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From: Kathy A. Buller, Inspector General 

Date: June 20, 2012

Subject: Final Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps (IG-12-05-E)

Transmitted for your information is our final report on the impacts of the five-year rule on operations of the Peace Corps.

Management concurred with all 5 recommendations. In its response, management described actions it intends to take to further analyze and address the issues that prompted each of our recommendations. Management's corrective actions are ongoing and as a result none of the 5 recommendations can be closed at this time. See Appendix F for OIG comments concerning management's response to the report's recommendations. We wish to note that when we close recommendations, we are not certifying that the agency 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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Please accept our thanks for your cooperation and assistance.

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Peace Corps Office of Inspector General

**Final Evaluation Report:
Impacts of the Five-Year Rule on Operations of the
Peace Corps
IG-12-05-E**

June 2012

EXECUTIVE SUMMARY

Overview

The Office of Inspector General (OIG) conducted an evaluation of the impacts of the ‘five-year rule’ (FYR) on the operations of the Peace Corps, both domestically and in the field, including the cost implications of the FYR for the agency. The FYR became law in August of 1965 when an amendment to section 7(a) of the Peace Corps Act brought all U.S. direct hire (USDH) employees, foreign and domestic, under the same personnel system, limited their appointments to a maximum of five years, and gave the Director limited authority to personally approve extensions of not more than one year.¹ The 1965 amendment also permitted the agency to re-hire former USDH employees only after the expiration of a waiting period equal to the amount of time they had worked for the Peace Corps in their preceding tour (the “in-out” rule). In passing the FYR, Congress intended to “permit a constant inflow of new blood and ideas,” to give the agency “administrative flexibility which is not possible under the restrictions of the civil service system,” and to make sure that the agency’s staff “not be organized on a career basis.”²

The FYR is particular to the Peace Corps, making it difficult to compare the Peace Corps’ personnel system, or the manner in which the agency implements the FYR, to other federal agencies or private organizations. The multiple intended purposes of the FYR have not always been stated in quantifiable or measurable terms. Further, the abundance of staff opinions concerning the FYR’s impacts on the Peace Corps, combined with the lack of measurable criteria against which to assess the effectiveness of the FYR over the past 45 years, has complicated this evaluation.

Results in Brief

Our report identified ways in which the Peace Corps has used the FYR to accomplish what it was designed to achieve, specifically:

- Peace Corps’ staff asserted that the FYR results in a mission-driven, energetic, and optimistic workforce attracted to the Peace Corps in spite of the time-limited appointment.
- The high rate of staff turnover³ driven by the FYR has allowed the agency to hire extensively from the returned Peace Corps Volunteer (RPCV) population--one of the stated goals behind the establishment of the FYR. Just over 50 percent of all USDHs employed by Peace Corps from 2000 to 2010 were RPCVs and the Peace

¹ To Amend Further the Peace Corps Act, Public Law 89-134, section 2054, 75 Stat. 612 (August 24, 1965)

² S. Rep. No. 267, at 6 (1965) and Conf. Rep. No. 728, at 2 (1965), U.S.C.C.A.N. 2768, 2775.

³ Turnover in this report is the rate at which employees separated (sometimes referred to as the “separation” or “attrition” rate) from the agency over a specific period of time, usually a year. ‘Turnover’ as used in this report represents the number of full-time USDH employees subject to the FYR (excluding interns) who left the Peace Corps as a percentage of the average number of direct hire employees over the same period. For example, if 200 employees left in 2010, and the average number of employees in 2010 was 800, the turnover rate would be 25 percent.

Corps has hired RPCVs throughout its history.

- The agency has employed RPCVs in a wide range of functions where Volunteer experience is an important qualifying factor and has employed them in leadership positions, particularly at overseas posts where almost 80 percent of all USDH staff from 2000 to 2010 has been RPCVs. Offices employing lower percentages of RPCVs are those where Volunteer experience is less critical than other qualifying factors.
- The intent of the FYR to prevent Peace Corps' employees from making life-long careers at the agency has also been met, with rare exceptions. Just one percent of USDH employees worked for Peace Corps from 2000 to 2010 without being subject to the FYR.

However, the FYR has created its own unique problems as well as exacerbated common management challenges. For instance, it has:

- Accelerated the annual pace of employee turnover well above the agency's goal of 20 percent. Turnover has been between 25 percent and 38 percent for all years we have been able to directly calculate or research through records. Peace Corps' turnover rate is approximately quadruple that of the rest of the federal government.
- Contributed to an abbreviated average tenure of USDH employees throughout the agency, well short of five years. Average tenure of direct hires over the past 10 years has been just three years. Abbreviated employee tenure and accelerated turnover have compromised the agency's institutional memory and exacerbated a range of other management challenges.
- Made it very difficult for the Peace Corps to manage its personnel system in keeping with federal standards for human capital management and merit system principles. Accelerated employee turnover and abbreviated employee tenure have undermined the agency's ability or weakened its incentives to: retain employees on the basis of their performance; plan for their eventual succession; ensure continuity of needed skills and abilities; provide training and education to improve performance; and deploy its workforce efficiently.
- Impeded, rather than facilitated, innovation at the Peace Corps. Staff reported that the accelerated pace of employee turnover, short average tenure, and insufficient institutional memory have conspired against the agency's efforts to identify, develop, test, and successfully implement innovative ideas.
- Compromised the agency's ability to attract and retain highly qualified personnel to perform core contracting, financial management, information technology, human resources management, and medical support functions. The rationale for the FYR appears less relevant for offices charged with supporting the agency's

infrastructure, performing compliance-related functions, or ensuring a high quality Volunteer health care program.

- Exacerbated the already difficult challenge of managing the frequent transitions of overseas USDH personnel. Despite the agency's efforts to minimize vacancies in key direct hire positions overseas, over the past 10 years there have been more than 180 vacancies lasting at least 30 days. Staff reported that direct hire vacancies overseas had negative impacts on staff workload and morale, Volunteer support, programming and training, and other areas.
- Weakened the agency's culture of performance management. Although the 30-month tour has allowed managers to easily separate under-performing employees at their end-of-tour dates, staff reported that the 30-month tour has also allowed supervisors to avoid the unpleasant and time-consuming task of confronting and managing under-performing employees during their service.
- Not led to RPCVs taking leadership positions throughout the agency to the extent originally envisioned by the architects of the FYR, despite the fact that the agency has hired extensively from the RPCV population. Based on data from 2000 to 2010, only 24 percent of the agency's senior staff positions have been filled by RPCVs.
- Created a disincentive for the agency to invest in staff development and undermined the agency's ability to develop and promote the talent it has.
- Ironically, led to inflexibility in the agency's personnel system that has compromised the potential of the original 'in-up-out' idea to promote high-achieving staff up through the ranks over a longer period of eight to ten years.
- Increased costs of managing personnel turnover and contributed to an inefficient use of the agency's workforce. For the five-year period from 2005 through 2009, we estimated that the FYR contributed between \$12.6 million and \$15.5 million out of \$20.7 million in turnover management costs.⁴

Recommendations

While there are both benefits and challenges for agency operations under the FYR, our report articulates a clear need for its comprehensive examination and for action to address the constraints and problems the FYR presents. To address the negative effects of excessive employee turnover and brief employee tenure on the operations of the Peace Corps, we recommend:

⁴ This estimate did not take into account costs that were more difficult to quantify, including: the loss of expertise when high-performing staff appointments ended; reductions in productivity; or gaps in institutional memory and knowledge.

1. That the Director carry out the necessary reforms to the FYR, including seeking legislative remedies if required, to reduce the rate of employee turnover and increase the average length of employment of the agency's direct hire employees.
2. That the Director identify which functions should be subject to periodic turnover to meet the needs of the agency, and implement a process to manage turnover so that the agency retains qualified personnel on the basis of merit and performance.
3. That the Director identify the agency's core business functions and positions that currently suffer from frequent staff turnover and lack of continuity, and determine and implement a process for acquiring and retaining qualified personnel to perform those functions on the basis of merit and performance.
4. That the Associate Director for Management lead improvements in the agency's approach to performance management by raising expectations to actively address employee performance issues and by providing supervisors with the training and support to correct inadequate performance and separate employees who do not improve.
5. That the Associate Director for Management put in place more robust processes and systems to gather and analyze data on the causes of unwanted, early employee resignations, and develop data-driven solutions to curb the pace at which employees resign early.

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BACKGROUND AND INTRODUCTION

Purpose of the Evaluation

In February of 2011, OIG initiated an evaluation of the impacts the agency's FYR has had on operations of the Peace Corps. The purpose of the evaluation was to determine the FYR impact on Peace Corps operations, both domestically and in the field, and the cost implications of the FYR for the Peace Corps.

Overview of the FYR

The FYR is the set of rules that makes Peace Corps' personnel system unusual compared to other federal agencies or private sector firms. The FYR generally limits all USDH staff to five consecutive years of employment with Peace Corps. The FYR only applies to USDHs; it does not limit the length of employment of personal services contractors (PSCs) or foreign service national (FSN) employees, and it does not apply to experts⁵.

The FYR became law in August of 1965, four years after the Peace Corps was established. In addition to the five year limit on USDH appointments, the 1965 law introduced two other features in the agency's personnel system: (1) the "in-out" rule required USDHs no longer employed by Peace Corps to wait for as long as their preceding tour of duty had been in order to be eligible to be re-hired (time out \geq time in); and (2) it gave the Director authority to personally approve the extension of an individual's appointment "under special circumstances" for up to one year.

Twenty years later, in August of 1985, Congress amended the Peace Corps Act to allow up to 15 percent of USDH personnel to receive a third tour of two and a half years (for up to seven and a half years of continuous employment). As a result of this change, the FYR has allowed a small percentage of USDH staff (those who receive a one year extension, and a third tour) to be employed on USDH status for up to eight and a half years without a break in service.⁶

In 2004, Congress included language in the Peace Corps' appropriations (applying to current and subsequent fiscal years) that gave the Director authority to exempt from the FYR those USDH employees "involved in the safety of Volunteers."⁷ Then-Director Gaddi Vasquez subsequently identified a list of 23 positions for this exemption.

In November of 2011, President Obama signed P.L. 112-57, the Kate Puzey Peace Corps Volunteer Protection Act of 2011 (Kate Puzey Act) into law. The Kate Puzey Act established an

⁵ According to the Peace Corps FY 2010 Human Capital Management Report there were 845 USDH, 200 FSN and 1,987 PSC staff on board in September of 2010.

⁶ According to personnel records from 2000 to 2010, 4.2% of the agency's USDHs over that period worked more than 7.5 years.

⁷ P.L. 108-199, Consolidated Appropriations Act, 2004 provided authority to the Peace Corps Director to make and extend appointments of positions "involved in the safety of Peace Corps volunteers" in excess of 5 years, notwithstanding the various provisions in section 7 of the Peace Corps Act referred to as the FYR. Unlike the 2003 Peace Corps appropriations (see P.L. 108-7, Consolidated Appropriations Resolution, 2003) the 2004 appropriations authorized the Director to extend appointments of safety and security personnel in the 2004 fiscal year as well as any subsequent fiscal year.

Office of Victims Advocacy and exempted the victims advocate position(s) from the FYR. This law also amended section 7(a) of the Peace Corps Act so that it “shall not apply” to the Inspector General (IG) of the Peace Corps or any OIG employees.

Original Intent of the FYR

One of the challenges facing the first Director of the Peace Corps, Sargent Shriver, and his senior staff in the 1960s was to recruit employees with relevant international development experience and cross-cultural skills. Director Shriver himself had some international voluntary experience based on his involvement in the 1930s with the Experiment in International Living⁸ (World Learning today) and some of his senior staff had worked for the United States Agency for International Development (USAID). But in the early 1960s when the Peace Corps was hiring its first employees, the agency was generally unable to recruit people with relevant international experience and cross-cultural skills for the simple fact that in the early 1960s there was nothing like the current number and variety of international development or cultural exchange organizations (see Changes in Peace Corps’ Operating Environment Since 1961).

In response to this early challenge, a consultant working for the Peace Corps, Dr. Robert Textor, wrote a memo on December 11, 1961⁹ proposing that Peace Corps have its own personnel system “independent of the Civil Service Commission” and characterized by two ideas: first, that the agency should hire former Volunteers as staff “as soon as possible” to fill “almost all substantive jobs [that] influence the shape and gusto of PC programs...e.g. Officers in Recruitment, Selection, Training...and overseas Representatives”; and second, that employment at Peace Corps should be a limited, non-career appointment that allows enough time for staff to be promoted according to an “in-up-out” principle. The initial staff employment limit was proposed as “perhaps eight years.”

Director Shriver’s hand-written notes in the margin of the 1961 memo expressed his enthusiasm for the proposed advantages of the plan, which included:

- a) “**Excellence**” (because only the best RPCVs would be selected to work as staff)
- b) “**Sound Programs**” (designed by RPCVs with fresh, valid field experience)
- c) “**Effective Field Operations**” (due to high quality input from RPCVs)
- d) “**High Morale**” (the opportunity to have a leadership role in the agency would boost morale among Volunteers and staff)
- e) “**Elimination of Inappropriate Applicants**” (no one seeking a “cushy life-long” job would apply to work at the Peace Corps)
- f) “**Facilitation of Careers**” (the eight-year limitation would create room for high performers to move up)
- g) “**Impact on Foreign Policy**” (staff would leave the Peace Corps for jobs at the Department of State and USAID and other places to influence U.S. foreign policy); and
- h) “**Youthfulness**” (The Peace Corps would be alone among federal agencies in staying “young”)

⁸ *Point of the Lance*. Sargent Shriver. Harper & Row. 1964. pp.12-13.

