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OFFICE OF INSPECTOR GENERAL

**To:** Aaron S. Williams, Director  
Dick Day, Regional Director, Africa  
Daljit Bains, Chief Compliance Officer

**From:** Kathy A. Buller, Inspector General 

**Date:** March 22, 2012

**Subject:** Final Report on the Audit of Peace Corps/Mali (IG-12-04-A)

Transmitted for your information is our final report on the Audit of the Peace Corps/Mali.

Management concurred with 19 and nonconcurred with one of the recommendations. We closed eight recommendations based on review of management's response and supporting documentation. In its response, management described actions it is taking or intends 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 agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities.

Our comments, which are in the report as Appendix D, address these matters. Please respond with documentation to close the 12 open recommendations in accordance with the estimated completion dates listed in the agency's response.

You may address questions regarding follow-up or documentation to Assistant Inspector General for Audit Bradley Grubb at 202.692.2904.

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

Attachment

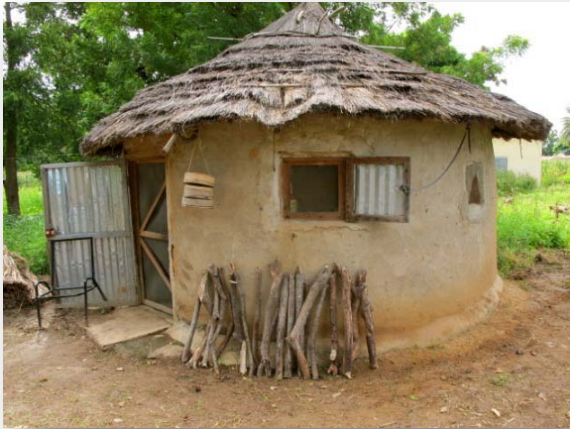
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# Peace Corps Office of Inspector General

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PC/Mali Volunteer Anderson Nunnelley's house



CIA World Factbook Map of Mali



*Flag of Mali*

## **Final Audit Report: Peace Corps/Mali IG-12-04-A**

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March 2012

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## EXECUTIVE SUMMARY

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The Office of Inspector General (OIG) conducted an audit of Peace Corps/Mali from September 26, 2011 to October 7, 2011. At the time of the audit, the post had four U.S. Direct Hires, 57 personal services contractors and three foreign service nationals. The post had a fiscal year 2011 budget of approximately \$4.6 million supporting 165 Volunteers.<sup>1</sup>

The post's financial and administrative operations were effective and in overall compliance with agency policies and federal regulations. However, we noted the following:

- The post did not have an adequate process in place to control medical supplies, resulting in incomplete and inaccurate medical supply inventories.
- The post did not have adequate controls over monitoring consumption and replenishment over pre-paid fuel cards. The post could reduce pre-payments to the vendor by approximately \$31,000. These funds could be put to better use if the post based its pre-paid fuel payments on the actual usage of its vehicles.
- The post lacked an effective process to monitor and track grant projects to ensure that the projects managed by Volunteers were completed and settled prior to a Volunteer's completion of service.
- The post did not use adequate descriptions of the payees names in cash disbursements of approximately \$90,000 to Volunteers and \$150,000 to third parties. Amounts disbursed without recording the names of the payees respective invoice numbers or dates in the financial systems can lead to improper payments and fraud.

We identified further areas of improvement in property management, imprest fund management, and the bills of collection process.

Management concurred with 19 and nonconcurred with one of the recommendations. Management took timely action to remediate our findings. As a result, we closed eight recommendations. The remaining 12 recommendations remain open pending copies of the documents described in Appendices C and D.

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<sup>1</sup> The post's budget does not include the salaries and benefits of U.S. Direct Hires.

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## BACKGROUND

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OIG conducted an audit of Peace Corps/Mali (hereafter “the post”) from September 26, 2011 to October 7, 2011. We previously performed an audit of the post in 2002 and issued our report March 28, 2003 (IG-02-19-A).

The first group of Volunteers arrived in Mali in 1961. At the time of our visit, 165 Volunteers, including three Peace Corps Response Volunteers, were working in the following program areas: teaching English, community environmental conservation, sustainable agriculture systems, environmental health, and community economic development. In 2011, the post’s budget was approximately \$4.6 million.

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

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## AUDIT RESULTS

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### MEDICAL SUPPLIES

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***The post did not fully implement the policies and procedures necessary to ensure the medical supplies inventory was complete and accurate.***

The *Peace Corps Manual* section (MS) 734<sup>2</sup> specifies the post’s requirements relating to medical supplies inventory to strengthen internal controls and procedures over medical supplies. It states, “It is the policy of the Peace Corps to maintain effective controls and procedures that govern the procurement, receipt, storage, inventory, dispensation, and disposal of medical supplies and to adopt and implement special standards applicable to controlled substances.”

During our audit we noted that the following:

- The post lacked separation of duties as required by MS 734, because the medical supply inventory control (MSIC) clerk reported to the Peace Corps Medical Officer (PCMO).
- The MSIC clerk did not maintain the medical inventory spreadsheet in compliance with MS section 734. Specifically, the MSIC clerk did not accurately record the receipts, issues, and balances for non-controlled substances. The PCMO had to conduct a monthly physical count to initiate replenishment of medical supplies because the inventory records were not reliable. We did not conduct a sample physical count to verify the balance noted

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<sup>2</sup> MS 734 was updated in December 2011 with implementing procedures in *Medical Technical Guideline* 240, October 2011.

in the inventory record was accurate due to the significant amount of time required to reconcile the balances with the prior month physical count prepared by the PCMO.

- The country director (CD) did not perform a quarterly or an annual inventory count as required by MS 734.

