

Trust Territory

PEACE CORPS

Washington, D. C. 20525

MEMORANDUM

June 8, 1970

TO : Robert Currie, Acting Peace Corps Director,
Micronesia

FROM : Lawrence Fowler, Director, Internal Audit Office

SUBJECT : Review of Peace Corps activities in Micronesia

Michael Wolfson made a selective review of Peace Corps activities in Micronesia during the period March 10 to May 8, 1970. Some of the results of his review are listed below.

Will you let me have your comments on his items for inclusion in an audit report to the Deputy Director? No other action is required at this time.

Housing

1. Records have not been kept to ascertain whether staff members are exceeding their quarters allowances. (Peace Corps Manual Section 515-II-B-2).
2. Records have not been kept to ascertain whether residential furniture meets the established criteria. (Peace Corps Manual Section 515-III-C).
3. A house leased by the Peace Corps has been subleased to a third party. The Peace Corps has no express authority to sublease rented property; steps should be initiated to terminate both the lease and sublease.

Imprest Funds

4. Audits were made of Peace Corps imprest funds in the six district offices and the Saipan headquarters; a separate report has been made of each audit. Since an unusually large number of discrepancies were found, consideration should be given to alternative ways of making small Peace Corps disbursements in Micronesia. For example, these imprest funds could be discontinued by making arrangements to use the Trust Territory imprest funds. Separate reimbursement vouchers could be prepared by the Trust Territory imprest fund cashiers to charge the Peace Corps appropriation directly.

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Review of Peace Corps activities in Micronesia (continued)

Internal Controls

5. At the time of the audit, the same individual authorized purchases, placed the orders, acknowledged receipt of the goods or services, and certified vouchers for payment. To provide internal control, duties should be divided to prevent one individual from having complete control over a transaction.

The individual designated as the certifying officer did not have adequate access to or knowledge of the "General Accounting Office Policy and Procedures Manual for the Guidance of Federal Agencies," decisions of the Comptroller General, and applicable State Department policies and procedures.

The Peace Corps is considering plans to have a Trust Territory employee act as certifying officer for the Peace Corps but, to have the vouchers prepared by and the related records remain in the custody of a Peace Corps employee. This arrangement would not provide adequate internal control. The voucher examiner should be directly responsible to the certifying officer, and the related records should be kept in the custody of the certifying officer.

6. Checks in payment of vouchers are being delivered to the Peace Corps/Micronesia staff. Better internal control would be provided if the disbursing officer mailed or delivered the checks directly to the payees.
7. Unclaimed money in volunteers' bank accounts is given to the responsible district director who forwards it to the Peace Corps/Micronesia headquarters for deposit with the disbursing officer. Better internal control would be provided if the banks were instructed (a) to send the money directly to the disbursing officer and (b) to forward a copy of the transmittal document to the Peace Corps/Micronesia headquarters for accounting purposes.
8. The following vouchers made payable to the Treasurer, Trust Territory of the Pacific Islands, are not supported with documentation to show that goods or services were actually provided and received:

Review of Peace Corps activities in Micronesia (continued)

Internal Controls (cont'd)

<u>Voucher</u>	<u>Schedule</u>	<u>Date</u>	<u>Amount</u>
118	PC-17-70	7/16/69	\$44,621.53
522	PC-82-70	9/ 2/69	43,769.54
			<u>\$88,391.07</u>

To improve internal control, no voucher should be certified for payment without the required supporting documentation.

9. District Directors are authorized to purchase goods or services up to \$300 using "Purchase Order-Invoice-Voucher" (SF-44). Better internal control would be provided if the use of this form were discontinued. Each purchase should be supported by an invoice prepared by the vendor.
10. Since a ditto process is used to prepare regular purchase orders, an original copy is not produced, increasing the likelihood of duplicate procurements. Better internal control would be provided if a standard purchase order form were used, such as "Purchase Order, Receiving Report, and Voucher" (Form FS-455).
11. A member of the headquarters staff has signed receiving reports for goods or services actually received elsewhere in the Trust Territory. To improve internal control, each receiving report should be signed by a Peace Corps employee who has personally verified that the goods or services were actually received.
12. Personal services contract PC-40-69 contained a pen-and-ink change in the rate of payment which was not signed by either of the contracting parties. Additional payments made as a result of this change totaled \$654 as of April 30, 1970.
13. A signed copy of contract PC-25-1978 was not on file. Payment was authorized at a daily rate. Voucher 1084, submitted under this contract, was not supported by documentation showing the days worked or services received.