⁹ *A Plan to Keep the Peace Corps Permanently Young, Creative, Dynamic*. December 11, 1961. Peace Corps General Counsel files.

The 1961 memo has been quoted and paraphrased here in detail in order to clarify the original reasoning behind the creation of the agency's FYR, and because in general this memo remains an accurate reflection of what the agency expected to accomplish through the establishment of a personnel system tailored to meet its needs.

The problem of ensuring that the agency's employees could understand the volunteer experience and make appropriate policy decisions based on that understanding was a critical one for Peace Corps at the time, and a key motivation behind the Director's four-year effort to modify Peace Corps' personnel system accordingly. Correspondence between the Peace Corps and the Bureau of the Budget (today the Office of Management and Budget) lays out Director Shriver's belief that if the Peace Corps offered its staff time-limited rather than career appointments, it would:

“...ensure that the commitment of persons taking staff positions in the Peace Corps is a qualitatively different kind of commitment from that of persons taking jobs in regular Government agencies...I think that if persons on the Peace Corps staff have made a special kind of commitment to the Peace Corps, they will be more likely to keep in tune with the Volunteers whom they serve, all of whom have made a similar commitment.”¹⁰

Over its first few years of operations under Director Shriver, the Peace Corps grew quickly. By June of 1963, the agency had a total of 806 permanent positions for its American staff, and this number was projected to rise to 926 by June of 1964.¹¹ In March of 1965, after more than 8,800 individuals had already ended their Volunteer service, Director Shriver explained in a memo to the White House why the Peace Corps sought to recruit its staff from the ranks of returned Volunteers and former overseas staff:

“Peace Corps/Washington has a critical need for people who can translate the values and the methods of the Peace Corps' overseas audience into Washington decision making...The Peace Corps' main source of such persons is its former overseas staff and volunteers. To make sure that at all times there are places for significant numbers of former overseas staff and volunteers in Peace Corps/Washington, a Peace Corps with a stable total level of Washington employment cannot get clogged up with career employees.”¹²

In August of 1965 Congress amended section seven of the Peace Corps Act, requiring the Peace Corps to make all of its appointments for both domestic and overseas positions under the Foreign Service Act of 1946, as amended. In passing the FYR, Congress intended to “permit a constant inflow of new blood and ideas,” to give the agency “administrative flexibility which is not possible under the restrictions of the civil service system,” and to make sure that the agency's staff “not be organized on a career basis.”¹³ This change “eliminated the career civil service cohort from the Peace Corps”¹⁴ and required all Peace Corps direct hires be employed on time-limited, non-career foreign service appointments. The 1965 amendments also made Peace Corps' personnel system unusual. Unlike other foreign service agencies such as USAID and the Department of State, the Peace Corps would no longer have career civil servants working for the

¹⁰ Correspondence from Director Shriver to Kermit Gordon, Director, Bureau of the Budget. May 21, 1963

¹¹ *ibid.*

¹² Memo from Director Shriver to Bill Moyers, Special Assistant to the President. *How to Keep the Punch in the Peace Corps*. March 5, 1965.

¹³ S. Rep. No. 267, at 6 (1965) and Conf. Rep. No. 728, at 2 (1965), U.S.C.C.A.N. 2768, 2775.

¹⁴ *History of Section 7 and the Five-Year Rule*, Appendix to Memorandum for the Director on the Five-Year Rule Exemptions for Positions Involving Safety. Peace Corps General Counsel. April 3, 2002.

agency’s headquarters in the United States. Unlike other federal agencies, the Peace Corps would be prevented by law from retaining its direct hire employees longer than five consecutive years (or six years under special circumstances).

Our review of archival records surrounding the establishment of the FYR determined that in amending the Peace Corps Act to put in place a strict five year limit on employment and the ‘in-out’ rule, Congress did not give Director Shriver the flexibility he had sought. Director Shriver desired the authority to personally approve, on an individual basis, additional tours of up to five years if he considered it to be in the public interest, for up to 10 years of consecutive employment; he considered this flexibility “essential” in May of 1965¹⁵. The Director also sought the authority to re-appoint individuals after a ‘time-out’ period of 12 months or until the expiration of a period of time equal to the preceding tour, “whichever is shorter.”¹⁶ The version of the Peace Corps bill proposed by the U.S. House of Representatives, but not passed into law, would have provided the Director these flexibilities. The bill proposed by the U.S. Senate contained the stricter five year limit as well as the ‘in-out’ rule.

Table 1: 1965 Senate and House Bills to Amend the Peace Corps Act

Senate Version of 1965 Peace Corps Legislation	House Version of 1965 Peace Corps Legislation	Peace Corps Preference in 1965
5-year limit on employment; Director can approve 1 year extensions (maximum 6 years)	5-year limit on employment; Director can approve 5 year extensions (maximum 10 years)	House Version
Employee can be re-appointed after a time-out period equal to length of preceding tour	Employee can be re-appointed after a maximum time-out period of 12 months	House Version

Source: National Archives. August 2, 1965 memo from Peace Corps general counsel on Senate and House versions of bill to amend further the Peace Corps Act

Federal Personnel Systems and Merit Principles

Because the FYR placed limits on the Peace Corps’ personnel system, it is important to review the government-wide principles that guide the management of federal personnel systems. Federal law requires executive agencies to manage and implement their personnel systems consistent with merit system principles.¹⁷ Congress has also determined that the Foreign Service should be operated on the basis of the merit principles.¹⁸ The Peace Corps is an executive agency that employs its staff based on the Foreign Service, and should also adhere to the merit system principles.

In brief, the merit system principles require federal agencies to:

- conduct recruitment in a way that achieves a work force from all segments of society;
- make hiring and promotion decisions based on ability and knowledge;
- ensure that competition for jobs is fair and open;

¹⁵ Correspondence between Sargent Shriver and Thomas Morgan, Chairman of the Committee on Foreign Affairs, House of Representatives. June 8, 1965. Peace Corps General Counsel Archives.

¹⁶ Ibid.

¹⁷ 5 U.S.C. §2301

¹⁸ 22 U.S.C. 3901

- not base employment decisions on politics, race, religion, national origin, gender, age, marital status, or disability;
- provide equal pay for equal work;
- ensure that employees conduct themselves with integrity and concern for the public interest;
- use their workforce efficiently and effectively;
- retain employees on the basis of their performance, correct inadequate performance, and separate employees who do not improve;
- provide education and training to their employees to improve individual and organizational performance; and
- ensure that their employees do not face arbitrary action, favoritism or coercion, do not use their position or authority for political purposes, and do not face reprisals for whistleblowing.

In addition to these merit system principles are twelve prohibited personnel practices that, generally stated, provide that federal employees who have authority over personnel decisions may not abuse their authority in a range of ways.¹⁹ For example, a hiring official may not discriminate against an employee or applicant based on race, religion, or other characteristics; may not consider recommendations based on factors that do not relate to the job; may not coerce political activity; may not engage in nepotism; may not retaliate against a whistleblower, and may not take any action that would violate merit system principles.

Additionally, the Government Accountability Office (GAO) has articulated a set of standards for internal controls for federal agencies, including standards related to human capital management:

“Effective management of an organization's workforce--its human capital--is essential to achieving results and an important part of internal control. Management should view human capital as an asset rather than a cost...As a part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities.”

The 1965 amendments to section 7(a) of the Peace Corps Act have resulted in the agency having to separate its direct hire employees according to a schedule determined by each employee's enter-on-duty date. The amendments have impeded Peace Corps from retaining its employees on the basis of their performance, as would be the case in a personnel system operating according to the merit system principles. Nevertheless, within the constraints of the FYR and the duration of each USDH employee's limited appointment, the Peace Corps should make hiring, retention, promotion, and separation decisions consistent with merit system principles and manage its personnel system consistent with federal internal control standards related to human capital management.

Changes in the Peace Corps' Operating Environment Since 1961

Over the past 50 years, at least three major areas of change in the agency's operating environment should be considered in relation to the rationale and continuing need for the FYR:

¹⁹ 5 U.S.C §2302

- (1) growth in the number and types of organizations involved in international development, along with dramatic growth in the supply pool of talented individuals with relevant experience;
- (2) the expertise required to use and manage new technology to enhance the agency's operations; and
- (3) the knowledge and expertise required to stay in compliance with changes in federal laws and regulations.

The field of international development has seen tremendous growth since 1961. Today, the social enterprise organization Devex, which brings together international development professionals and organizations, counts almost 400,000 development professionals and over 9,300 international aid and development organizations among its members. The supply of talented labor with relevant international development expertise today is different from what it was in 1961.

Advances in technology and the corresponding skill sets required to use and maintain them have grown dramatically since 1961, and the Peace Corps requires the ability to attract information technology (IT) professionals with a broad range of expertise to support and enhance the agency's operations. The Peace Corps must compete with other federal agencies as well as with firms in the private sector for qualified professionals to maintain and manage these newer technologies.

As a federal agency, the Peace Corps must comply with numerous federal laws and regulations that have been put in place since 1961, many of which were designed to improve performance and management, to make government more accountable, and to further professionalize the way federal agencies plan and conduct their business. These laws relate to federal financial and performance management, procurement and contracting, information management, oversight, ethics, records accessibility and management, the management of personnel systems, and anti-discrimination laws. For examples of these laws and regulations, see Appendix B. The Peace Corps, like other federal agencies, needs qualified staff who can manage the agency's operations according to the requirements of these laws and regulations.

SECTION A: THE FYR'S IMPACT ON EMPLOYEE TURNOVER AND TENURE

The FYR has supported the agency's efforts to achieve its mission and goals in important ways, including recruiting mission-driven employees with new energy and ideas and allowing the Peace Corps to hire extensively from the returned Volunteer population. We spoke to managers and employees who asserted that the FYR has been an important feature of the agency's personnel system. Below are some examples of respondents' views of the benefits the Peace Corps has received from the FYR:

"The reasons behind the FYR continue to be exactly right—the agency should attract people who are mission-driven and not here just to have a job. They should agree to work here in spite of the FYR. This is critical."

"There is a real feeling that maybe problems can be solved this time... the FYR brings in new people who take a fresh look at it and say, we can fix that. And you know what? Once in a while they do. So the agency gets a lot of benefit from having new people come in with this attitude."

"People with new ideas come in and people with a mix of experience come in and truly love the organization. This is great."

"The FYR does create a special esprit de corps and you can't over-estimate the value of this. Civil service does not create that kind of spirit at all."

We could not systematically compare the camaraderie or esprit de corps among Peace Corps staff to other federal agencies. However, the agency's 2011 Employee Viewpoint Survey²⁰ results indicated that Peace Corps employees ranked the agency at or above government-wide averages on 64 of 78 (82%) questions. In 2010 the Peace Corps was ranked as one of the top 5 best places to work among 34 small agencies.

Yet support among the agency's employees for the FYR depended on the particular experiences employees have had working through periods of staff transition and position vacancies at their offices or posts. Responses to our survey about the effects of USDH turnover at overseas posts indicated that the FYR has generated very mixed results depending on which USDH has left, how the transition from one USDH to another was managed, and who the replacement was. Below is a sample of comments from overseas field staff regarding how USDH turnover has, based on their experience, affected their post's ability to contribute to the agency's mission goals:

"I can't say it's negative or positive. It really depends on the person leaving the post and in our post we have had very valuable USDH staff."

"It is hard to tell if the turnover of USDH has a positive or negative effect...The impact varies depending on the position and also greatly on the personality of the assigned staff."

²⁰ A government-wide survey that measures employees' perceptions of whether, and to what extent, conditions that characterize successful organizations are present in their agencies.

“If the changes and transitions do not happen within a timely manner then yes, it can be quite a negative and drawn out process overburdening the administrative officer [now director of management and operations]and the country director, which then has a ripple effect on the whole operation.”

In addition to those respondents who expressed strong support for some effects of the FYR, and those who argued that the effects of the FYR just depend on who comes and who goes, we interviewed some staff who argued that the FYR brought little or no value at all.

“The FYR is very disruptive from an operational standpoint because people start looking for jobs almost as soon as they get here. People are leaving all the time, and it is often a shock.”

“New ideas are welcome but it doesn’t take someone new walking in the door to generate new ideas. Some of the best ideas come from people who have been around a while. [Name] is an example of someone who continues to generate useful ideas for the agency even after having been around for a while. The notion that only new people can bring in fresh ideas is nonsensical.”

“The FYR is too blunt an instrument because it forces us to let the best talent go, too, and all we really want is a way to keep fresh blood coming in and get deadwood out. There must be some better way of doing that without losing the talent that is so important for the agency to retain. There just must be a better tool for what the agency needs.”

Because of the diversity of viewpoints concerning the effects of the FYR, this report has based its findings, to the extent possible, on analyses of available personnel and other records, relying on respondent viewpoints for additional support.

The FYR has accelerated employee turnover beyond what was intended and contributed to unwanted staff attrition.

The Congressional intent in passing the FYR amendment in 1965 was to enable the agency to bring in a “constant inflow of new blood and ideas.” According to the Peace Corps Human Capital Management Plan covering fiscal years 2009-2011, the Peace Corps “aims to achieve a turnover rate of 20 percent.”²¹

Merit system principles stress that the federal work force should be used efficiently and effectively and that employees should be retained on the basis of the adequacy of their performance. Additionally, the agency’s turnover goals, within the context of the constraints of the Peace Corps Act, should be balanced against government-wide standards the GAO has set out for human capital management that stress the importance of employee retention: “As a part of its human capital planning, management should also consider how best to retain valuable employees.”

