparison with similar items in a related industry; The contracting officer's personal knowledge of the item being purchased; Comparison to an independent Government estimate; or Any other reasonable basis.

Failure to perform an adequate evaluation of a sole source award may result in the Peace Corps paying too much for the goods/services received.

We Recommend:

2. The administrative specialist include in the blanket purchase agreement contract file the written justification and basis for determining the contractor's price for a sole source award for advertising services was fair and reasonable.

STRATEGY CONTRACTS

The Mid-Atlantic RRO solicitations/request for proposals under strategy contracts inappropriately included a U.S. Department of Labor Service Contract Act Wage Determination for part-time student recruiter positions.

Strategy contracts are awarded to universities to provide Peace Corps with on-campus facilities and a part-time recruiter position. The part-time recruiters make referrals for potential Peace Corps Volunteers and provide public relations and information about the Peace Corps to university students. The part-time recruiters are returned Peace Corps Volunteers who are also pursuing graduate studies at a university. The Mid-Atlantic RRO has strategy contracts with five universities: University of North Carolina, North Carolina State University, University of Virginia, Virginia Tech, and Howard University.

The Mid-Atlantic RRO issued solicitations/requests for proposal to various universities for Strategy Contracts. The solicitations/requests for proposal included the regional Department of Labor (DOL) Service Contract Act (SCA) Wage Determination for a Personnel Assistant III position for the part-time on-campus recruiter position. A DOL SCA Wage Determination in solicitations/request for proposal requires the contractor to use, at a minimum, the wages and benefits specified in the wage determination in computing its proposed labor costs. A prospective contractor's proposal is technically not responsive if the wages and benefits used in computing its labor costs are lower than the applicable DOL SCA wage determination. The solicitations were not amended to eliminate the requirement for using DOL SCA Wage Determination. However, the strategy contracts, as awarded, did not include the SCA as an applicable contract clause.

We Recommend:

3. The Office of Acquisitions and Contract Management review, prior to issuance, the administrative specialist' solicitations/request for proposals for strategy contracts to ensure including wage determinations are appropriate.

PROPERTY MANAGEMENT

The Mid-Atlantic RRO's equipment and supply inventory could not be verified to existing inventory records because the inventory records had not been kept current.

We were unable to determine when the last inventory verification was performed. Some items did not have numbered property tags, some had a former facilities management contractor's inventory tags, and some had Peace Corps inventory tag numbers that could not be linked to the existing inventory records.

MS 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." MS section 511.5.1 states, "The following items should be inventoried: Non-expendable items with a value of \$500 US or more; Items costing less than \$500 US that are highly pilfer able; and Items costing less than \$500 that have been assigned a manufacturer's serial number." In accordance with MS 511, the Mid-Atlantic RRO must:

- certify and submit inventory reports by October 15th of each year;
- attach a Peace Corps property tag on each piece of capitalized property;
- maintain property records for three years.

Potentially, the Peace Corps' property may be lost, stolen or in an unusable condition, which could impede the Peace Corps ability to perform its recruiting duties. In addition, the Peace Corps may have to purchase replacements for items lost or stolen with funds originally intended for other purposes.

We Recommend:

4. The regional manager conduct a physical inventory count of post property and affix inventory tags to capitalized items in accordance with agency policy.
5. The regional manager submit the results of the inventory to the Peace Corps Office of Administrative Services in accordance with agency policy.
6. The regional manager maintain all property records for three years as required in accordance with agency policy.

The Mid-Atlantic RRO did not have a formal recruiting plan, which includes diversity to increase ethnic diversity and promote socio-economic diversity.

Strategic Goal Four of the Peace Corps Strategic Plan for 2009-2014, states “Provide Volunteers, who represent the diversity of Americans, to meet the evolving technical needs of host countries.”

A formal diversity recruiting strategy should consider gender, ethnic, racial and socio-economic diversity to ensure volunteers represent the diversity of Americans. This is a challenge for Peace Corps recruiting across the country. The Peace Corps Assessment states:

Because regional recruitment offices and recruiters’ performances are primarily based on how many applicants are nominated or recommended to move forward in the process, recruitment efforts are primarily directed at colleges and universities that have historically produced a high number of Volunteers. This creates an incentive to repeatedly invest time, energy, and resources at colleges and universities and within departments, clubs, etc. where the Peace Corps has already established a relationship.

The Mid-Atlantic RRO had focused its recruiting strategy and resources to seek potential Peace Corps Volunteer recruits from colleges and universities where successful recruiting has occurred in the past. The Mid-Atlantic RRO’s approach has been successful in meeting its numeric recruiting goals, but it has not contributed to a more diverse recruitment.

The Mid-Atlantic RRO has taken steps to improve racial diversity by expanding the “Strategy Contract” program to Howard University, a Historically Black University. This program provides the Peace Corps with on-campus facilities and a paid part-time recruiter position. However, the Mid-Atlantic RRO had not established recruiting milestones or goals to measure the performance at Howard University. Performance measurement, an essential part of a recruitment strategy, helps assess current efforts and provides useful information to ensure scarce resources are used effectively and efficiently.