Adequate tracking of medical supplies, specifically the listed items, is required to ensure critical medicine is available to Volunteers when needed. In addition, proper monitoring and inventorying is required to prevent theft, loss, or abuse of the post's medical inventory supplies and provide effective medical services to Volunteers.

**We recommend:**

1. That the country director implement proper segregation of duties by assigning an individual outside the medical unit as the medical supply inventory control clerk.
2. That the post implement the agency's medical supplies inventory policy by ensuring that the medical supply inventory control clerk maintains adequate medical inventory records. The inventory records should record all receipts, issues, and provide the current balance.
3. That the country director perform a quarterly inventory count of medical supplies and controlled substances in accordance with the *Peace Corps Manual*.

***The post did not comply with the agency's policy for disposal of expired medical supplies.***

During our audit the PCMO informed us that expired medical supplies, including controlled substances, were either flushed down the toilet or burned in the presence of the PCMO and the CD.

MS 734 states:

Medical supplies (medicines, dressing material, laboratory reagents, test kits, birth control products, and vaccines, etc.) with expired shelf life must be destroyed in the presence of the PCMO and the CD, in accordance with local waste disposal and air and water pollution control standards.

Flushing the expired medical supplies is not an adequate method of disposing medical supplies and does not comply with MS 734.3.7.1.

According to the PCMO, the post is building an incinerator, and it will be utilized to dispose of medical supplies. Alternatively, the PCMO should determine if the post can hand over expired medical supplies to the U.S. Embassy medical officer for disposal.

## **We Recommend:**

4. That the country director, in coordination with the Office of Medical Services, determine and use a proper method for disposal of expired medical supplies, including controlled substances.

### ***The post did not implement the necessary controls over dispensing medical supplies to Volunteers.***

We included a similar finding in our [PC/Ukraine report \(IG-11-06-A\)](#) with recommendations to the Office of Medical Services (OMS). Accordingly, we are not issuing a separate recommendation in this report.

The post had an appointed MSIC clerk and used the proper medical supply forms. However, the forms were not completely effective at controlling medical supplies because the medical inventory form issued by headquarters did not provide a column for the beginning balance. Further, the medical control forms used to record the dispensing of controlled and specially designated medical supplies were not sequentially pre-numbered.

MS 734 states:

The MSIC Clerk must maintain a Medical Inventory Control Log to record the inventory status of all medical supplies that are specially designated or controlled substances purchased, received, and stocked at post see Attachment C-PC-734C Medical Inventory Control Log. Each Medical Unit must maintain, on a current basis, a complete and accurate record of each controlled substance dispensed or disposed of.

During the audit, OMS revised the medical supply inventory tracking and physical count worksheets to enhance medical inventory tracking. OMS was also considering sequentially pre-numbering the dispensing forms to ensure all forms are entered in tracking worksheets.

### ***The post had not developed a process for distributing medical supplies to Volunteers.***

We included a similar finding in our [PC/Ukraine report \(IG-11-06-A\)](#) with recommendations to OMS. Accordingly, we are not issuing a separate recommendation in this report.

The post had not developed a formal process for distributing medical supplies and could not ensure proper internal control to track potentially sensitive medication. When the Volunteers are unable to personally pick-up medical supplies at the post, the post packs them in paper bags and delivers them to the regional office or sends them with the staff traveling near Volunteer sites for delivery.

Peace Corps policies include controls over medical supplies and provide technical guidelines including the PCMOs' responsibilities. However, these policies and guidelines did not define standard operating procedures and best practices for distributing medical supplies to Volunteers when Volunteers are not able to pick-up medicine in person. Without a specific headquarters policy, posts develop their own processes, which may lack accountability. These processes may not consider the risks associated with the distribution of prescription medicine and controlled



substances such as pilferage or other losses. This practice may expose the Peace Corps to risks if posts do not comply with the prevailing privacy laws.

Based on our findings, OMS has agreed to evaluate the various options available for distributing medical supplies and issue a policy that complies with privacy laws and minimize risk.

## **VEHICLE FUEL MANAGEMENT**

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***The post did not develop a process to manage and monitor fuel consumption and pre-paid fuel cards.***

The post did not implement a process to reconcile the actual usage and balances on prepaid fuel cards. During our review we noted that the post issued prepaid fuel cards to drivers from the fuel vendor to purchase fuel for vehicles and generators. Each vehicle was issued a fuel card and the driver filling the fuel was required to submit a receipt to the motor pool coordinator, who reported to the general services officer (GSO). The GSO assistant also maintained a log of all receipts, duplicating the work. The motor pool coordinator recorded the total fuel consumed by each vehicle on the Vehicle Status Report (VSR). However, the post did not reconcile fuel consumption with actual fuel expenditures in FORPost or on the monthly statements from the vendor. In addition, the director of management and operations (DMO) did not routinely review the GSO's fuel records to determine if usage was consistent with fuel expenses.

In FY 2011, the GSO recorded a fuel consumption amount of approximately \$65,000 but the post made payments of approximately \$144,000 to fuel vendors, a difference of approximately \$79,000. The GSO could not explain the reason for such a large difference between purchases and consumption and did not know the prepaid balance paid to the fuel company. After the post conducted additional analysis, it determined that the fuel cards had an aggregate balance of approximately \$46,000 as of October 20, 2011. However, the remaining difference between the VSR records and actual disbursements could not be determined because the records were not accurate and reliable. The average monthly payment to the fuel vendor was \$10,250 in FY 2010 and \$11,975 in FY 2011. Further, an analysis of fuel charges from October 2011 shows the post charged approximately \$10,600 against the prepaid balance. The post could reduce the balance of the prepayment by making payments more routinely and closely monitoring the balance. Based on our analysis we believe that post could reduce the prepaid balance to \$15,000, or approximately one month and a half of fuel.