We found that turnover at the Peace Corps has been between 25 percent and 38 percent for the years we were able to calculate. The median annual turnover rate from 2000 to 2010 was 31 percent. The consistently high rate of employee turnover at Peace Corps is beyond what was originally intended and exceeds the agency’s goal of 20 percent. It is inconsistent with both the

²¹ *Peace Corps Human Capital Management Plan, FY2009 to FY2011*, p.32. It is not clear from the Human Capital Management Report or other agency records if the agency’s goal is to ensure that annual turnover is no more than 20 percent or at least 20 percent, or simply an expectation that about 20 percent of all direct hires will leave each year, per the FYR, assuming an even spread of enter-on-duty dates in any year.

merit system principle that a federal workforce should be used efficiently and effectively as well as with federal standards for human capital management.

In recent years the Peace Corps’ annual turnover rate has been about four times the rate of the rest of the federal government.

Table 2. Turnover at Peace Corps Compared to Rest of Federal Government

Peace Corps Turnover Rate	2004	2005	2006	2007	2008	2009	2010
Number of Employees ²²	820	846	866	872	817	812	794
Number of Separations ²³	264	261	279	266	269	214	200
Peace Corps Turnover Rate	32.2%	30.9%	32.2%	30.5%	32.9%	26.4%	25.2%
Government-Wide Turnover Rate ²⁴	n/a	7.8%	7.8%	7.8%	7.6%	5.9%	n/a

This evaluation concerned a feature of the agency’s personnel system that has been in place since 1965. We examined historic records and available studies of turnover in the federal government in order to understand the extent to which turnover at the Peace Corps in recent years has been representative or unusual compared to previous periods. We also examined how turnover at the Peace Corps has compared to government-wide turnover.

The Peace Corps’ turnover rate was high from 1961 to 1965 when the agency had hired a career civil service staff for positions in the United States, i.e. when the argument for the FYR was developed. The agency’s rate of personnel turnover was likely at least 20 percent in the early 1960s, as was common in the federal government generally at that time.

A letter from Director Shriver to the Bureau of the Budget in 1963 contained this remark: “While the Peace Corps now has a high rate of turnover, it cannot be assumed that this would or should continue; nor that it would reach the very ones who are just holding on to a job for the sake of the job.”

When the Peace Corps was arguing for the need for the FYR, it encountered objections from the Civil Service Commission (CSC),²⁵ whose chairman countered that the FYR was unnecessary given the level of turnover common in the federal government at the time. In its objection, the CSC stated that the FYR “appears wholly undesirable from the standpoint of good personnel management generally” and pointed out that federal turnover in 1962 was 21 percent: “ample to assure substantial turnover” at the Peace Corps without relying on a rule to limit tenure. The CSC reasoned that the Peace Corps could use “proper selection, adequate career planning, and judicious use of existing appointment authorities” to limit the length of service for whatever jobs

²² Number of employees reported in Peace Corps Human Capital Management Plan, December 2009 and Human Capital Management Report, December 2010.

²³ Separations in the fiscal year were derived based on personnel data provided by Peace Corps Human Resources.

²⁴ *Beneath the Surface: Understanding Attrition at Your Agency and Why it Matters*. Partnership for Public Service. Booz Allen Hamilton. November 4, 2010.

²⁵ Until 1978 the Civil Service Commission managed the U.S. government civil service. Congress abolished the Commission in 1978 with the passage of the Civil Service Reform Act and distributed its functions among three agencies: the Office of Personnel Management, Merit Systems Protection Board, and Federal Labor Relations Authority.

it wanted to limit. The CSC recommended “in the strongest terms” that the five-year limit be deleted from the bill.

In 1979 a major review of the Peace Corps by GAO found that the agency’s turnover rate was triple that of the rest of the federal government, and that the FYR contributed to 40 percent of the agency’s annual turnover rate. In other words, 60 percent of the agency’s turnover rate was due to other factors, not directly driven by the FYR.

We reviewed previous studies of employee turnover in the federal government in order to compare the Peace Corps’ turnover to the rest of the federal government.²⁶ Though there have been only a handful of major studies of federal turnover, their findings have been consistent: one study found turnover of white-collar workers with permanent appointments to be 12.3 percent; another found turnover among excepted service, GS-equivalent employees to be 11 percent; and the turnover rate for new workers with less than five years of federal service was higher, at 15.1 percent. Studies have found a 25 percent turnover rate among all federal workers in their first year of service; a 14 percent turnover rate for federal workers with from one to three years of service; and 9 percent turnover for workers with 4-5 years of service. Turnover rates among federal workers tend to slow down with age. Twelve percent of workers from 21 to 35 years old resigned or transferred compared to 5.1 percent of workers aged 36 to 50 and just 2.3 percent of federal workers 51 and older. Researchers conducting these examinations of government-wide turnover reasoned that the high turnover rate for new federal workers reflected the tendency of people early in their careers to be more mobile in the workforce.

If the same pattern held at the Peace Corps, one would expect to see differences in the length of service, within the constraints of the FYR, by age group. Our analysis of personnel records from 2000 to 2010 showed that the average length of employment of the Peace Corps’ USDH employees (excluding temporary workers, interns, experts and workers exempt from the FYR) did vary according to age group. On average, younger employees left the Peace Corps a few months into their second 30 month tour (54 percent of five years), whereas workers from 36 to 50 years old completed almost four years, 76 percent of their time available under the FYR.

Table 3. Length of Service of Peace Corps Employees, by Age Group

Age Group	21 - 35	36 - 50	51 and older	All ages
Average Length of Service (EOD ²⁷ to Separation)	2.7	3.8	3.5	3

Turnover among newly-hired Peace Corps employees resembled government-wide averages found in previous studies. From 2000 to 2007, the Peace Corps lost 22 percent of its first-year direct hires to turnover; and of course the FYR has resulted in a higher turnover rate among workers with 4 or 5 years of service. But employee turnover has been greatly accelerated at the Peace Corps, beyond the intended effect of the FYR, among USDHs with from 1 to 3 years of

²⁶ *Employee Turnover in the Federal Government. A Special Study.* The Congressional Budget Office. February 1986; *Who is Leaving the Federal Government? An Analysis of Employee Turnover.* U.S. Merit Systems Protections Board. August 1989; *Why are Employees Leaving the Federal Government? A Special Study.* U.S. Merit Systems Protections Board. May 1990.

²⁷ Enter on Duty (the first day of a direct hire’s appointment)

service: 44 percent separated from the agency from 2000 to 2007,²⁸ a much higher percentage than the 14 percent government-wide average found in previous studies.

Table 4. Employee Turnover Rates, by Length of Federal Service

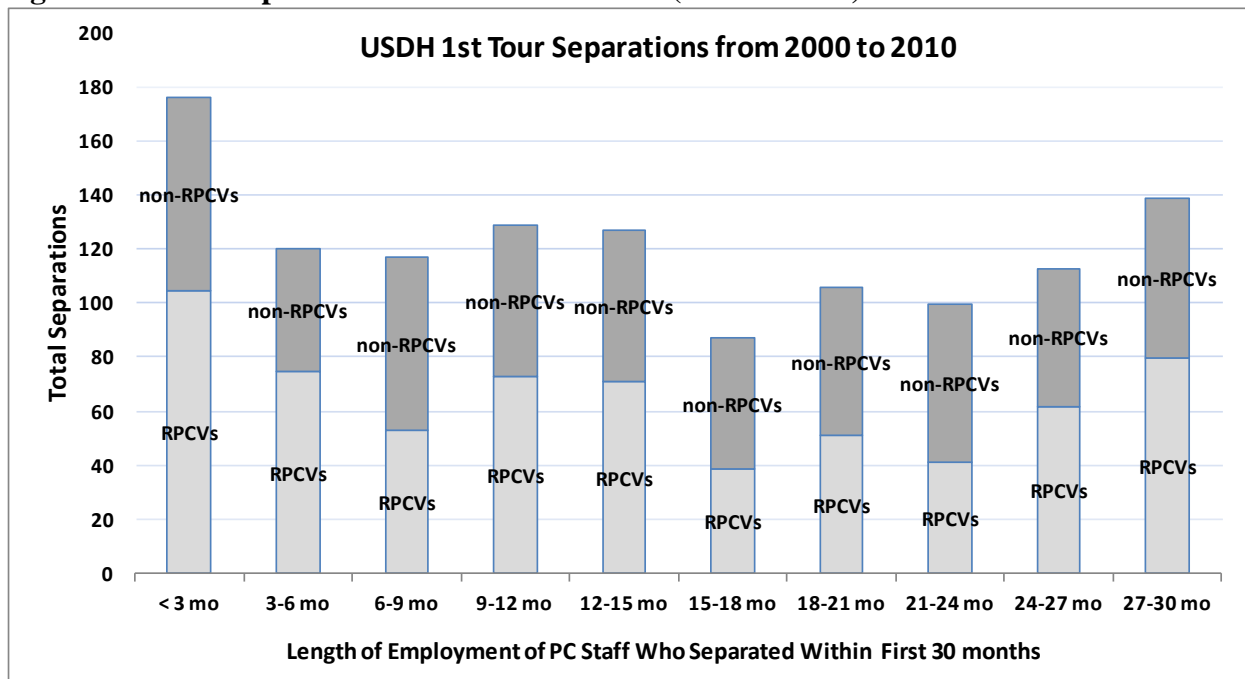
	Workers with less than 1 year of federal service	Workers with 1 to 3 years of federal service	Workers with 4 to 5 years of federal service
Government-Wide Turnover	25%	14%	9%
Peace Corps Turnover (median rates from 2000 to 2007)	22%	44%	37%

The premise behind the FYR was that it would allow the Peace Corps to attract qualitatively different workers who had made a special kind of commitment to the Peace Corps and would be generally disinterested in their personal career considerations; that it would act as an applicant filter and attract a special breed of employees, composed of a high percentage of RPCVs, who would desire to serve the agency’s mission in spite of the fact that their appointment would be a non-career, time-limited one.

We determined that 42 percent (1,214 out of 2,872) of direct hire employees from 2000 to 2010 separated from the agency before completing their first tour (30 months) and many of those resigned very early. There were only minor differences in the separation rates of returned Volunteer versus non-RPCV employees: 40 percent of RPCV and 45 percent of non-RPCV employees left the Peace Corps within their first tours.

²⁸ We were able to calculate turnover rates among employees with from 1 to 3 years of service through 2007. After 2007, employees would not have had a chance to work for 3 years and be included in our sample of personnel records that covered 2000 to 2010.

Figure 1. USDH Separations Within the 1st Tour (2000 to 2010)



Further, as other studies of federal turnover have shown, the separation rate of federal employees has tended to reflect employment opportunities in the broader U.S. economy. During the recent economic recession the attrition rate of federal workers slowed as employees held onto their positions. The Peace Corps’ turnover rate, accelerated as it is, also showed sensitivity to the national unemployment rate, as seen in table 5.

Table 5. Unemployment and Turnover

Unemployment and Turnover Rates	2004	2005	2006	2007	2008	2009	2010	2011
National Unemployment Rate ²⁹	5.5	5.1	4.6	4.6	5.8	9.3	9.6	9.1
Peace Corps Turnover Rate	32.2%	30.9%	32.2%	30.5%	32.9%	26.4%	25.2%	n/a
Government-Wide Turnover Rate ³⁰	n/a	7.8%	7.8%	7.8%	7.6%	5.9%	n/a	n/a

As the unemployment rate moved up starting in 2008, the rate at which federal employees separated from their agencies slowed down. At the Peace Corps, the annual staff attrition rate slowed from 33 percent in 2008 to 26 percent in 2009 and 25 percent in 2010. It is reasonable to conclude that this slow down was driven by the recession and the general lack of availability of jobs outside the agency, rather than by an enhanced commitment on the part of its employees over that brief period to the ethic of completing their non-career, limited appointments. Whether or not Peace Corps employees have made a special kind of commitment to the agency, they have responded to incentives and opportunities in the larger economy, just like other workers.

²⁹ Average annual unemployment rate based on monthly unemployment rates from the Bureau of Labor Statistics.

³⁰ Beneath the Surface: Understanding Attrition at Your Agency and Why it Matters. Partnership for Public Service. Booz Allen Hamilton. November 4, 2010.

We were unable to find examples of other government agencies or private firms who have put in place rules in their personnel system to force constant turnover and prevent themselves from retaining valuable employees. Other agencies and firms appear to view staff attrition through a different lens, and a more widely-accepted paradigm: that excessive attrition is harmful, expensive and an impediment to the achievement of performance goals, and that agencies and firms have a responsibility to the taxpayer or to their shareholders and customers to retain high performing employees who contribute to the mission or bottom-line. That the Peace Corps Act requires the agency to separate its direct hire employees based on their enter-on-duty date and a clock, without regard for employee performance or contribution to the mission is inconsistent with federal standards of human capital management and merit system principles. And when compared to other agencies and firms' goals and strategies to support employee retention, the Peace Corps, as required by law, implements an approach to personnel management that is unnecessarily costly and at odds with widely accepted principles of sound personnel management (see Section D, Costs of Managing Turnover at Peace Corps).

One respondent reported to us, "If we lifted the FYR tomorrow we would calcify with current staff." Yet without the FYR the Peace Corps would have a natural turnover rate as employees resign for a range of reasons, transfer to other federal agencies, relocate, and retire. In our review of the agency's personnel records and turnover rates of other federal agencies, we did not find evidence to support the idea that the FYR has been necessary to guarantee a "constant inflow or new blood and ideas" or that without the FYR the agency would face a crisis of bureaucratic arteriosclerosis as predicted by the agency's founders and some current staff.