Review of Peace Corps activities in Micronesia (continued)

Obligations

14. Small purchases and in-country travel expenses are obligated individually, and each district director maintains records of these obligations. A single, lump-sum obligation might be made for small expenditures in all of Peace Corps, Micronesia at the beginning of each month. This procedure would enable the district directors to discontinue their accounting records. If this procedure is adopted, the outstanding balance of this obligation must be deobligated before month-end reports are made.

Property Records

15. The Peace Corps/Micronesia property officer and the auditor visited five district offices to take physical inventories. They found (a) that the property records were not current, (b) that property receipts were not on file for some items of property on loan, (c) that loans of property had been made without authority, (d) that sale of property had been made without authority, and (e) that some items of property could not be located or accounted for.

Receipts

16. Rental income from the sublease of a house has been credited to the FY 1969 Peace Corps appropriation. This rental income should be credited to Treasury Miscellaneous Receipt Account 44-1830 (Rent of real property, not otherwise classified).

Timekeeping

17. Instances were noted where timekeepers (a) sign their own time-and-attendance cards, (b) do not post the time-and-attendance cards on a daily basis to avoid errors in recording leave, (c) do not indicate that employees are in a travel status, where applicable, and (d) keep time-and-attendance records for contractors' employees.

18. Travel

Payments are being made to staff members for the use of rented cars on Guam. The question is whether the use of these cars is limited to official business. Since transportation by taxi would ordinarily be less costly, the rental of a car on Guam should be justified in writing and approved in advance by the Peace Corps Director, Micronesia.

Review of Peace Corps activities in Micronesia (continued)

Travel (cont'd)

19. Paid travel vouchers do not always contain the certification set forth in Peace Corps Manual Section 812-XIV-C-4 that no meals or quarters were provided by Government-supported facilities (where applicable).
20. Separate travel authorizations for in-country and out-of-country travel are issued for a single trip. A single travel authorization would be sufficient.
21. More than two days leave have been taken in connection with official leave without proper authorization. (Peace Corps Manual Section 635.1-III-D).
22. Wives of staff members have been permitted to accompany their husbands within their districts without justification and to take two trips elsewhere in the Trust Territory at Peace Corps expense. This policy is not compatible with Peace Corps Manual Section 812-XVIII. After this subject was discussed with the Acting Peace Corps Director, Micronesia, the wives of four staff members were authorized to accompany their husbands to a conference on Ponape "to assist in development of new materials for staff." This work, if actually done, would not require travel. Wives of staff members should travel at personal expense unless it can be clearly demonstrated that their travel was necessary and solely for the benefit of the Peace Corps.

Vehicles

23. During the audit, wives of staff members were seen driving Peace Corps vehicles. In the Marianas, a personal service contractor used a Peace Corps pickup truck for transportation to his home. In general, the unofficial use of Government property is prohibited. A special exception has been made to allow staff members to use Peace Corps vehicles for home-to-work transportation, provided the Government is reimbursed at the rate of 12 cents a mile. This privilege should not be abused.

Review of Peace Corps activities in Micronesia (continued)

Volunteer Lawyer

24. A volunteer lawyer stationed in the Ponape District was requested by an Associate Judge of the High Court to advise (not represent) a Philippines citizen charged with first-degree murder. This request was approved by the Peace Corps District Director, Truk. No future action of this type should be approved until the concurrence of the General Counsel (Peace Corps/Washington) has been obtained.

Supplemental memorandums will be sent to you for comment after I have discussed other portions of the draft audit report with Michael Wolfson. He is scheduled to return to Washington on June 21.

Copies to:

Joseph Kennedy, Director
EAP Regional Office

William Inglis, Director
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Melvin Mirkin, Operation/Training Officer
EAP Regional Office

Bruce Lawhead, Special Assistant
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Marc Leland, General Counsel
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