In addition, the post did not properly safeguard and control the fuel cards. The GSO did not have a list of fuel cards readily available and replenished the fuel cards without verifying the balance on hand.

Proper tracking of actual fuel use and the balances on the pre-paid fuel cards is required to prevent fraud and misuse of fuel cards. Further, paying excessive amount to the fuel vendor prevents those funds from being used for more immediate purposes. Since the site visit, the post has implemented a new tracking and reconciliation process to enhance controls over the management of fuel cards.

**We recommend:**

5. That the general services officer obtain a monthly usage report from fuel vendors, reconcile the receipts submitted by the drivers, and provide it to the director of management and operations for review.
6. That the director of management and operations verify the current balance and usage of each vehicle prior to replenishing the balance on prepaid fuel cards.

**PRE-PAID EXPENSES**

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***The Peace Corps did not ensure all prepaid expenses were properly reported to OCFO and properly recorded.***

During our audit, we noted that the post prepays certain expenses including property rent, value added tax (VAT), and fuel. For example, the post utilized prepaid fuel cards to manage fuel expenses. During FY 2011, the total payments to the fuel vendor amounted to approximately \$144,000. At our request, the director of management and operations (DMO) obtained balance information from the fuel vendor and noted that the balance on October 11, 2011 was approximately \$46,000. This balance was not reported to OCFO to be included in the financial statements as prepaid expenses.

The Statement of Federal Financial Accounting Standard 1 (SFFAS) paragraphs 58 and 59 state:

58. Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred.
59. Advances and prepayments should be recorded as assets.

According to the deputy chief financial officer, OCFO implemented a procedure to capture the pre-paid rent and issued new policy guidance that requires posts to issue Bills of Collection (BOC) for VAT every quarter. Each year OCFO issues guidance on close-out procedures. CFO Bulletin Number 11-05 instructed posts to ensure all leases and contracts were entered in FORPost to ensure proper cut-off and recording of prepaid expenses. However, prepaid purchases such as fuel may not be included if they were not contract costs. As a result, OCFO did not have assurance that all prepaid expenses were properly recorded in the accounting system and reported on the agency's financial statements.

**We recommend:**

7. That the director of management and operations provide the prepaid balances to fuel vendors to the Office of the Chief Financial Officer at the end of the fiscal year for financial statement purposes.

8. That the Office of the Chief Financial Officer implement a procedure that requires posts to report details of outstanding prepaid expenses at the end of the fiscal year, and include this requirement in the guidance on close-out procedures issued each year.

## **IMPREST FUND MANAGEMENT**

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

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

During our review of the post’s monthly imprest fund reconciliation, we noted that five employees had outstanding advances of the same amount throughout the year. Per our discussion with the previous DMO (currently working as deputy administrative officer of the Africa Region) these were “permanent” advances to regional officers because they needed imprest funds to pay for expenses. OFMH 13.1 states, “Only a duly designated and authorized Principal Class B Cashier may operate an imprest fund and is personally accountable for the imprest fund.” The post and regional management discussed this matter with the Office of General Counsel but have not devised a suitable solution.

### **We recommend:**

9. That the post and regional management resolve the issue of regional officers holding outstanding advances by obtaining guidance from the Office of Global Accounts Payable and the Office of General Counsel for managing advances to regional offices.

## **DISBURSEMENTS**

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*The cashier did not always identify payees’ names on FORPost for cash transactions.*

OFMH section 13.14 “Documentation of Payments” states:

All payments from the imprest fund require a valid receipt, signed by the person actually receiving the funds (not by the staff person who received the interim advance) or a formal receipt issued by a vendor (e.g., grocery receipt from a grocery store). The “Payee” to be entered into FOR Post therefore must also be the vendor, not the staff member taking the interim advance. (The exception is for “claims”, such as medical or taxi. For claims, the Payee is the staff member or Volunteer.)

OFMH section 13.14.3 “Multiple Payments” states:

Posts are permitted to use multiple payment receipts where a number of Volunteers, or Trainees, or trainers are being paid at one time for the same purpose. A multiple payment receipt must fully describe the purpose of the payments, must list the individuals who are being paid, and must provide a space opposite

each payee's name for the signature of the payee, the dollar amount, and the date the cash was received. A multiple payment listing should be used only when the cashier knows that all signatures of payees will be obtained at one time because replenishment cannot be requested until the voucher is completed or deletion of the names of unpaid individuals has been made.

During our review of cash disbursement we noted that for several payments, amounting to approximately \$240,000, the post recorded variations of "Multiple PCV/Vendors" in the column designated for name of the payee. These payments included the amount debited to several object class codes, including Volunteer training, personal services contractors, living allowance, supplies, other services, staff in-country travel, and conference costs. Approximately \$90,000 or 38 percent of such payments were made to trainees during their pre-service training period, which qualifies for the exception as noted in OFMH section 13.14.3. However, the payments for the remaining \$150,000 should include the name of the vendor or description of the nature of payments.

Amounts disbursed without recording the names of payees and respective invoice numbers and dates in the financial systems can lead to improper payments and fraud. This practice does not allow the post, agency management or auditors to quantify amounts disbursed to specific vendors or analyze data for duplicate or incorrect payment. Any analysis of payment would require retrieval of physical vouchers and manually review lists of payees attached to a lump sum payment, which is time consuming, inefficient and error prone.

**We recommend:**

10. That the director of management and operations require the cashier to identify the appropriate vendor or adequate description of the nature of payments when making cash payments.
11. That the director of management and operations evaluate the feasibility of paying trainees via electronic funds transfer to reduce payments recorded without payee names in the financial systems.