While it is impossible to predict exactly what the agency's natural rate of annual turnover would be in the absence of the current FYR, it is reasonable to conclude that in order to reduce the annual rate of turnover at Peace Corps below 20 percent the agency would need to substantially alter the five-year appointment limit. In addition, although the FYR applies to all direct hire employees with very few exceptions, the agency has acknowledged in its June 2011 Comprehensive Agency Assessment report to Congress that the value of employee turnover at Peace Corps depends on which positions benefit more from fresh energy and ideas and which positions benefit more from continuity and specialized skills:

"While the agency benefits greatly from having the perspective of former Volunteers and overseas staff at Headquarters, as well as fresh energy and ideas, not all positions necessitate such perspective when compared to the value of capacity, continuity, business function, and institutional memory. For example, the country desk officer positions in each of the regions and the recruiter positions in regional recruitment offices benefit from the perspective and enthusiasm of returned Volunteers. However, key business functions performed by medical professionals, contract specialists, and human resources staff for example, may not equally necessitate such field perspective and currently suffer from frequent staff turnover and lack of continuity in a core business function of the Peace Corps."

The FYR has contributed to an average length of employment at Peace Corps that is well short of five years.

GAO has articulated a set of standards for internal controls for federal agencies, including standards related to human capital management:

“Effective management of an organization's workforce--its human capital--is essential to achieving results and an important part of internal control. Management should view human capital as an asset rather than a cost...As a part of its human capital planning, management should also consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities.”

Our analysis of the Peace Corps’ personnel records from 2000 to 2010 indicates that the FYR has led to abbreviated time-in-position and a short average length of total employment of USDH staff. We calculated the length of employment of all personnel who worked at the agency from 2000 to 2010. The average length of time U.S. direct hire employees spent in the same position over this period was 1.8 years. The average length of employment (from enter-on-duty date to separation date) over this ten-year period was three years. The agency’s FSN and PSC employees had much longer average tenures, at almost nine years for FSNs and over six years for PSCs.³¹

Table 6. Average Service of Peace Corps Employees: 2000 to 2010

Duty Station	Number of Employees	Years from EOD to Separation (USDHs)	Years in Same Position
Headquarters Direct Hires	1495	2.75	1.67
Overseas U.S. Direct Hires	462	3.85	2.02
Recruiting Offices USDHs	435	2.82	1.99
USDHs	2392	2.98	1.79
Overseas FSNs	199	N/A	8.75
Overseas PSCs	480	N/A	6.16
FSNs and PSCs	679	N/A	6.92

Employee tenure in U.S.-based positions has been about one year shorter than the average length of employment for overseas staff. Larger headquarters offices with particularly short employee tenure included the Office of Management (OM) (2.27 years) and the Office of Volunteer Recruitment and Selection (2.52 years). Collectively, offices responsible for ensuring that the agency is in compliance with many of the laws and regulations governing the operations of federal agencies, including the OM, the Office of Acquisitions and Contract Management (OACM), the Office of the Chief Financial Officer (OCFO), and the Office of the Chief Information Officer (OCIO), taken together, had an average employee tenure of 2.75 years over the ten-year period (based on the average tenure of 570 employees performing compliance-related functions). Among larger groups of employees only those serving at duty stations overseas showed average employment approaching four years (see Appendix C).

Compared to other federal agencies, the Peace Corps’ average employee tenure is noticeably short. The median tenure for all federal employees over the past 10 years has been about three times as long in years as the average tenure of Peace Corps’ USDHs.³² Additionally, Peace Corps employees had somewhat shorter average tenures than employees in the private sector (three years compared to four years in private sector in 2010). An analysis of Peace Corps

³¹ FSN and PSC data made available to the OIG only included employees who were on board as of April, 2011. Any FSN or PSC who worked for Peace Corps from 2000 to 2010, but was not employed in April of 2011 was not included, as the data was not available.

³² Data presented excludes interns, experts and other Peace Corps employees exempt from the FYR.

employee tenure conducted by OPM determined that average employee tenure, measured every 5 years from 1985 to 2010, ranged between 2.1 and 3.2 years.

Table 7. Average Years of Tenure with Current Employer: The Peace Corps Compared to All Federal Agencies³³

Average Tenure	2000	2002	2004	2006	2008	2010
Federal Government	11.5	11.3	10.4	9.9	9.9	7.9
Peace Corps	3.3	3.6	3.7	3.4	3.2	2.5

Staff and managers we interviewed and overseas employees we surveyed cited negative effects of the constant turnover and short staff tenure that have resulted from the FYR, including:

- frequent position vacancies which in turn exacerbate workload and other related management challenges;
- a lack of institutional memory;
- insufficient succession planning;
- reduced incentives to invest in adequate staff training and professional development opportunities;
- reduced incentives to focus on performance management; and
- inability to follow-through on and successfully implement innovative ideas.

In addition, managers reported to us that the FYR makes it harder for them to attract and retain qualified personnel to perform core contracting, financial management, information technology, and medical support functions.

Moreover, the Peace Corps OIG has issued several semiannual reports to Congress (SARCs) since it was established in 1989 that have reported concerns regarding the role of the FYR in creating instability in the agency’s personnel system (see Appendix D).

The next section of this report describes the effects on agency operations of accelerated employee turnover and short staff tenure in more detail.

³³ Bureau of Labor Statistics data available at: <http://www.bls.gov/news.release/tenure.t05.htm>

SECTION B: EFFECTS OF ACCELERATED TURNOVER AND SHORT EMPLOYEE TENURE ON AGENCY OPERATIONS

Negative Effects of High Turnover Identified in Previous Studies

The FYR has been cited as a root or contributing cause of various weaknesses in the agency's operations. Specifically, previous reports have concluded that the FYR contributed to:

- excessive employee turnover, frequent staffing vacancies, and difficulties retaining qualified staff;
- a lack of institutional memory;
- a compromised capacity to learn from past mistakes and successfully implement innovative solutions; and
- costly and inefficient employee recruitment activities.

During the 1970s three major reviews, including two by GAO and one by the National Academy of Sciences (NAS), expressed concerns about the negative effects the FYR had on the Peace Corps. In addition, a Peace Corps/ACTION staff survey on the effects of the FYR revealed that a majority of over 3,500 former and current employees believed the FYR was disruptive and should be either dropped altogether or substantially modified. In 1972 GAO determined that frequent staff turnover, together with the agency's failure to implement recommendations from previous reviews of Volunteer training, had caused weaknesses in the agency's Volunteer training programs. In 1974 NAS determined that limited data, together with "the frequent turnover of staff because of the 5-year limitation on employment" made it impossible to build "an instructive longitudinal profile" of the agency. The NAS report recommended that the Peace Corps invest more resources in retaining an institutional memory and re-evaluate the FYR to determine if the agency should have more flexibility to retain "experienced and capable people in the organization for longer periods."

In 1979 GAO conducted another review that found significant personnel problems at the Peace Corps, including employee turnover triple that of other agencies and an inability to fill vacancies quickly. GAO determined that "the 5-year rule...is the cause of much of this turnover," and cited concerns that the FYR harmed the agency's institutional memory, impeded its ability to retain talented and capable staff, and compromised Volunteer support. Emphasizing the NAS' 1974 recommendations that the Peace Corps had not acted upon, GAO urged the Peace Corps again to study the effects of the FYR and "determine if recommendations to the Congress are desirable." While the Peace Corps responded to GAO's report by saying that it would evaluate the FYR, we did not find evidence that the agency had done so.

In 1990 GAO reviewed challenges facing the Peace Corps in the 1990s and reported that a high level of overseas staff turnover was a cause of insufficient Volunteer support. In several of its SARC's since 1989, the Peace Corps OIG has reported its concerns regarding the destabilizing and harmful effect that excessive employee turnover and short staff tenure have had on the agency's institutional memory, internal controls, staff training, talent attraction and retention, financial management, performance management, overseas operations, Volunteer support, and information technology management. In general, Peace Corps' Directors have responded that the

FYR has served the agency well. See Appendix D for detail on SARCs and the agency's responses.

In 2002 GAO evaluated the Peace Corps' safety and security program. Their 2002 report found that the agency's Volunteer safety program had been unevenly implemented and that excessive turnover and short employee tenure had contributed to this operational weakness. GAO reported that the agency's high turnover and insufficient documentation related to the agency's safety and security program had deprived the Peace Corps of "opportunities to apply lessons learned from previous staff tenures." Their report recommended that the Peace Corps submit a proposal to Congress to change the FYR in order to improve its Volunteer safety and security program. In February of 2003 Congress gave the Director of Peace Corps authority to extend beyond five years the appointments of staff involved in the safety of the Volunteer and the agency listed 23 such positions.

A 2003 evaluation by the Peace Corps OIG of the system Peace Corps uses to recruit and place its Volunteers, *Evaluation of the Volunteer Delivery System*, found that the FYR had contributed to protracted periods of staffing vacancies for management positions related to recruiting, screening and placing Volunteers, and that this had impeded the Volunteer delivery process. Additionally, the report found that the Office of Volunteer Selection and Recruitment (VRS) had high employee turnover, and that the Office of Medical Services (OMS) faced difficulties attracting highly skilled staff.

A 2004 analysis of the Peace Corps' workforce cited annual turnover rates at Peace Corps from 25 percent to 37 percent for direct hires, and an average tenure of two years, figures consistent with our analysis of personnel records³⁴. The authors stated that most employees regarded turnover as 'excessive' and that it contributed to high recruitment costs, frequent staffing vacancies, inefficient operations and diminished strategic planning. The report recommended that the Peace Corps pursue legislation to allow "multiple, limited appointments for any employee demonstrating excellent performance of functions for which the agency has a continuing need." The authors suggested that the Peace Corps improve its process for assessing staff performance as a basis for continued appointments, and that the agency put in place a limit (20 percent) on the percentage of direct hires who could receive multiple tours. In addition, they recommended that Peace Corps modify the 'time-out' period to be a maximum of 30 months no matter how long an employee's previous service had been.

The negative effects of excessive employee turnover cited in previous studies and evaluations continue to have relevance for Peace Corps today. The rest of Section B in this report describes current effects of high turnover and short tenure on Peace Corps operations, beginning with the effects of direct hire turnover on the agency's operations overseas.

Frequent Direct Hire Vacancies and Excessive Turnover Have Harmed Overseas Posts

The architects of the FYR hypothesized that it would help the agency to achieve a greater degree of "excellence," "sound programs," and "effective field operations." Our evaluation determined that the accelerated pace of employee turnover had led to frequent periods of USDH vacancies at

³⁴ Analysis of the Peace Corps Workforce and Employment-Related Authorities and Regulations. Final Report. September 22, 2004. Bacchus, William I. and Michel, James.

overseas posts and exacerbated challenges related to managing the transitions from one direct hire to the next. Survey and interview respondents reported that frequent USDH transitions and position vacancies had led to a range of negative effects on Peace Corps overseas programs.

Regional Offices for Africa, EMA and IAP face distinct challenges in the timely replacement of departing USDH personnel serving in overseas leadership positions, including the country director (CD), who is responsible for the overall management of the post; the director of programming and training (DPT), who manages programming and training staff; and the director of management operations (DMO), who has responsibility over administrative operations and resources. Our analysis confirmed that the Peace Corps has performed reasonably well to minimize lengthy periods of vacant USDH positions overseas. Ninety-one percent (233 out of 255) of the CD/DPT/DMO vacancies from 2000 to 2010 lasted less than six months. Nevertheless, the average length of a USDH vacancy was more than three months for the 255 CD, DPT and DMO vacancies taken together.

The sheer pace and extent of direct hire turnover at Peace Corps has led to frequent periods of leadership vacancies overseas and appears to have exceeded the agency's best efforts to minimize them. We identified 179 periods of time from 2000 to 2010 when a USDH position overseas was vacant for at least one month. There were 55 periods of time when the CD position at a post was vacant for at least one month (19 percent of the transitions from one CD to another resulted in a vacancy of at least one month), and the average duration of those vacancies was more than three months.

According to staff and managers we interviewed, the effect of a USDH vacancy overseas can be disruptive, particularly at posts without experienced local staff who can assume additional duties during a vacancy period. The extent of the impact is also dependent on the timing of the vacancy relative to the flow of Volunteers entering the program or the administrative responsibilities at that time of year. Current staff reported to us that the effect of a prolonged USDH vacancy had been so disruptive at their posts that Volunteer site identification and development had suffered, and Volunteer resignation rates had increased.

Our analyses of actual vacancy rates and Volunteer resignation rates from 2000 to 2010 noted a correlation between prolonged USDH vacancies and Volunteer resignation rates: half of all posts that experienced a USDH vacancy also had a higher than normal Volunteer resignation rate in the same year.³⁵ Staff told us that in their experience USDH vacancies have contributed to lapses in Volunteer support which led to high rates of Volunteer resignations. OIG country program evaluations have noted that prolonged USDH vacancies sometimes result in a series of cascading negative effects at posts, including lapses in Volunteer communications and oversight, host family selection, Volunteer reporting feedback, and Volunteer file documentation. In response to a survey we conducted of overseas staff, field staff frequently reported that a USDH vacancy of two or more months can harm Volunteer support, strategic planning, staff workload, morale, programming and training.

³⁵ A higher than normal Volunteer resignation rate at a post was defined as one that was above the post's median Volunteer resignation rate from 2000 to 2010.

Staff we interviewed said that part of the agency’s recurring management challenges associated with replacing USDH personnel overseas had to do with the lack of succession planning and the absence of staff groomed to move into leadership positions, i.e. ‘bench’ strength:

“The agency does not make sure that there is no gap in coverage for key positions. Two days of overlap is thought of as good succession planning. But more often than not there are gaps when staff is already stretched and are then asked to do multiple jobs during these gaps—it puts Volunteers at risk. This is serious stuff. We need a bench of overseas staff—backup players.”