We Recommend:

7. The regional manager develop an integrated diversity recruitment strategy to include gender, ethnic, racial, and socio-economic diversity components to meet the intent of Strategic Goal Four of the Peace Corps Strategic Plan for 2009-2014.
8. The regional manager establish measurable goals and milestones to measure and evaluate the performance of its integrated diversity recruitment strategy.

QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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

LIST OF RECOMMENDATIONS

We recommend:

1. The Office of Acquisitions and Contract Management issue all modifications and orders above the \$3,000 micro-purchase limit for the blanket purchase agreement.
2. The administrative specialist include in the blanket purchase agreement contract file the written justification and basis for determining the contractor's price for a sole source award for advertising services was fair and reasonable.
3. The Office of Acquisitions and Contract Management review, prior to issuance, the director of management and operation's solicitations/request for proposals for strategy contracts to ensure including wage determinations are appropriate.
4. The regional manager conduct a physical inventory count of post property and affix inventory tags to capitalized items in accordance with agency policy.
5. The regional manager submit the results of the inventory to the Peace Corps Office of Administrative Services in accordance with agency policy.
6. The regional manager maintain all property records for three years as required in accordance with agency policy.
7. The regional manager develop an integrated diversity recruitment strategy to include gender, ethnic, racial, and socio-economic diversity components to meet the intent of Strategic Goal Four of the Peace Corps Strategic Plan for 2009-2014.
8. The regional manager establish measurable goals and milestones to measure and evaluate the performance of its integrated diversity recruitment strategy.

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective in auditing the Mid-Atlantic RRO was 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. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provided a reasonable basis for our findings and conclusions based on our audit objectives.

The Mid-Atlantic RRO staff was very helpful in coordinating their plans to meet the audit schedule, gathering information, and answering questions. Overall, documentation was well organized and readily available.

The audit of the Mid-Atlantic RRO covered fiscal years 2009, 2010 and the first quarter of 2011, through December 31, 2010. We interviewed key staff including the RRO Manager, the AO, and the recruiting staff. At headquarters, we conducted a general briefing with the VRS.

We relied on computer-processed data from the post's accounting system in collaboration with documentation such as invoices, contracts, and receipts. While we did not test the system's controls, we believe the information generated by the system and used by us was sufficiently reliable for our audit objective.

Our audit criteria were derived from the following sources: federal regulations, the *Peace Corps Manual*, *Statement of Federal Financial Accounting Concepts*, *Standards for Internal Control in the Federal Government*, *Federal Information Processing Standards*, and current Peace Corps initiatives and policies.

LIST OF ACRONYMS

BPA	Blanket Purchase Agreement
COTR	Contracting Officer's Technical Representative
DOL	U.S. Department of Labor
FAR	Federal Acquisition Regulation
MS	Peace Corps Manual Section
OACM	Office of Acquisition and Contract Management
RRO	Regional Recruiting Office
SCA	Service Contract Act
VRS	Volunteer Recruitment and Selection

MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT



1961-2011

MEMORANDUM

To: Kathy Buller, Inspector General

From: Rosie Mauk, Associate Director for the Office of Volunteer Recruitment and Selection
Lisa M. Billet, Chief Acquisition Officer RLM

Through: Daljit K. Bains, Chief Compliance Officer DAB

Date: September 28, 2011

Cc: Stacy Rhodes, Chief of Staff
Carrie Hessler-Radelet, Deputy Director
Joaquin Ferrao, Deputy Inspector General
Bill Rubin, General Counsel
Shari Hubert, Director of Recruitment, VRS
Chris Gilson, Regional Office Manager, VRS Mid-Atlantic RRO
Everett Lott, Chief Administrative Officer, VRS

Subject: Response to *Preliminary Audit Report: Mid-Atlantic Regional Recruiting Office*, dated August 2011

Enclosed please find Office of Volunteer Recruitment and Selection Response to the Inspector General's *Preliminary Audit Report: Mid-Atlantic Regional Recruiting Office*, dated August 2011. VRS acknowledges and concurs with the report's recommendations to strengthen our efforts, both with regard to internal operations (e.g. inventory management) and recruiting outreach, with specific emphasis on diversity recruiting.

OACM acknowledges and appreciates the OIG's efforts to improve OACM's business processes. We have made tremendous improvements in the Peace Corps' procurement process but we still have clear goals to achieve with respect to cadre training and development of appropriate procurement instruments.

Recommendation 1: The Office of Acquisitions and Management issue all modifications and orders above the \$3,000 micro-purchase limit for the blanket purchase agreement.

Concur: OACM acknowledges that designation letters were issued giving Peace Corps employees (administrative specialists) the authorization to place calls against a blanket purchase agreement (BPA)

OIG COMMENTS

Management concurred with all 8 of the recommendations. We closed 7 recommendations based on review of supporting documentation. Recommendation 8 remains open pending a copy of the goals and milestones for the diversity outreach strategy.

In their response, management described actions they are taking or intend to take to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that the region or post has taken these actions, nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Joe Wagner, Forensic Auditor, performed the Mid-Atlantic Regional Recruiting Office audit.



Bradley Grubb
Assistant Inspector General for Audit

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please email Bradley Grubb, Assistant Inspector General for Audit, at bgrubb@peacecorps.gov, or call him at (202) 692-2914.

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