## **GRANT PROJECTS**

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***The post did not adequately track and monitor the progress of grant projects.***

The post utilized Microsoft Excel spreadsheets to track and monitor Peace Corps Partnership Projects and Small Project Administration (SPA) grant projects. The grant coordinator was responsible for maintaining and updating the spreadsheet. However, we determined that the spreadsheets were not always complete and up-to-date. The grant project tracking worksheet maintained by post did not reflect current status for 2008 and 2009 for partnership and SPA projects. The tracking sheet also did not include estimated completion dates of the projects.

Further, the files were not well organized and did not contain all of the relevant information. Specifically:

- The grant project folders did not contain the project document checklist or project tracking information.
- The post did not retain a copy of the email sent from the grant coordinator to headquarters when a project was complete.
- The post did not obtain a proof of performance (either in the form of a photo of completed projects, or certification by a Peace Corps staff member) to verify that the project was actually completed as described in the project application.
- The support for completed projects, including receipts was filed loosely in the folder.
- The post revised the Volunteer liability form for SPA projects, excluding the required host community signature.

In addition, the post had not established a defined process to review and approve the grant projects. The project proposals were circulated and reviewed in isolation. Any feedback, request for revision, or reason for rejection were not documented and tracked in the project folder. As a result, the project folder did not include the full history of the project.

Without an adequate process to oversee grants, the post could not ensure projects were properly approved and completed timely. Our review of the files identified delays of up to four months from the time the project was completed to the filing of the final report and the settling of outstanding balances with the cashier. In fact, the post recently requested and received permission from headquarters to write-off approximately \$13,000 in outstanding balances because the post did not obtain completion reports and receive repayment of unused balance from Volunteers before their close of the service.

During our review, the post was in the process of reviewing the grant management and making changes to improve the process. Our observations and recommendations are based on the results of our review of current processes and records maintained by the post.

**We recommend:**

12. That the director of programming and training ensure that the status of all projects be updated in the tracking worksheets and that the associate Peace Corps directors follow-up with the Volunteers when completion reports are not submitted within 30 days of estimated completion dates to ensure that project completion reports are filed and projects are closed.
13. That the grant coordinator include the project document checklist, completion email, and proof of performance in the project folder and review it along with the completion report, prior to closing the project.
14. That the director of programming and training and the grant coordinator (i) develop a reconciliation process with respective headquarter offices and ensure discrepancies

are cleared in a timely manner and (ii) inform headquarter offices if a Volunteer leaves the post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer's re-adjustment allowance.

15. That the director of programming and training ensure that Volunteers and the grant coordinator obtain the required liability forms prior to approving a project for funding, and retain all correspondence and project histories in the project files.

## **BILLS OF COLLECTION**

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### ***The post did not have an adequate control process for preparing BOCs for VAT refunds.***

OFMH section 7.1.1 "VAT Collections" states:

#### **A. Posts receiving VAT refunds via cashiering**

It is recognized that VAT BOCs will age and are not usually collectable per the review schedule in 7.2.1. Posts should monitor VAT BOCs, nonetheless. Any VAT BOCs over 2 years old should be discussed with the local Government, and Cashier-voided, if appropriate. (If voided, include a reference to this guidance and Government's response in the void description.)

1. Complete the VAT refund request documents and submit per Post processes.
2. On the same day, the Billing Officer creates a Prepare BOC (Bill of Collection) based on the requested amount, selecting the pre-loaded obligation for VAT. The Billing guidance in 7.2 applies.

The billing officer did not prepare the BOC for VAT refund until money is collected. The VAT refund application was prepared and submitted by the GSO without evidence of review of the accuracy of the claim filed. Further, the post did not reconcile the actual refund received with the refund amount claimed from the government. Without adequate control over the VAT refund claim process, errors and omissions made in claiming the VAT refund may not be identified, and differences between the amount claimed and the amount actually paid may not be identified and reported in a timely manner.

#### **We recommend:**

16. That the director of management and operations ensure that the Bill of Collection is prepared when the refund claim is filed and review the refund claim for accuracy and completeness and compare it with the fuel charges paid to the fuel vendor, prior to filing the claim with appropriate authorities.
17. That the director of management and operations reconcile the actual refund received with the claim filed and follow up on any discrepancy identified.

### ***The post did not maintain accurate and up-to-date property inventory records.***

“Standards for Internal Control in the Federal Government” (GAO/AIMD-00-21.3.1) issued by the Government Accountability Office (hereafter, GAO Standards) state, “An agency must establish physical control to secure and safeguard vulnerable assets.... Such assets should be periodically counted and compared to control records.” The GAO Standards assert that “...control activities help to ensure that all transactions are completely and accurately recorded.” The GAO Standards also require the separation of duties, stating, “Key duties and responsibilities need to be divided and segregated among different people to reduce the risk of error or fraud.”

During our review we noted several errors in the Personal Property Inventory Report (PPIR) file. This report was designed to enable posts to maintain control over agency property and to contain up-to-date information about the status of the property held at each post. However, we determined that the PPIR file was not up-to-date and the status of assets was incorrectly stated. Further, the disposal details were not included in the file and certain additions made during the year were not included in the worksheet.

Peace Corps headquarters is in the process of implementing new BarTrax software for management of personal property records and inventory process. When this software is fully implemented it is expected to enhance controls by automating property records and the annual inventory process.

#### **We recommend:**

18. That the director of management and operations reconcile the physical inventory taken with the property inventory database and investigate discrepancies.

### ***The post did not ensure proper separation of duties over property management.***

The GSO assistant who is in charge of maintaining the PPIR also performs the physical count. According to the DMO, the financial assistant reviewed the count results; however, the review was not evidenced by a signature.

Adequate and properly implemented internal controls and procedures are essential for effective accountability and oversight over post property. Control procedures such as segregating incompatible responsibilities and reconciling inventories with the property inventory database, are important steps in protecting the property from waste, fraud, and abuse.

We have noted similar issues at several posts and agency management is currently implementing a bar coding system to streamline the inventory management process. However, until the new software is fully implemented, posts need to ensure that the current processes and worksheets are properly followed.