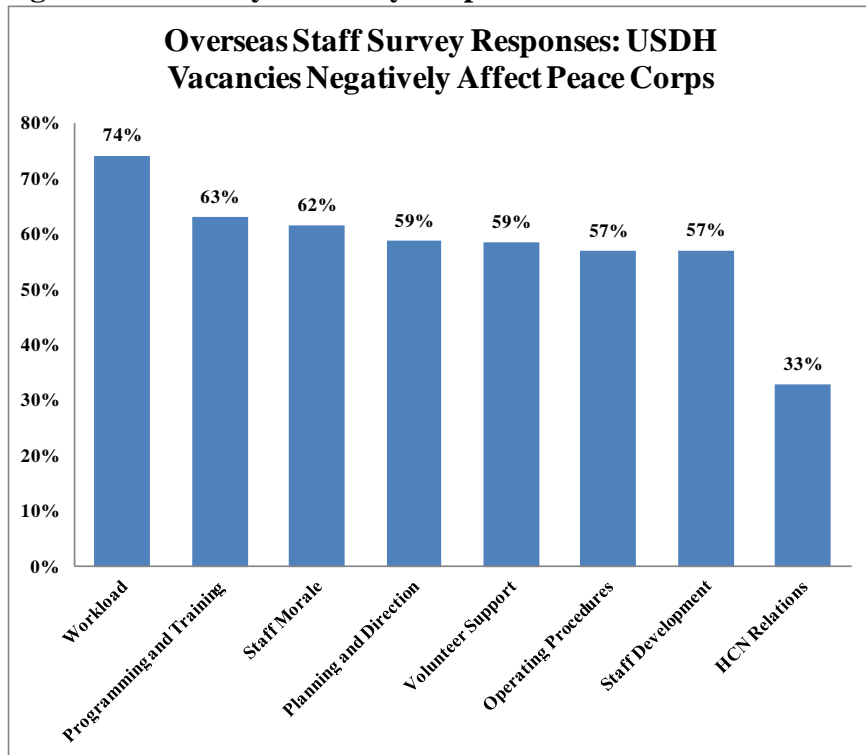
“In my experience the most difficult time created by the 5 year rule is the time between USDH’s at post. There are frequently months of waiting for the new person to arrive. This can and should be managed better. It creates a strain on the post and its staff.”

“You compare what we do, which is so ad hoc, to the succession planning process at the Department of State. In the State Department there is a whole process for figuring out who in the system is going where next, and when. There’s a structured bidding system where you know months in advance what your next post is going to be, and you plan for it—you get trained for it, in fact. At Peace Corps, we have nothing like that at all. State’s transition management process is much more programmed and manageable, but with Peace Corps it is kind of catch-as-catch can. All of a sudden we have a crisis and if post can’t cover we have to send out a desk officer on a TDY. That’s not always a great solution to the staffing issues at the post.”

“The truth is that the agency in general is too short-sighted in terms of planning and filling slots.”

We asked overseas field staff, both USDHs affected by the FYR as well as staff not subject to the rule, if their post had been without a USDH position in the last two years for a period of at least one month and, if so, how the vacancy affected their post. Among overseas staff there was a difference in opinion concerning the severity of the impact of a USDH vacancy on post operations. USDHs generally expressed the viewpoint that the absence of a USDH at the post had a very negative effect on Volunteer support; other staff (PSCs and FSNs) generally reported that in their view the effects of a vacancy were either minimal or negative, though not as severely negative as USDHs indicated. Taken together the majority of overseas staff expressed that in all areas, except relations with host country partners, the impact of a recent USDH vacancy at their post had been mostly negative. The chart below graphs the percentage of overseas staff who reported that the effect of a USDH vacancy at their post, in their experience, had been mostly negative.

Figure 2. Summary of Survey Responses: Effect of USDH Vacancy at Post



The following is a sample of the comments staff included to further illustrate their viewpoints concerning the effects of vacant USDH positions at their posts.

“The CD position was vacant for almost 2 months during pre-service training. This created too many responsibilities for the DPT who was also the Acting CD and therefore compromised training and support to volunteers who were COSing at the same time.”

“My general experience is that posts, if lucky, generally survive these absences. They do take a toll on the officers who remain. They also impede innovation, creativity, and reform. Every time I've been forced to fill two (or more) of these positions, I get very close to burnout. Of course, when the new person comes on board, it takes a good 6 months to a year to fully handover the responsibilities you had assumed from their position.”

“There is always a strain when you have fewer people and need to cover additional areas.”

In addition to asking overseas personnel to report specifically on the effects that periods of USDH vacancy have had at their post, we asked overseas field staff to reflect more generally on the changes in USDH personnel they have experienced and how those personnel changes impacted (positively or negatively) post operations. These questions were designed to gather viewpoints from overseas staff concerning the positive intended effects of the FYR--to lead to quality programs overseas, and to bring in fresh blood and ideas.

Based on agency records, we identified 253 different CDs for a group of 55 posts that were in operation continuously from 2000 to 2010. On average each post's Country Director stayed 2.3 years. Twenty-nine of the 55 posts we examined (53 percent) each had at least five different CDs over this 11-year period (an average CD tour of 1.9 years). Ten posts had six or more different

CDs, as well as 74 other different USDHs in either the DMO or DPT position, for a total of 136 different direct hire CDs, DMOs and DPTs from 2000 to 2010, or a new direct hire in one of these three positions, on average, every nine months. On the other hand, just seven posts open from 2000 to 2010 had three or fewer CDs over the period.

Table 8. Turnover of USDH Personnel at Peace Corps Posts from 2000 to 2010

Peace Corps Posts Open from 2000 to 2010	Posts	Total CDs	Average CD Years per post	Total CDs, DMOs and DPTs	CD/DMO/DPT Vacancies	Average CD/DPT/DMO Vacancy (months)
All posts	55	253	2.3	605	233	3.8
Posts with 6 or more different CDs	10	62	1.7	136	52	4
Posts with 5 or more different CDs	29	157	1.9	366	142	3.6
Posts with 4 or fewer different CDs	26	96	2.8	239	91	4.1
Posts with 3 or fewer different CDs	7	20	3.6	60	22	4.3

There was not agreement between overseas field staff as to the overall effect that changes in USDH personnel overseas had on a post’s ability to contribute to the Peace Corps’ mission. When transitions from one USDH to the next were managed well, FSNs and PSCs tended to express the viewpoint that turnover of USDH personnel at their posts had an overall positive effect on their post’s ability to contribute to Peace Corps’ mission. USDH employees, on the other hand, tended to express the contrary view that USDH turnover had an overall negative impact on post’s ability to contribute to the mission.

The message from field staff was not very complicated: the impact of USDH personnel changes overseas depended on who left, who came as a replacement, and how efficiently the transition from one USDH to the next had been managed. By accelerating the number of USDH transitions at overseas posts and by aggravating periods of vacancy in those positions, the FYR has elevated the level of risk inherent in the agency’s personnel system.

As one former manager reported to us:

“There are of course risks associated with hiring people, in that you never really know how someone is going to turn out, and even the best hiring managers occasionally make bad hiring decisions. Some percentage of new hires are going to be duds. So Peace Corps, because of the FYR, increases this risk of bad hires. And worse, bad hires are more harmful to Peace Corps than they would be at larger agencies where you tend to find more depth in the same position. At Peace Corps, if you make a bad hiring decision, you may be stuck with a dud who’s the only one performing that function, and then it just does not get done well and you don’t have the budgetary or FTE depth to work around that performance issue.”

We identified nearly 700 USDH transitions overseas from 2000 to 2010, including 179 instances when a USDH position was vacant for at least one month. It is reasonable to conclude that the pace of USDH turnover has simply exceeded the agency’s best efforts to manage it and that as a result overseas operations have been negatively impacted enough to be a cause for concern.

The FYR Has Negatively Affected Staff Development and Training

The GAO has articulated a set of standards for internal controls for federal agencies, including standards related to human capital management; merit system principles also guide federal employers to invest in staff education and training:

“Employees should be provided effective education and training in cases in which such education and training would result in better organizational and individual performance.”

In its June 2010 *Comprehensive Agency Assessment* report to Congress, the Peace Corps acknowledged that the accelerated pace of turnover and short staff tenures caused by the FYR compromised the agency’s ability to provide sufficient training and professional development opportunities to its employees:

“The Peace Corps’ commitment to providing training to a constant flow of new employees joining the agency, potentially requires a financial investment higher than what the agency would invest if it were not restricted by the five-year rule.”

We found that with a few exceptions the agency generally has not invested in formal, standardized professional development programs for its domestic staff and that it has not always provided training to its overseas personnel. The FYR had contributed to this weakness in two ways: by reducing incentives to invest in a staff with accelerated turnover and abbreviated tenures, and by accelerating turnover to such an extent that the agency has been unable to keep pace with the training needs of a constantly shifting staff. Internal assessments as well as external reviews and audits have consistently noted the negative effect of the FYR on staff development at the Peace Corps.

In its second report to Congress in 1990, soon after the office was established, the OIG pointed out that the FYR had compromised the agency’s development of its staff:

“Because of the five-year rule, there is limited opportunity to develop critical management skills...At present training of overseas staff is marginal. Not all are given an opportunity to attend overseas staff development training at headquarters...It is essential that Peace Corps devote more resources to training to insure that its programs are efficiently and effectively managed.”

The agency’s 2007 Internal Management Assessment *Getting to Ideal* describes staff development as “an under-resourced, highly-valued, catch-as-catch can undertaking in the Peace Corps, very dependent on the commitment of managers...and their creative abilities in finding opportunities and resources.”

In its January 2008 report *Peace Corps: Human Resources Operations Audit Report Q3 FY2007*, OPM found that employees were not satisfied with career development or training opportunities and believed that Peace Corps considered it inappropriate to invest in staff development due to limited employee tenure. OPM’s report found that Peace Corps had only partially met staff development standards; it recommended that the agency expand its Leadership Development Academy and provide more staff development opportunities for employees in managerial and supervisory roles.

Current agency staff reported to us that training and staff development opportunities were generally not provided to them and expressed the viewpoint that the FYR had reduced the agency's incentive to invest in staff development:

“Another downfall of the FYR is that there is no ongoing professional development provided to staff. After all, why invest in someone who's just going to leave anyway?”

“When you can see that you're not getting training, and there's not room for professional or career growth, you're going to leave.”

“We have to talk about training in this discussion of the five year rule. If you offer someone a 5-year tour but don't give them opportunities to grow as a professional, it probably won't do much good for the agency.”

“It should be a priority for the agency. It should be a higher priority for Peace Corps because of the FYR—we should have standardized training. “

“One thing I want to stress here with you is training. HQ in general, and mostly because of the FYR which reduces incentives to train, does not invest in training its staff.”

We found that although the agency intends to send newly hired overseas staff through an orientation and training prior to their start dates, such training has not been provided to all new hires prior to their overseas assignment, and overseas personnel frequently began their jobs before they had received overseas staff training (OST). Most overseas staff from 2000 to 2010 had not participated in an OST. An analysis of OST participant lists and employment records from 2000 to 2010 revealed that out of over 1,300 individuals (including FSNs, PSCs and USDHs) who entered on duty for an overseas staff position that has participated in OST, only 35 percent were trained at OST. Among country directors with an enter-on-duty date from 2000 to 2010, 117 out of 184 (64%) went through OST. In more recent years the Peace Corps has sent a higher percentage of its CDs through OST: 30 out of 37 (81%) country directors with EOD dates from 2008 to 2010 went through OST.

Our evaluation confirmed that current agency employees did not believe that the Peace Corps offered sufficient training and professional development opportunities, and that earlier assessments such as OPM's 2008 recommendations remained valid and important. Based on our review of previous studies and respondent input, the Peace Corps had not provided sufficient staff development and training opportunities. Excessive turnover and short employee tenure contributed to the Peace Corps' persistent weaknesses in its staff education and training programs.

High Turnover Has Contributed to an Insufficient Institutional Memory

The ability to use one's workforce efficiently and effectively depends in part on having enough institutional memory to avoid unnecessary mistakes and to take advantage of opportunities to make progress in areas where an organization has already taken important steps, so as not to squander past successes.

Past reports and data collected during this review demonstrated that the FYR had negatively affected the agency's institutional memory. Studies conducted as early as 1974 noted the negative effects of staff turnover induced by the FYR on the Peace Corps's institutional memory.

In a major review of the Peace Corps, the National Academy of Sciences reported in its assessment of institutional memory at the agency:

“Because of the frequency of staff turnover and the highly fragmented nature of programs, the problem of identifying needs for acquisition and utilization of data is important for the Peace Corps. The committee feels that efforts should be directed more consistently, and larger resources allocated, to maintaining an institutional memory.”

In 1979, the GAO expressed concerns regarding harmful effects of the FYR on the agency’s institutional memory. Its report underscored that the NAS had recommended five years earlier that the agency evaluate the FYR limitation. It also noted that the Peace Corps had not done so.

In its first SARC, the Peace Corps OIG reported that an independent audit of the agency’s financial management system by Peat Marwick Main & Company in 1988 found that the FYR:

“...causes a weak internal control environment, deprives the agency of the institutional memory essential to the resolution of problems, increases staff training costs, and creates difficulty in attracting and retaining competent, qualified personnel to operate the financial management system economically and efficiently.”

A 2002 external evaluation of the Peace Corps Volunteer health system conducted by Pugh Ettinger McCarthy Associates, LLC, stated that the FYR made the development and retention of institutional memory especially difficult:

“The five-year rule for Peace Corps employees creates an extra degree of importance for the task of developing and deploying written policies and procedures. In many organizations, institutional memory is vested in the memory and work processes of long-term employees. Written documentation is important, but what is more important...are the memories and experiences of existing employees. The five-year rule takes away this option for the Peace Corps and makes the written documentation of policy and procedure extremely important since they must guide the work of the organization through multiple generations of Peace Corps employees and leadership.”

