



Office of Inspector General

March 8, 2012

MEMORANDUM

TO: John Peevey, Director
Office of Management Services

FROM: Joy Kadnar, Director /s/
Inspections and Evaluations Division, Office of Audit

SUBJECT: Proposed Solutions for Storing the Household Effects of USAID Direct-Hire Employees (No. 2-000-12-004-S)

As indicated in my February 14 memorandum to you, I am identifying a number of problems and suggesting solutions related to storing the household effects of USAID direct-hire employees. Your action on these matters could improve the efficiency of USAID's storage operations.

We identified problems during our survey work and discussions with USAID personnel in the Office of Management Services' Travel and Transportation Division (M/MS/TTD), the Chief Financial Officer's Cash Management and Payments Division (CFO/CMP), and the Office of Human Resources (OHR). We are proposing solutions to address these problems and to improve the overall management of storage operations. Please note that our proposed solutions are not formal recommendations and do not require a response from you.

1. **Vendor Billing.** We learned that vendors use variable billing cycles—weekly, monthly, or quarterly. This variability is problematic because it means staff must spend extra time and effort overseeing storage payments and managing vendor relationships. We propose the following solution to improve efficiency:
 - Coordinate with CFO/CMP to standardize vendor billing cycles, and communicate billing terms and conditions to storage vendors.
2. **Storage Tracking System.** M/MS/TTD does not have a comprehensive, up-to-date system that captures basic storage data for employees. Storage information is incomplete and kept in two different systems. M/MS/TTD is coordinating with the State Department to develop a new system during the next 2 years. Until it is ready, we propose the following solution to minimize missing information and facilitate verification of storage invoices:

- Develop and maintain an inventory of employees and their storage vendors. Include relevant storage dates—start date, access date, end date—and the combined weight of items stored by multiple vendors.
3. **Internal Controls Over Storage Payments.** Weaknesses exist in internal controls for verifying and approving payments for storage services, and these weaknesses could increase the chance of duplicate payments. For example, we observed that M/MS/TTD does not review and approve requests by employees to store items at a location outside the Washington area using public and self-storage vendors; instead, OHR typically approves these alternative storage options. We propose the following solutions to increase M/MS/TTD's control over storage vendors and payments:
- Develop and document standard operating procedures for approving storage payments. Besides verifying employee eligibility, procedures should include verifying the accuracy of dates, prices, and calculations for invoiced amounts and following up on late invoices.
 - Assign responsibility for reviewing and approving alternative storage options for employees' effects to appropriate personnel in M/MS/TTD.
 - Require employees using alternative storage options to provide adequate documentation, including storage bills based on weight, and financial certifications of vendors who are not included on the GSA schedule or covered by State Department contracts for storage services.
4. **Information Sharing.** OHR seldom shares a direct hire's employment status with M/MS/TTD, preventing M/MS/TTD from communicating such information to storage vendors and informing employees of their responsibility for stored items. We propose the following solutions to increase the efficiency of storage operations:
- Obtain a commitment from OHR to notify M/MS/TTD every time an employee transfers, separates, or retires from USAID.
 - Notify storage vendors when an employee has separated or retired from the Agency.
 - Remind employees that it is their responsibility to remove items from storage within the authorized period, typically 90 days after transferring to Washington, separating, or retiring from the Agency.
5. **Cost Control.** Employees lack incentives to economize when storing household effects. M/MS/TTD acknowledges that opportunities for cost savings exist, and it has recently begun considering innovative ways to realize savings. We propose the following solution:
- Offer employees incentives to remove obsolete items from storage after 8 to 10 years of continuous overseas service to lower the weight of stored effects and save the Agency money.

If you have any questions concerning the content of this memorandum, please contact me at jkadnar@usaid.gov or Rameeth Hundle at rhundle@usaid.gov. Thank you again for your cooperation throughout this effort.

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