**We recommend:**

19. That the post ensure the physical inventory is conducted by someone other than the person maintaining the property databases.

**INFORMATION TECHNOLOGY**

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During our discussion with the information technology specialist, we determined that the post maintained a server at the training center to enable the staff to access Peace Corps systems during training. However, he informed us that the server room at the remote site is located in an open office and not in a secured location, and the office area does not have smoke detectors installed in the room.

**We recommend:**

20. That the information technology specialist move the remote server to a secure location at the training center and install adequate protections, including smoke detectors, in the server room.



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## QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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We identified questioned costs and funds to be put to better use, during the course of the audit. They are discussed in the accompanying audit report and noted below.

### Questioned Cost(s)

Recommendation number	Description	Amount
13	Grants funds written off because of Volunteers close of service occurring before issuing final close out reports and returning unused funds.	\$13,000

### Funds to be Put to Better Use

Recommendation number	Description	Amount
6	Prepaid balance on fuel cards.	\$31,000

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## LIST OF RECOMMENDATIONS

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**We recommend:**

1. That the country director implement proper segregation of duties by assigning an individual outside the medical unit as the medical supply inventory control clerk.
2. That the post implement the agency's medical supplies inventory policy by ensuring that the medical supply inventory control clerk maintains adequate medical inventory records. The inventory records should record all receipts, issues, and provide the current balance.
3. That the country director perform a quarterly inventory count of medical supplies and controlled substances in accordance with the *Peace Corps Manual*.
4. That the country director, in coordination with the Office of Medical Services, determine and use a proper method for disposal of expired medical supplies, including controlled substances.
5. That the general services officer obtain a monthly usage report from fuel vendors, reconcile the receipts submitted by the drivers, and provide it to the director of management and operations for review.
6. That the director of management and operations verify the current balance and usage of each vehicle prior to replenishing the balance on prepaid fuel cards.
7. That the director of management and operations provide the prepaid balances to fuel vendors to the Office of the Chief Financial Officer at the end of the fiscal year for financial statement purposes.
8. That the Office of the Chief Financial Officer implement a procedure that requires posts to report details of outstanding prepaid expenses at the end of the fiscal year, and include this requirement in the guidance on close-out procedures issued each year.
9. That the post and regional management resolve the issue of regional officers holding outstanding advances by obtaining guidance from the Office of Global Accounts Payable and the Office of General Counsel for managing advances to regional offices.
10. That the director of management and operations require the cashier to identify the appropriate vendor when making cash payments.
11. That the director of management and operations evaluate the feasibility of paying trainees via electronic funds transfer to reduce payments recorded without payee names in the financial systems.

12. That the director of programming and training ensure that the status of all projects be updated in the tracking worksheets and that the associate Peace Corps directors follow-up with the Volunteers when completion reports are not submitted within 30 days of estimated completion dates to ensure that project completion reports are filed and projects are closed.
13. That the grant coordinator include the project document checklist, completion email, and proof of performance in the project folder and review it along with the completion report, prior to closing the project.
14. That the director of programming and training and the grant coordinator (i) develop a reconciliation process with respective headquarter offices and ensure discrepancies are cleared in a timely manner and (ii) inform headquarter offices if a Volunteer leaves the post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer's re-adjustment allowance.
15. That the director of programming and training ensure that Volunteers and the grant coordinator obtain the required liability forms prior to approving a project for funding, and retain all correspondence and project histories in the project files.
16. That the director of management and operations ensure that the Bill of Collection is prepared when the refund claim is filed and review the refund claim for accuracy and completeness and compare it with the fuel charges paid to the fuel vendor, prior to filing the claim with appropriate authorities.
17. That the director of management and operations reconcile the actual refund received with the claim filed and follow up on any discrepancy identified.
18. That the director of management and operations reconcile the physical inventory taken with the property inventory database and investigate discrepancies.
19. That the post ensure the physical inventory is conducted by someone other than the person maintaining the property databases.
20. That the information technology specialist move the remote server to a secure location at the training center and install adequate protections, including smoke detectors, in the server room.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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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. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This post audit covered fiscal years 2009, 2010, and 2011 through August 31, 2011. While at the post, we interviewed key staff including the CD, the DMO, staff responsible for administrative support, and the lead PCMO. All staff interviewed told us they enjoyed working at the Peace Corps and interacting with and supporting the Volunteers. We also interviewed Volunteers to obtain their views on the effectiveness of the post's administrative and financial systems in supporting them. Volunteers told us they appreciated the interest shown by the staff in their success and well-being.

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

We relied on computer-processed data from the post's accounting system and verified such data with hard-copy documents as required. While we did not test the system's controls, we believe the information generated by the system and used by us was sufficiently reliable for our audit objective.

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

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**LIST OF ACRONYMS**

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BOC	Bill of Collection
CD	Country Director
DMO	Director of Management and Operations
DPT	Director of Programming and Training
MS	Peace Corps Manual Section
MSIC	Medical Supply Inventory Control
OFMH	Overseas Financial Management Handbook
OIG	Office of Inspector General
OMS	Office of Medical Services
PCMO	Peace Corps Medical Officer
PPIR	Personal Property Inventory Report
SPA	Small Project Assistance
VAT	Value Added Tax

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## MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT

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Since 1961.