In 2007 the agency conducted an Internal Management Assessment (IMA), *Peace Corps Regional Management: Getting to Ideal*, which acknowledged that constant employee turnover had contributed “inevitably to the underdevelopment of an institutional memory.”

OIG interviews conducted for this evaluation also confirmed that employees were frustrated with the lack of institutional memory at the Peace Corps and they connected this problem directly to the negative influence of frequent employee turnover. The effects of a lack of institutional memory are difficult to assess in isolation but keenly felt by staff we interviewed:

“They come in knowing they have a limited amount of time...People come in, ignore what’s been done, and move forward.”

“One of the biggest wastes is starting projects and key people leave and nobody knows the status of a project and they disappear.”

“When you have a five year rule you just have more transition; this leads to loss of institutional memory and historical knowledge.”

“Invariably a situation comes up that we haven’t faced or at least can’t figure out if we’ve ever faced it, and it is difficult to know how the agency handled something similar in the past, because the medical records are lacking.”

“There was nothing in written form; really surprising to find nothing. One of the many things that surprised me was the lack of documentation.”

Our evaluation confirmed what many other concerned observers have noted previously—that excessive turnover and short staff tenure at Peace Corps have contributed to weaknesses in the agency’s institutional memory.

The FYR Has Weakened Peace Corps’ Ability to Attract and Retain Qualified Personnel to Perform Core Management Functions.

Government-wide standards related to human capital management call for federal agencies to consider how best to retain valuable employees, plan for their eventual succession, and ensure continuity of needed skills and abilities.

The FYR applies to all direct hire employees, but the agency acknowledged in its June 2010 Comprehensive Agency Assessment report to Congress that there are some offices and functions at Peace Corps for which the FYR may have minimal value:

“...key business functions performed by medical professionals, contract specialists, and human resources staff for example, may not equally necessitate such field perspective and currently suffer from frequent staff turnover and lack of continuity in a core business function of the Peace Corps.”

We determined that the FYR had exacerbated the agency’s challenge of attracting and retaining highly qualified personnel to support core functions where expertise and continuity are critical, including contracting, financial management, information technology management, human resources management, and medical support.

Acquisitions and Contracts Management

The average length of service of Peace Corps USDH employees in the agency’s Office of Acquisition and Contract Management (OACM) from 2000 to 2010 was 2.84 years. The Administrator of the Office of Federal Procurement Policy (OFPP) recently testified before Congress concerning the importance of strengthening and supporting the federal acquisitions workforce, including contracting officers (COs) and the contracting officers’ technical representatives (COTRs) who monitor contractor performance and payment. In testimony the Administrator said his “...administration is aggressively addressing the understaffing and underinvestment that for too long weakened the federal acquisition workforce.” OFPP is working closely with OPM to improve the hiring process for contracting professionals by ensuring that existing flexibilities for hiring and retaining employees are used. However, the statutory limit on employment that the Peace Corps Act imposes makes it unlikely that OACM will be able to fully benefit from these initiatives.

A 2010 audit report by Peace Corps OIG “*Peace Corps’ Process for Soliciting, Awarding, and Administering Contracts*” determined that the lack of trained COTRs had exposed the Peace Corps to risks, including higher or unnecessary costs relating to the acquisition of products or services. The report pointed out that constant turnover and short staff tenure had compromised

the agency's ability to perform adequate acquisition planning. The report further observed that the efforts of OACM senior managers to improve agency contract management were hampered due to resource constraints, the difficulty filling vacant positions and retaining current staff due to the non-career appointments required by the Peace Corps Act.

Respondents in OACM told us that over a period of eight months from 2011 to early 2012, 50 percent of the contracting officers in OACM separated from the agency. This turnover had been driven by different causes: some contracting officers left to secure permanent positions and promotions with other federal agencies; some left for personal reasons. Efforts to attract qualified candidates to replace those who have left have proved elusive and the hiring manager reported to us that OACM was having a very difficult time attracting qualified applicants, most of whom could secure permanent positions with other federal agencies. As a result, OACM has experienced workload challenges and the office's efforts to update its policies and procedures to keep pace with changes in federal acquisitions rules have been put on hold while senior staff have had to take on operational duties rather than policy and supervisory work.

The FYR was put in place in 1965 in order to keep staff in tune with the Volunteer and to bring in new blood and fresh ideas. OACM requires qualified staff to manage the process for soliciting, awarding, and administering contracts according to complex rules and regulations. The relevance of the FYR to the core support function of acquisitions and contracts management is unclear, and the FYR has presented barriers to OACM's ability to hire and retain qualified employees, placing the agency at unnecessary risk.

Financial Management

The average length of service of Peace Corps USDH employees in the agency's Office of the Chief Financial Officer (OCFO) from 2000 to 2010 was 2.91 years. Concerns have been repeatedly raised about the negative effects that high rates of employee turnover have had on the agency's financial management capabilities. In 1990 the OIG reported to Congress that it had examined Peace Corps' operations and found "deep and pervasive" financial, managerial and administrative problems that had been in existence for 20 years, and that the FYR had contributed to the agency's inability to resolve them: "the continuity needed to identify the root causes of these problems has been lacking." In a subsequent SARC, the OIG noted that rapid personnel turnover had harmed the "integrity of the Agency's financial management systems."

The agency's *Performance and Accountability Reports* have noted the negative effect that employee turnover has had on financial management at Peace Corps. In his letter to the Director outlining the agency's management challenges for FY 2004, the IG recognized the agency's efforts to implement a new financial accounting system but cautioned that for it to be successful the agency would need to implement a strategy to reduce staff turnover and mitigate its related effects. In the description of the agency's management challenges for FY 2006 the Acting IG pointed out the negative effect that turnover was having on the agency's financial management. In interviews, respondents told us that OCFO had difficulty attracting their top candidates to fill positions, and had trouble retaining qualified staff due to the lack of a career path at Peace Corps.

Information Technology

The average length of service of Peace Corps USDH employees in the agency's Office of the Chief Information Officer (OCIO) from 2000 to 2010 was 3.27 years. Senior managers told us that the constant turnover among OCIO personnel had contributed to the failure of several information technology improvement projects, including: fleet management, a web-based programming and training knowledge sharing platform, and the original version of a document-sharing platform. Recent OIG letters to the Director concerning the agency's FY 2011 management challenges have also referenced the negative effect that high levels of turnover have had on OCIO's ability to comply with relevant federal laws and regulations.

“Achieving full compliance with federal laws and regulations that apply to managing the Peace Corps' IT infrastructure are critical management challenges. OCIO is further challenged by high personnel turnover in key technical areas resulting, at least, in part from term limit assignments imposed by law and the availability of qualified resources.”

Staff in OCIO informed us that the constant turnover and frequent vacancies in OCIO personnel meant that the office had not put together or maintained adequately documented standard operating procedures, which, combined with turnovers, budget cuts, and position vacancies, had created a hectic operating environment:

“We are running around 75 percent strength most of the time. At any time we are 25 percent down. We're authorized 83 FTEs and there are 15 permanent vacancies we cannot fill...I have 23 vacancies total that will go through a lapse out of 83 total. So we're running that inefficient...Having budget issues and no SOPs is so shocking.”

Managers also informed us that OCIO was having difficulty retaining qualified personnel who were leaving to secure more permanent positions in other federal agencies. As a result of the office's struggles to attract and retain a qualified direct hire IT workforce, OCIO managers were considering letting direct hire positions that open up as a result of staff attrition remain vacant so that they can hire contractors to perform the same work. This was an example of the difficult choices senior managers at Peace Corps felt compelled to consider to avoid the impact of the FYR on the operations of their offices.

Medical Support Services

The average length of service of Peace Corps USDH employees in the agency's OMS from 2000 to 2010 was 3.08 years. A 2002 external evaluation of the Volunteer health care program performed by Pugh, Ettinger McCarthy Associates, LLC, expressed concerns about the negative effect that the FYR was having on institutional memory, and the ability of OMS to successfully identify and implement organizational changes to improve the quality of the Volunteer health care program:

“The five-year rule also creates challenges for succession planning in management and leadership positions, almost making internal succession planning impossible and influencing organizational memory. One might expect that a succession of new managers and leaders would accelerate change, but we noted that the existing culture resists rapid change and new leaders and managers are counseled to go slowly. By the time a new leader has sufficient experience and knowledge about the way that existing processes work and decisions are made, the window begins to closing on leading major changes due to the five-year rule.”

In our interviews, senior managers expressed strong concerns about the negative effect of the FYR on the ability of OMS to attract the talented staff needed, and they cited the negative effect that regular staff turnover has on their ability to manage the delivery of health care to Volunteers. According to our respondents, the FYR created a barrier to recruiting medical doctors with the qualifications OMS seeks. They expressed concerns that constant turnover has compromised OMS' ability to build and retain a sufficient knowledge base and understanding of the different health care systems in the countries where the Peace Corps operates, which often requires years of professional experience to establish. Staff also expressed a concern that turnover had exacerbated the agency's inability to plan, design and put in place an information management system to efficiently store, retrieve and review medical case history files, and make more informed judgments regarding appropriate care decisions.

Managers we interviewed reported that OMS staff vacancies created extra strain on health care professionals who have taken medical oaths in addition to the oath all Peace Corps employees take to enter on duty. They believed that this extra ethical obligation made such staff more vulnerable to workload stress as they covered additional work duties while managers tried to fill vacant positions, or while new hires became fully oriented to the international health care systems in more than 70 developing countries.

Below are some of the concerns expressed by staff and managers in charge of oversight of the agency's Volunteer health care program:

"The quality of health care would improve without the FYR."

"It's not as if you can just let the medical care slide until someone new comes in to fill the vacancy. The work ethic and the oath demand that you work overtime, you stay late, you work weekends, you do whatever you have to do to provide the best possible care to the Volunteer."

"The gaps take a long time to fill, which is also part of the problem. With security clearances and just all the procedures involved in hiring a federal employee, when a nurse leaves here it creates a big problem."

"On the medical floor, the FYR negatively impacts the health and safety and the overall functionality of the Peace Corps health care delivery system."

Based on our review of past evaluations and current staff perspectives, we determined that by accelerating turnover, compromising institutional memory, and impeding the ability of OMS to attract highly qualified health professionals, the FYR has negatively affected the Volunteer health care delivery system.

Human Resources Management

Another core management function that has been disproportionately affected by employee turnover is the Office of Human Resource Management (HRM). From 2000 to 2010 the average employee tenure in HRM has been among the lowest for all offices at 2.3 years. It is important to note that this office, which experiences a high rate of turnover, is also responsible for processing the personnel actions associated with managing the agency's turnover. The 2010 *Comprehensive Agency Assessment* report pointed out that HRM was an operational area "in need of strengthening" yet it had attracted "only a small number of qualified applicants" to perform this key operational function. Current HRM managers reported to us that HRM had not been successful in attracting sufficient numbers of qualified applicants to fill positions in the office

and that the FYR had put the Peace Corps at a competitive disadvantage in the marketplace for qualified HRM professionals with federal experience:

“I do not think that the FYR should apply to HRM positions where the responsibilities are so driven by federal rules and laws that simply have to be followed, and where you need people who know those rules and have experience working under them. OPM keeps coming up with new programs that we have to follow so you need people who can keep up with those kinds of federal mandates.”

The high rate of turnover in HRM and the dampening effect that the FYR has on HRM’s ability to attract and retain qualified personnel places this core management function at risk.

In sum, we determined that the FYR had created a number of challenges that impeded that agency’s ability to attract and retain qualified personnel to fulfill core management and compliance-related responsibilities for the Peace Corps, such as contracting, financial management, IT, human resources management, and medical support functions.

The FYR Has Made Succession Planning More Urgent and Harder to Accomplish

The high degree of turnover and short-tenure of staff make it all the more urgent for the agency to have a solid succession planning program in place so that the best and brightest staff move into policy-making and leadership positions where they can make significant and lasting contributions to the goals of the agency. We determined that constant turnover and short staff tenures had exacerbated the already difficult challenge of succession planning at the Peace Corps.

A 2008 OPM audit found the agency did not meet standards for succession planning, due to the dampening effects of the FYR:

“Supervisors interviewed largely stated that succession planning was impossible with the five-year employment limitation rule; and universally, employees interviewed were unaware of any succession planning. Most interviewees stated that succession planning was informal at best, with selections for vacancies being made from whoever was available in the talent pool at the time, not through any strategic fortification of the talent pool.”

Staff we spoke to generally do not believe that the Peace Corps is doing enough to coordinate succession planning, and that this failure is harmful to the agency’s operations:

“We should have better succession planning; maybe there should be someone hired to coordinate succession planning for the agency—make sure that managers are preparing the next person to hit the ground running, and that staff are documenting their work and on-going projects; improve record management; improve documentation of organizational structure and re-structuring efforts.”

“A lack of succession practices causes frustration and lost productivity.”

“We shouldn’t wait until someone turns their ID in before we can replace them. We don’t have a system that matches our needs.”

“Succession planning is a weak link, though. We don’t groom someone to take over. Only by accident do we do this.”

“A successful firm would put in place a good management leadership training program—as part of a succession planning strategy. The agency does not have this now.”

For the 55 overseas posts that were in operation continuously from 2000 to 2010, we identified over 230 instances when a key direct hire position (either the CD, DMO or DPT) was not formally filled, though there may have been someone temporarily covering the work on a TDY, on average for almost four months (see Table 8 above). From 2000 to 2010, thirty-three percent of the transitions from one CD to the next resulted in an overseas staffing gap; DMO and DPT successions resulted in slightly higher rates of staffing gaps--41percent for DMO and 45 percent for DPT transitions.