**MEMORANDUM**

To: Kathy Buller, Inspector General

Through: Daljit K. Bains, Chief Compliance Officer 

From: Dick Day, Regional Director, Africa Region   
Michael Simsik, Country Director, Mali

Date: Friday, February 24, 2012

CC: Stacy Rhodes, Chief of Staff  
Carrie Hessler-Radelet, Deputy Director  
Joaquin Ferrao, Deputy Inspector General  
Esther Benjamin, Associate Director, Global Operations  
Richard Day, Regional Director, Africa Region  
Joseph Hepp, Chief Financial Officer  
Ami Richardson, Associate General Counsel  
Brenda Goodman, Associate Director, Volunteer Support  
Alyssa Karp, Chief Administrative Officer, Africa Region  
Lynn Foden, Chief of Operations, Africa Region  
Abdul A. Bala, Country Desk Officer

Subject: Response to the Preliminary Report on the Audit of Peace Corps/Mali

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Enclosed please find Africa Region's (AF) response to the recommendations made by the Office of Inspector General for Peace Corps/Mali, as outlined in the Preliminary Report of the IG Audit sent to the agency on January 10, 2012. The audit was conducted September 26 to October 7, 2011.

The AF Region concurs with 19 recommendations and does not concur with one recommendation which was in the OIG in its Preliminary Audit Report: Peace Corps/Mali (January 10, 2012).

## **Response to the January 2012 Preliminary Report of the Office of Inspector General Financial Audit of Peace Corps/Mali**

Region appreciates the quality of the Preliminary Report of the Office of the Inspector General (OIG), which was received via email on Monday, January 9, 2012. Region also appreciate the report's acknowledgement that Post "financial and administrative operations were effective and in overall compliance with agency policies and federal regulations" (page i). Region also welcomes the appreciation that Peace Corps Mali Volunteers have for post staff, and the acknowledgement by PCVs that our staff are concerned about the success and well-being of PCVs (p. 15). This is a reaffirmation of post commitment to PCVs and the overall mission of the Peace Corps.

Africa Region concurs with 19 (of 20) recommendations provided by the OIG in its Preliminary Report and a non-concurrence with 1 (#19). Post welcomes these recommendations as a means of strengthening their internal controls and correcting deficiencies identified in the report. Some of the recommendations were implemented during the period that the Audit was conducted. Region will be providing documentation addressing recommendations and will work closely with Peace Corps/Mali to address remaining recommendations by the completion dates.

Per the recommendations of the report, please find below the responses from Region to each of the 20 recommendations.

### **Medical Supplies**

- 1) That the Country Director (CD) implements proper segregation of duties by assigning an individual outside the medical unit as the Medical Supply Inventory Control (MSIC) clerk.

**Concur:** On November 11, 2011, the CD assigned one of the General Services Assistant's (GSA) at post to be the MSIC clerk and the inventory is done outside of the medical unit to comply with MS 734.5.5. Note as well that post has created a detailed inventory list of medical supplies, separate from the Medical Inventory System. This was done to ensure that all medicines are in stock and ordered in a timely fashion. This inventory is done monthly and includes all medicines and supplies.

#### **Documents included:**

- Signed copy of the designation of the MSIC by the CD
- Inventory list of medical supplies

**Status and timeline for completion:** November 11, 2011

- 2) That the post implements the agency's medical supplies inventory policy by ensuring that the Medical Supply Inventory Control (MSIC) clerk maintains adequate medical inventory records. The inventory records should record all receipts, issues, and provide the current balance.

**Concur:** The U.S. Peace Corps Medical Contractor (US PCMC) at post has just completed, with the assistance of an inventory spreadsheet sent to post from the Office of Medical Services (OMS), the organization of an electronic inventory system that now permits post to properly implement the agency's medical supplies inventory policy by ensuring that the MSIC clerk maintains adequate medical inventory records. The inventory records include all receipts, issues, and provide the current balance.

**Documents included:**

- Inventory spreadsheet signed by the MSIC
- Receipts and current balance
- Confirmation email from OMS to Post

**Status and timeline for completion:** December 2011

- 3) That the Country Director (CD) performs a quarterly inventory count of medical supplies and controlled substances in accordance with the *Peace Corps Manual*.

**Concur:** CD will review the MSICC Medical System Inventory at post on (or as close as possible) to the last day of every fiscal quarter as required by Peace Corps Manual Section 734.8.

**Documents to submitted:**

- Signed inventory sheet by CD

**Status and timeline for completion:** March 30, 2012

- 4) That the Country Director (CD), in coordination with the Office of Medical Services (OMS), determine and use a proper method for disposal of expired medical supplies, including controlled substances.

**Concur:** Post has sought guidance from OMS and is now using an incinerator built in 2011 at the PC/Mali training center to dispose of expired medical supplies, including controlled substances. Note that disposal of medicines and supplies in this manner is in compliance with local laws and current practices.

**Documents included:**

- Copy of email from OMS
- Picture of the incinerator

**Status and timeline for completion:** January, 2012

**Vehicle Fuel Management**

- 5) That the General Services Officer (GSO) obtain a monthly usage report from fuel vendors, reconcile the receipts submitted by the drivers, and provide it to the Director of Management and Operations (DMO) for review.



**Concur:** Post in November 2011 developed a spreadsheet that since has been reconciled on a monthly basis, with the report given to us by the vendor on a monthly basis. Any discrepancy identified is then immediately communicated to the vendor. The Director of Management and Operations review it as required.

**Documents included:**

- Copy of spreadsheet used to reconcile.

**Status and timeline for completion:** November 2011

- 6) That the Director of Management and Operations (DMO) verify the current balance and usage of each vehicle prior to replenishing the balance on prepaid fuel cards.

**Concur:** The DMO is verifying the current balance and usage of each vehicle against the statement received from the vendor prior to replenishing the balance on prepaid fuel cards. Post added a balance column to the spreadsheet for the purpose of enhancing accountability.

**Documents included:**

- The purchase order for fuel attached to the fuel tracking spreadsheet

**Status and timeline for completion:** December 2011

**Pre-Paid Expenses**

- 7) That the Director of Management and Operations (DMO) provide the prepaid balances to fuel vendors to the Office of the Chief Financial Officer (OCFO) at the end of the fiscal year for financial statement purposes.

**Concur:** Post concurs with this recommendation. Post has communicated with Region, who has in turn communicated with the OCFO, and is currently awaiting guidance on how to report prepaid balances at the end of the fiscal year. Post will report on prepaid balances at the end of this fiscal year in conjunction with the guidance that will be put out by OCFO.

**Documents to be submitted:**

- Copy of guidance to be issued by OCFO

**Status and timeline for completion:** Oct. 15, 2012

- 8) That the Office of the Chief Financial Officer (OCFO) implements a procedure that requires posts to report details of outstanding prepaid expenses at the end of the fiscal year, and include this requirement in the guidance on close-out procedures issued each year.

**Concur:** Post has communicated with Region, who has in turn communicated with the OCFO, and is currently awaiting guidance on the reporting of outstanding prepaid expenses at the end of the fiscal year. Post will report the details of outstanding prepaid expenses at the end of the fiscal year following the guidance to be put out by OCFO.

**Documents to be submitted:**

- Copy of guidance to be issued by OCFO

**Status and timeline for completion:** Oct. 15, 2012

**Imprest Fund Management**

- 9) That the post and regional management resolve the issue of regional officers holding outstanding advances by obtaining guidance from the Office of Global Accounts Payable (OGAP) and the Office of General Counsel (OGC) for managing advances to regional offices.

**Concur:** The issue of regional officers holding outstanding advances will be resolved when the Kate Puzey Peace Corps Volunteer Protection Act of 2011(S. 1280) is implemented, since section 5 in the act will allow Personal Services Contractors (PSCs) to perform inherent functions of the U.S. Government (USG), including the handling of cash. In the meantime, Post has developed sub-cashier tools for which all regional officers will be trained.

Upon receipt of guidance from the Office of Global Operation's on the implementation of inherently governmental functions for PSCs, post will request approval from OGAP to open up sub-cashier accounts in the five regional offices. This action will be completed immediately upon receipt of guidance

**Documents included:**

- Copies of tools used by sub-cashiers to demonstrate interim steps towards compliance
- Copy of guidance on the implementation of inherently governmental functions for PSCs

**Status and timeline for completion:** Q4 2012

**Disbursements**

- 10) That the Director of Management and Operations (DMO) require the cashier to identify the appropriate vendor when making cash payments.

**Concur:** Region will work with OGAP on providing further guidance and greater clarification on using more descriptive and accurate payee names on imprest fund disbursements. Guidance will be consistent with changes that will be made by OGAP in the Overseas Financial Management Handbook (OFMH).

**Documents included:**

- Copy of guidance email from OGAP

- **Status and timeline for completion:** Pending guidance from OGAP but anticipated by Q4 2012

11) That the Director of Management and Operations (DMO) evaluate the feasibility of paying trainees via electronic funds transfer (EFT) to reduce payments recorded without payee names in the financial systems.

**Concur:** The DMO has evaluated the feasibility of making EFT payments to Peace Corps Trainees (PCTs) during Pre-Service Training (PST) and determined this to be unfeasible. ATM machines are not located near any of post's home-stay family locations and bank cards cannot be procured before a three month waiting period making them unavailable during PST. In addition, new trainees do not know their cash needs or the value of the currency, and would constantly need to be taken to the bank to get additional funds. Wait times at local bank can be hours and PST schedules are far too tight to take time every two or four weeks to bring PCTs to a local bank to procure their walk-around funds. This has also been confirmed during a meeting between Region and OIG.

**Documents included:** None

**Status and timeline for completion:** Completed

### Grant Projects

12) That the Director of Programming and Training ensure that the status of all projects be updated in the tracking worksheets and that the Associate Peace Corps Directors (APCDs) follow-up with the Volunteers when completion reports are not submitted within 30 days of estimated completion dates to ensure that project completion reports are filed and projects are closed.

**Concur:** The DPT now ensures that the status of all funded projects at post are more intensively tracked, including the updating of tracking worksheets, sending emails and following up with phone calls to PCVs who should have completed projects, and reinforcing project deadlines, getting updates and adjusting the completion dates, etc. These tasks are done on a monthly basis by the grants coordinator at post and documentation of correspondences is maintained in project files. Rather than APCDs following-up with PCVs when completion reports are not submitted within 30 days of the estimated project completion date, this task is instead done by the grants coordinator. However, APCDs will also follow-up as needed as they are copied on all email communications with PCVs. Together, these efforts will help to ensure that project completion reports are filed in a timely fashion and that projects are eventually closed in a proper manner.

**Documents included:**

- Tracking sheet for projects

**Status and timeline for completion:** January 2012

13) That the grant coordinator include the project document checklist, completion email, and proof of performance in the project folder and review it along with the completion report, prior to closing the project.

**Concur:** The grant coordinator at post now includes the project document checklist, completion email, and proof of performance in the project folder and reviews it along with the completion report, prior to closing each project. The DPT and grant coordinator have adjusted the documents checklist per OIG recommendations, including the addition of a completion report “Proof of Performance” to the Completion Reports checklist and will add this to our new guidelines for PCVs to ensure it is clear each PCV must submit photos as well as a “project success story” and having a post staff member verify that the project was indeed completed.

**Documents included:**

- Project document checklist
- Sample of a project completion email
- Sample of proof of performance

**Status and timeline for completion:** January 2012

- 14) That the Director of Programming and Training (DPT) and the grant coordinator (i) develop a reconciliation process with respective headquarter offices and ensure discrepancies are cleared in a timely manner and (ii) inform headquarter offices if a Volunteer leaves the post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer’s re-adjustment allowance.