Succession planning is very difficult in a non-career agency like the Peace Corps, particularly given the short amount of time staff work for the agency. Most supervisors acknowledge that the difficulty in identifying and grooming talented staff for promotions and leadership positions is confounded by the reality that highly talented individuals must leave the agency and cannot make a long-term commitment to the healthy operations of the Peace Corps.

The FYR Has Eroded Peace Corps' Capacity for Innovation

A driving rationale behind the creation of the FYR was to bring in a constant inflow of new blood and ideas and to keep the Peace Corps permanently creative and dynamic.

Rather than facilitating the agency's efforts to identify and implement new ideas and innovations, constant turnover and short employee tenure appear to have impeded them. The June 2010 Comprehensive Agency Assessment acknowledged that turnover would not facilitate the agency's efforts to implement its new strategic vision that has been presented to Congress:

“In an agency that sees frequent turnover at all levels because of the Five Year Rule and political appointments, the Peace Corps faces a particular challenge to the successful implementation of this strategy.”

While some staff we spoke to were able to provide specific examples of how the FYR had in their view brought in a creative and dynamic person or team who had pushed the agency forward in some innovative way, we met more staff who argued “you don't get innovation from turnover.” A more commonly reported perspective on the relation between innovation and the FYR was that excessive turnover and short staff tenures made innovation harder and less likely to happen, since innovation takes time and follow-through:

“It makes you less ambitious because you know you can't do the big long term changes the way you want to, and so responsible staff conclude it is better not to start and risk making things worse. It makes innovation and change harder than it would if you had more continuity.”

“There is no follow-through. Study after study. No action. You don't get innovation from turnover. In fact you get less innovation from turnover.”

“Operationally the best people leave and then they are gone, and that's a pain. I would rather have other ways of bringing in innovation than the FYR.”

“They [several large projects] all failed because of personnel changes and leadership/management issues.”

“We didn’t really have a system in place before the Quality Improvement Initiative to evaluate the quality of our health care delivery system, and make informed decisions about how to improve it. That was missing. Certainly the FYR was not helping us get there, either.”

“It is impossible to get any project done and follow through. Far from helping us to innovate, the FYR makes it almost impossible to innovate because you can’t see a project to completion.”

Staff employed in the Office of Safety and Security, who have been exempt from the FYR since 2003, reported that they have been able to make sustained improvements in their program because they have been able to draw on more experience and have gained more insight into best practices in their functional area.

High turnover and short staff tenure have eroded the agency’s capacity to see innovation efforts through to completion. Respondent perspectives on the extent to which Peace Corps has been able to implement and follow-through on innovation initiatives, as well as our review of various evaluations of Peace Corps going back to early 1970s, provide evidence that the agency has frequently struggled with and failed to overcome persistent challenges.

The 30-Month Tour Has Contributed to Inadequate Performance Management

Merit system principles call on federal agencies to retain employees on the basis of their performance, to correct inadequate performance, and to separate employees who do not improve.

The lack of active performance management was frequently criticized by those interviewed for this evaluation, as well as by field staff who responded to our FYR impact survey. Respondents expressed the viewpoint that addressing the agency’s performance management challenges should be a priority for the agency. Some argued that performance management was a more pressing problem than the FYR, that fixing it should precede any legislative changes to the FYR or the 30-month tour policy, and that if the FYR is changed before first improving the culture and practice of performance management, the Peace Corps’ performance would suffer.

Performance management has been a consistently weak area for the Peace Corps. Both internal and external assessments have attributed this weakness to the agency’s policy of employing its direct hires on 30-month appointments. In its 1992 *Inspection of Peace Corps Office of Personnel Management*, the Peace Corps OIG reported that the FYR contributed to a weakened performance appraisal system because the agency could so easily separate employees regardless of their performance. In its 2008 audit report of human resources management at Peace Corps, OPM reported that the FYR appointment restrictions had a “major impact in terms of strategic human capital management and result in acknowledged key challenges for management.” OPM determined that the agency’s performance appraisal system only ‘partially met’ standards.

Interview and survey respondents told us that the agency’s 30-month appointment policy allows supervisors to rely on the 30-month appointment as a substitute for performance management; that employees who do not perform well are simply denied a second appointment which requires no confrontation or active performance management. However, staff also expressed the concern that two and one-half years can be a long time to employ an under-achieving employee, and that low-performing employees can be more of a detriment at the Peace Corps than they would at a larger agency with more staff available to pick up the slack.

We found examples of managers who took the necessary steps to put a low-performer on a performance improvement plan (PIP) and did all the documentation and performance management required to either improve someone's performance or terminate the employment. However, we also heard from managers who admitted that they sometimes did not carry out the necessary steps because the PIP process was too cumbersome and onerous. Some argued that in the federal government it was simply too difficult to terminate an employee, so the 30 month tour was a necessary and useful tool. A broad range of attitudes and opinions concerning the effects of the FYR on performance management were expressed by current Peace Corps staff and managers, some of which are included as examples below:

"The FYR also allows managers to avoid personnel issues since they will be flushed out anyway."

"The agency has a very poor record and dysfunctional culture of managing poor performers. Managers do not actively deal with poor performing employees."

"Six-month probationary period is too short, and too cumbersome to be effective, so it is under-utilized; this problem essentially forces managers to fall back on the 30-month tour as a way to flush out a non-performer."

"Performance management is a process and the PIP is part of that, but a lot of supervisors use the 30-month appointment to get rid of poor performers; there is no appeals or grievance process required for tour decisions. It just takes 30 days notice to the employee prior to second tour decision."

"It takes a lot of time and effort to do that [performance management], and in some cases if managers are honest about it, the truth is that you would rather try to find a safe corner to tuck a low-performer in until his 30-month tour is up, and then just let him go, rather than go through the intense amount of paperwork and documentation required to fire someone before their tour is up."

"The agency has to improve performance management as a way to make sure that positions open up. Performance should be the basis for personnel decisions, not a clock."

"While I would like to get rid of the 5-year rule in order to promote continuity, historical knowledge, and consistency at Peace Corps Posts, I have some concerns. The FYR seems to have become a way to get rid of staff who are not doing a good job. Instead of holding people accountable with performance reviews and disciplinary procedures, the 5-year rule is used as a way to get rid of people who are not doing a good job. If the agency cannot improve its systems for removing staff who are not performing well, then I am concerned that getting rid of the FYR will have an overall negative impact on the agency."

"I feel strongly that someone who has worked for Peace Corps for 5 years is in their prime...I don't see how taking someone out of that job helps the agency. Perhaps in lieu of the 5 year rule, we might apply an up or out rule. Where each position has a 5 year term and either you get promoted or you have to leave the agency. I think it would be better to focus on performance based management then to just let someone go because an arbitrary line of time has been crossed. If an employee is no longer serving the Agency then they should be let go, if they are exceeding expectations than we, as an Agency, should do everything in our power to keep them on board."

The intent of the FYR was not to provide managers at the Peace Corps with an alternative tool to avoid the difficult business of performance management. Government-wide standards of human capital management and merit system principals require the Peace Corps to retain employees on the basis of performance, correct inadequate performance, and separate employees who do not perform.

In order to address the negative effects of accelerated employee turnover and abbreviated employee tenure, we recommend:

- 1. That the Director carry out the necessary reforms to the FYR, including seeking legislative remedies if required, to reduce the rate of employee turnover and increase the average length of employment of the agency's direct hire employees.**
- 2. That the Director identify which functions should be subject to periodic turnover to meet the needs of the agency, and implement a process to manage turnover so that the agency retains qualified personnel on the basis of merit and performance.**
- 3. That the Director identify the agency's core business functions and positions that currently suffer from frequent staff turnover and lack of continuity, and determine and implement a process for acquiring and retaining qualified personnel to perform those functions on the basis of merit and performance.**
- 4. That the Associate Director for Management lead improvements in the agency's approach to performance management by raising expectations to actively address employee performance issues and by providing supervisors with the training and support to correct inadequate performance and separate employees who do not improve.**

SECTION C: NEED FOR BETTER DATA ON EMPLOYEE ATTRITION

The Peace Corps does not maintain sufficient or reliable information on the causes of employee turnover. Without better data on why its employees choose to resign before their end of tour dates the agency may not be able to generate effective solutions to reduce the rate of unwanted employee attrition.

The agency lacks complete and useful data on the reasons why employees end their appointments early.

GAO's internal control standards for federal agencies provide guidance related to the collection and maintenance of data to inform management decisions:

“Program managers need both operational and financial data to determine whether they are meeting their agencies’ strategic and annual performance plans and meeting their goals for accountability for effective and efficient use of resources.”

In addition, OPM has recently issued studies that stress how important it is for all federal agencies to have a better understanding of the causes of staff attrition--an understanding “critical to agency mission and health.” In order to develop this understanding, a federal agency needs “data ... to help highlight at-risk groups and factors that contribute to unwanted attrition.”³⁶ In order for the Peace Corps to take well-informed steps that can slow down the pace of annual employee turnover and increase employee tenure, the Peace Corps’ leadership would benefit from a robust understanding of the causes of staff attrition.

Previous evaluations by OIG have found weaknesses in the agency’s data related to employee turnover. In the December 2010 *Follow-Up Evaluation of the Volunteer Delivery System (IG-11-01-E)*, OIG reported that, when it previously found that excessive turnover in VRS had impeded the Volunteer delivery system, it had been unable to determine if employee turnover had improved since 2003. The Peace Corps did not routinely determine turnover rates or average tenure, and the personnel data it provided to OIG for its analysis of turnover and tenure in VRS had too many limitations to generate meaningful analysis.

Our evaluation of the impacts of the FYR also found that the Peace Corps lacked reliable information concerning the causes of high levels of employee turnover. The Peace Corps had not always collected information from departing employees on the reasons why they decided to resign. Further, the limited data collected was not recorded electronically and could not be retrieved or analyzed in an efficient manner.

We examined the agency’s electronic personnel records from 2000 to 2010 and analyzed the separation codes of 2,500 direct hires over this period.

³⁶ *Beneath the Surface: Understanding Attrition at Your Agency and Why it Matters*, Partnership for Public Service, November 2010.

Table 9. All USDH Separations (2000 to end of 2010)³⁷

Separation Reason	Number	Percent
Resigned before end of tour date	1019	40.8%
Separated at end of tour	682	27.3%
Transferred to another federal agency	551	22.0%
Retired	177	7.1%
Terminated (fired)	40	1.6%
Resigned (political and other appointments)	16	0.6%
Terminated during probation	11	0.4%
Other	4	0.2%
Grand Total	2500	100.0%

Of 2,500 USDH separations over this 10 year period, 40.8 percent resigned before their end-of-tour dates and 27.3 percent separated at the end of their tours. It was not possible to determine how many of the 1,019 resignations from 2000 to 2010 were primarily caused by the FYR as opposed to something else. For example, the 27.3 percent of separations that coincided with end-of-tour dates does not mean that the FYR contributed to only 27.3 percent of the agency’s turnover. We know from interviews and other research conducted during this evaluation that employees who may have preferred to remain at the Peace Corps instead transferred to other federal agencies to secure a more permanent position or one with promotion potential. Therefore, an unknown percentage of the 551 transfers from Peace Corps to other federal agencies was also motivated by the FYR. We also know that some employees resigned from the Peace Corps before their end-of-tour dates in order to secure positions outside the federal government, presumably with more long-term career advancement potential than could be had at Peace Corps within the five-year limit. Likewise, an unknown percentage of the 1,019 resignations were motivated at least in part by the FYR. Employee viewpoint survey results for Peace Corps have shown consistently low levels (40 percent) of satisfaction among agency employees regarding their opportunity to get a better job at the Peace Corps.

We reviewed 201 hard copies of separation notices for 2010 to understand why employees resigned early from the Peace Corps (separation notices sometimes contain notes that have not been coded electronically). This more detailed review of separation notices did not allow us to determine the contribution of the FYR to the agency’s 2010 turnover rate, because the notices frequently lacked information on the reason for the early resignation.

Respondents reported to us that employees resign early when they do not see a viable career path at Peace Corps, and that this is partly due to the FYR and partly due to the relatively small size of the agency.

“It makes forming a career very challenging. For example, as a recruiter, there are very few opportunities to advance. If you aren’t promoted to be Recruitment Coordinator, you have nowhere to go.”

“The FYR does not allow people to develop a career path here.”

³⁷ The analysis in this table is based on the federal separation codes associated with Peace Corps separations from 2000 to 2010, as provided to OIG. It excludes experts, interns and temporary employees.

“The Peace Corps is a great agency to start and end a career, but not a good place to work in the middle of your career when many people want a longer-term commitment from the employer.”

“One of the downsides of the FYR is that you don’t have an ability to develop and advance staff up to significant levels.”

“In terms of an employment product, Peace Corps offers an inferior product compared to other agencies. The ladders here are so short. This encourages loss.”

“Even if you had all high performing desk officers there is just not enough room for steady promotions and growth.”

Better data on why its employees resign early would equip the agency with information to identify data-driven solutions to reduce the number of early resignations. Improved methods of collecting and analyzing SF50 separation data are required in order to more fully understand the reasons why employees end their appointments early and take proactive steps to mitigate the causes of early resignations.

In order to improve the agency’s processes for understanding staff attrition, we recommend:

- 5. That the Associate Director for Management put in place more robust processes and systems to gather and analyze data on the causes of unwanted, early employee resignations, and develop data-driven solutions to curb the pace at which employees resign early.**

SECTION D: COSTS OF MANAGING TURNOVER AT PEACE CORPS

The FYR has led to a high level of employee turnover. Replacing its employees requires the agency to undertake a series of actions, each of which requires time and resources. This section of the report presents the results of our analysis of the costs most closely associated with managing employee turnover.