**Concur:** The DPT and the grant coordinator are currently working on developing a reconciliation process in coordination with the respective headquarters (hereafter “PC/W”) office (including the Gifts & Grants Management [GGM] and the Office of Overseas Programming and Training Support [OPATS]), and will in the future ensure that any discrepancies identified are cleared in a timely manner. Likewise, post will inform PC/W if a PCV leaves post without filing a completion report to enable the agency to recover funds prior to releasing the Volunteer’s re-adjustment allowance. The DPT has worked with the grants coordinator at post to ensure that these activities will become a regular part of the monthly review process to ensure timely communication with PC/W to resolve outstanding issues. To facilitate this process and avoid future difficulties, post will also enforce a policy that PCVs must complete and submit all necessary paperwork for their completed projects at least 3 months prior to their Close-of-Service (COS). GGM will also be rolling out a new report and procedures form to help with this.

**Documents to be included:**

- Project Completion Checklist
- Copy of email to PC/W offices

**Status and timeline for completion:** May 2012

- 15) That the Director of Programming and Training (DPT) ensure that Volunteers and the grant coordinator obtain the required liability forms prior to approving a project for funding, and retain all correspondence and project histories in the project files.

**Concur:** The DPT now ensures that PCVs and the grant coordinator obtain the required liability forms prior to approving a project for funding. Likewise, all correspondences relevant to the projects (emails, SMS messages, and notes from telephone conversations); with either PCVs or PC/Mali staff, as well as project histories, are retained in the project files.

The DPT also ensures that in addition to the grants coordinator, all programmers at post (APCDs and Program Assistants), also document all feedback provided to PCVs in a “feedback form” that is currently being developed by the DPT and will be required for each programming review, in order to avoid any potential problems in the future. This form will be added to the new guidelines, as well as to the “proof of project performance.”

**Documents included:** Example of a signed liability form and project tracking form.

**Status and timeline for completion:** February 2012

### **Bills of Collection**

- 16) That the Director of Management and Operations (DMO) ensure that the Bills of Collection (BOC) are prepared when the refund claim is filed and review the refund claim for accuracy and completeness and compare it with the fuel charges paid to the fuel vendor, prior to filing the claim with appropriate authorities.

**Concur:** The DMO has worked with GSO to ensure that the BOC is prepared on a quarterly basis when the Value Added Tax (VAT) refund claim is filed. The DMO also reviews the claim for accuracy and completeness and compares it with the fuel charges paid to the fuel vendor, prior to filing the claim with appropriate authorities. An issue in the past has been that post did not know the VAT rate, and thus was unable to prepare the BOC ahead of time. However, this issue is currently being rectified.

**Documents included:** BOC for fuel VAT refund done when claim was filed.

**Status and timeline for completion:** January 31, 2012

- 17) That the Director of Management and Operations (DMO) reconcile the actual refund received with the claim filed and follow up on any discrepancy identified.

**Concur:** The DMO will work with GSO to reconcile future refunds received with claims that are filed, while following-up as need be on any discrepancy identified.

**Documents included:** None

**Status and timeline for completion:** August 31, 2012

### **Property Management**

- 18) That the Director of Management and Operations (DMO) reconcile the physical inventory taken with the property inventory database and investigate discrepancies.

**Concur:** With the new inventory management program, Bar Tracks, provided to post by PC/W, the DMO will be able to reconcile the physical inventory taken with the property inventory database and investigate any discrepancies.

**Documents included:** Email from Facilities acknowledge receipt of complete report.

**Status and timeline for completion:** February 2012

- 19) That the posts ensure the physical inventory is conducted by someone other than the person maintaining the property databases.

**Does not concur:** Post does not concur with this recommendation, as Post has always had a segregation of duties where Amadou Sangare (General Services Officer) maintains the database and Tieman Diarra (General Services Assistant) conducts the inventory count. One of the basic functions of the GSO position is that he is responsible for the control and accountability of PC/Mali inventory and the supply and maintenance of PC/Bamako bureau. The GSA on the other hand, reconciles stock and performs periodic inventory counts.

**Documents included:**

- Guidance to Personal Property Report from Facilities
- SOW for GSA and GSO

**Status and timeline for completion:** Completed

### Information Technology

- 20) That the Information Technology Specialist (ITS) move the remote server to a secure location at the training center and install adequate protections, including smoke detectors, in the server room.

**Concur:** The ITS has moved the remote server at the Peace Corps training center from its current location to a secure location (one of the offices in an adjacent building), which will also have a smoke detector and locked door.

**Documents included:** Pictures of task completion and email sent

**Status and timeline for completion:** December 2011

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## OIG COMMENTS

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Management concurred with 19 and nonconcurred with one of the recommendations. We closed eight recommendations (numbers 1, 2, 4, 12, 13, 15, 16, and 20) based on evidence of corrective actions that address the recommendations.

- Recommendations 3, 5, 6, 7, 8, 9, 10, 11, 14, 17, remain open pending a copy of documentation listed in the agency's response.
- Recommendation 18. We request a copy of the inventory report and an exception report showing the items that could not be located. If the post is uncertain how to run these reports in the property database, it may need to contact the inventory management specialist in the Office of Management for further support.
- Recommendation 19. Management nonconcurred with this recommendation stating that the property roles were separated between the general services officer and general services assistant. The current process as described by the region does not meet the standard for achieving segregation of duties. Both the general services officer and general services assistant belong to the same office and the general services assistant reports to the general services officer, creating the potential for collusion and undue influence. Therefore, we request the post reconsider assigning duties related to maintaining the property database and conducting the physical inventory.

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.

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## AUDIT COMPLETION AND OIG CONTACT

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### AUDIT COMPLETION

Lead Auditor Hal Nanavati performed the 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 Assistant Inspector General for Audit Bradley Grubb at [bgrubb@peacecorps.gov](mailto:bgrubb@peacecorps.gov), or call him at (202) 692-2914.



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