The constant turnover accelerated by the FYR creates extra costs to the agency.

We estimated the direct financial cost of managing the agency's personnel turnover from 2005 through 2009 to have been \$20.7 million. The median turnover rate during this period was 30.9 percent, compared to 7.8 percent for the rest of the federal government. If turnover at the Peace Corps had reflected government-wide turnover during this period, the agency's costs of managing turnover would have been reduced by more than \$15 million to approximately \$5.2 million. If turnover at the Peace Corps had been closer to 12 percent, as in-depth studies of federal turnover suggest could be more likely, the agency's costs of managing turnover would have been reduced by \$12.6 million to approximately \$8 million. In other words, for the five-year period from 2005 through 2009, the FYR contributed between \$12.6 million and \$15.5 million out of \$20.7 million in turnover management costs.

We estimated the costs associated with employee turnover at the Peace Corps using a model we developed based on other turnover calculation approaches and guidance. We were unable to find a model that took into consideration the particular variables that affect recruiting, hiring, training, placing and separating USDHs at the Peace Corps. Consequently, we developed a tool specifically for the purpose of generating a reasonable estimation of the direct financial costs the Peace Corps faces in managing its turnover-related activities and transactions. This calculator went through an internal review process with OIG staff as well as with staff of Peace Corps' M/HRM and other offices in order to identify the relevant categories of time and financial resources spent on accession, training and separating the agency's USDHs. We derived an estimation of the cost of attrition at Peace Corps from 2005 to 2009, based on accession and separation data in personnel records we analyzed.

Specifically, the costs included in this turnover calculation include:

- Costs related to announcing a vacant position, based on the number of staff hours spent to develop a position description and the average cost per hour of the relevant staff person's time;
- Costs related to developing a roster of qualified applicants, based on average hours needed for this activity and the cost per hour of staff time;
- Costs related to reviewing rosters and selecting candidates for interviews, based on the average number of qualified applicants to review and the number of hours needed to review each applicant and select candidates for interviews;
- Costs related to interviewing candidates and making a selection, based on the number of candidates invited for an interview, the number of people involved in each interview, the number of interviews conducted per candidate, the amount of time staff spend preparing for,

conducting and debriefing after each interview, and separating out the interview process for CDs from other staff on the basis that the CD selection process is more resource intensive compared to other positions;

- Costs related to securing security clearances, based on information from the safety and security office regarding average costs for different categories of security clearance and the number of new hires who required them;
- Costs related to providing overseas staff training, based on average airfare and per diem costs for OST participants, the number of days of OST and the number of USDH OST participants from 2005 to 2009;
- Costs of relocating overseas staff, based on average relocation costs and the number of relocations in the period;
- Costs associated with covering periods of overseas vacancies through temporary duty assignments, based on budget figures obtained from regional staff; and
- Costs of processing separations, based on hours involved to process the separation and the number of separations in the period.

We did not attempt to offset the direct management costs of personnel turnover with potential savings that the agency may have achieved by not having to budget for salary increases of longer-term staff, or by being able to replace outgoing USDHs with new hires who enter on duty at a lower salary level.

We did not attempt to capture in financial terms the range of indirect costs associated with the FYR, including:

- The value of the frequent loss of talented and experienced staff;
- The value of reductions in productivity during periods of staff transition and learning curves;
- The value of deficiencies in institutional knowledge;
- Disruptions in the continuity of leadership and management; and
- Costs related to projects that are delayed, deferred or fail entirely through personnel turnover instability.

Each of these costs may be more significant than the turnover management costs we were able to estimate. However, given that factors in addition to the FYR influence these institutional challenges and that there is not a reliable basis for quantifying them as costs, we did not attempt to include them in our cost calculations. Our conservative approach nevertheless resulted in the identification of important turnover-related costs.

SECTION E: OTHER OBSERVATIONS RELATED TO RETURNED VOLUNTEERS AND POLITICAL APPOINTMENT STRUCTURE

RPCVs and the In-Up-Out Idea

An important motivation and intent behind the creation of the FYR was to allow the agency to hire returned Volunteers “as soon as possible” to fill “almost all substantive jobs [that] influence the shape and gusto of PC programs”

Among all the agency’s USDH employees in the previous decade, 53 percent were RPCVs. In terms of its overseas direct hire positions, our analysis of personnel data determined that the Peace Corps had filled these leadership positions to a great extent with RPCVs. From 2000 to 2010, 78 percent of USDHs in overseas post leadership roles were RPCVs, including CDs, DPTs (formerly Program and Training Officers), DMOs (formerly Administrative Officers).

Peace Corps has employed a balanced mix of RPCVs and non-RPCVs from 2000 to 2010 to perform important operational and Volunteer support functions. Offices connected to the ‘shape and gusto’ of Volunteer programs where one would expect to find higher percentages of RPCVs (such as recruitment and placement, regional operations, programming and training, and other communications and research functions) employed higher percentages of RPCVs.³⁸ About half (48 percent) of the USDHs who worked in these offices from 2000 to 2010 were RPCVs. Returned Volunteers filled fifty-one percent of non-supervisory positions in these offices, while non-RPCVs occupied 72 percent of supervisory positions.

But accelerated turnover and short tenure may have undermined the potential of the original in-up-out idea in not providing sufficient time for junior staff, both RPCVs and non-RPCVs, to rise through the ranks to assume supervisory positions. Interestingly, the original author of the in-up-out policy idea recently offered his view as to whether or not five years was the most appropriate limit for Peace Corps appointments:

“I believed then that five years would be too short. I believed that the RPCV who is recruited to work in a substantive staff position must be there long enough for her or him to (1) to learn the ways of federal bureaucracy, and (2) on the basis of excellent performance, rise to a position of influence; and then (3) still have a few years left in which to wield that influence with genuine effectiveness.... And eight years, of course, is precisely the number of years recommended in my original In-Up-Out memo. Given this fact, one cannot help wondering whether, if there had been an “Eight Year Rule” in force from the beginning, perhaps many problems might have been averted.”

The FYR has not resulted in the Peace Corps employing RPCVs in senior leadership and policy-making roles at headquarters to the extent originally envisioned. Of the 95 USDHs in senior staff positions at headquarters during the 2000s, 75 percent were non-RPCVs. While there are no clear

³⁸ Office of Communications, Office of Volunteer Support and Medical Services (VS/OMS), Office of Volunteer Recruitment and Selection (VRS), Office of Safety and Security (OSS), Office of Public Engagement (OPE), Office of Strategic Information Research and Planning (OSIRP), Office of Private Sector Initiatives (OPSI), Office of Global Operations (OGO), Overseas Programming and Training Support (OPATS), Office of AIDS Relief (OAR), Peace Corps Response (PCR), and the three Regions: Africa Region; Inter-America and Pacific Region (IAP); and Europe, Mediterranean, and Asia Region (EMA).

criteria for judging if 25 percent of RPCVs in senior staff positions meets the original intent behind the in-up-out policy conceived in the 1960s, this percentage is much lower than the percentage of RPCVs employed in overseas leadership positions during the ten-year timeframe we examined.

RPCVs and the Peace Corps' Contribution to U.S. Foreign Policy

One of the original ideas associated with the FYR was that staff would leave Peace Corps for jobs at the Department of State and USAID and other places to influence US foreign policy. We determined that from 2000 to 2010, 22 percent of the employees who separated from the Peace Corps went to another federal agency, and many of the 2010 transfers we reviewed were to either the State Department or USAID. But the available data did not allow us to determine how many former direct hire employees transferred to other federal agencies where they performed work with a foreign policy focus, and it was beyond the scope of this evaluation to understand what impact former Peace Corps employees have had on U.S. foreign policy or foreign assistance.

Staffs' concerns regarding the Peace Corps' political appointment structure

Throughout the course of this evaluation many interviewees expressed their beliefs and attitudes regarding the effect that political appointees, particularly appointees with no previous Peace Corps experience, were having on the operations of the agency. Many respondents insisted that it was important for our evaluation to consider the combined effect on the agency's operations of constant staff turnover and the agency's political appointment structure. The commonly expressed reasoning respondents articulated was that these two features of the agency's personnel structure—high turnover created by the FYR and the high number of political appointments managing the agency had combined to create a vicious cycle that harmed the strategic direction of the agency, as well as the ability of staff to function effectively in carrying out whatever strategy was in place at the time. Assessing the merit of this sentiment was outside the scope of our evaluation.

LIST OF RECOMMENDATIONS

In order to mitigate the negative effects of excessive employee turnover and brief employee tenure on the operations of the Peace Corps, we recommend:

1. That the Director carry out the necessary reforms to the FYR, including seeking legislative remedies if required, to reduce the rate of employee turnover and increase the average length of employment of the agency's direct hire employees.
2. That the Director identify which functions should be subject to periodic turnover to meet the needs of the agency, and implement a process to manage turnover so that the agency retains qualified personnel on the basis of merit and performance.
3. That the Director identify the agency's core business functions and positions that currently suffer from frequent staff turnover and lack of continuity, and determine and implement a process for acquiring and retaining qualified personnel to perform those functions on the basis of merit and performance.
4. That the Associate Director for Management lead improvements in the agency's approach to performance management by raising expectations to actively address employee performance issues and by providing supervisors with the training and support to correct inadequate performance and separate employees who do not improve.
5. That the Associate Director for Management put in place more robust processes and systems to gather and analyze data on the causes of unwanted, early employee resignations, and develop data-driven solutions to curb the pace at which employees resign early.

OBJECTIVES, SCOPE, AND METHODOLOGY

In February of 2011, the Peace Corps OIG began an evaluation of the impacts the FYR has had on operations of the Peace Corps. We concluded the main fieldwork phase of this review in October of 2011. The primary objective of the evaluation was to determine:

1. The FYR impact on Peace Corps operations, both domestically and in the field; and
2. The cost implications of the FYR for the Peace Corps.

In addition, this evaluation describes unintended effects that are associated with the FYR, to inform the agency's management about how the FYR has been affecting the operations of the Peace Corps in ways that may not be obvious but deserve attention.

We based our evaluation conclusions on information from document reviews, data analysis, surveys, and interviews. The methodology included the following major steps:

- A review of the legislative history connected to the original intent behind the FYR, and subsequent amendments to the rule;
- A review of internal agency memos concerning the FYR from 1961 to the present;
- A review of studies that have identified effects of the FYR on different aspects of agency operations, including reports issued by the ACTION agency Office of Program and Policy Development, GAO, NAS, or private contractors;
- Interviews of current and former staff of the agency (76);
- A survey of field staff at all posts (including USDHs, PSCs and FSNs) to gather their input on how turnover and vacancies of key USDH personnel effect operations at our overseas posts (349 responses);
- A review of Peace Corps employee surveys from 2004 to 2011;
- An analysis of ten years of personnel records to determine the extent of turnover within the agency;
- An analysis of Peace Corps personnel data by the OPM's Data Analysis Group that attempted to shed light on employee tenure at Peace Corps since 1985; and
- An estimation of the cost of turnover at the Peace Corps using a cost calculator an OIG senior evaluator designed based on available models and some agency input.

This evaluation sought to provide some answers to the question of whether or not the FYR has served its intended purpose. Important steps to answer this question included identifying Peace Corps' as well as Congressional intent behind it. These documents included:

- The original 'in-up-out' memo from December of 1961;
- Correspondence from Director Shriver to officials at other federal agencies who were involved in shaping the FYR;
- Legislative history as contained in the original 1965 bill amending the Peace Corps Act, and associated conference reports; and

- Agency reports, including the Human Capital Management reports that quantify aspects of the FYR, specifically desired turnover rates.

This evaluation was conducted in accordance with the *Quality Standards for Inspections* issued by Council of the Inspectors General on Integrity and Efficiency. Those standards require that we plan and perform the evaluation to obtain sufficient and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our evaluation objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our evaluation objectives. The findings and recommendations provided in this report have been reviewed by agency stakeholders affected by this review.

Data Limitations

In general the data that OIG requested was provided in a timely and complete manner by agency personnel, who also assisted OIG throughout the evaluation in answering questions about the data. The OIG would like to express gratitude in particular to LaTasha Mason in the Office of Human Resources for her extensive and helpful assistance.

The data available for this study included a large excel spreadsheet the Office of Management provided that contained 33,871 personnel actions from 2000 to 2010, with one row for each personnel action. Thus, an individual direct hire employee typically had multiple personnel actions associated with his or her employment. This presented numerous analytic challenges related to determining each individual's length of employment overall, as well as the amount of time worked in each position and office.

There are issues with the usefulness of personnel data as currently maintained by the agency. The first challenge concerns the inconsistent manner in which position titles have been keyed into the payroll database. There are multiple variations of the same position title (e.g. 16 variations and misspellings of the title for 'Programming and Training Officer'), which complicated efforts to analyze the amount of time that employees held the position. We identified 980 different position titles in the 33,871 personnel records we examined. Taking the position of *IT Specialist (Systems Analyst)* as an example, there were nine variations on the position title, including "INFO. TECH. SPEC. (SYS. ANALYSIS)"; "INFORMATION TECH SPEC (SYSTEM ANALYST)"; "INFORMATION TECH SPEC SYSTEMS ANALYST"; "IT SPECIALIST (SYS ANALYST)"; "IT SPECIALIST (SYSANALYSIS)"; "IT SPECIALIST (SYSTEMS ANALYST).

The second challenge that currently compromises the agency's ability to understand employee turnover concerns the lack of complete and useful data on the reasons employees decide to resign early. Our analysis of separations that took place in 2010 revealed that 40 percent of those who resigned before the end of their appointments did not provide a reason. In addition, data that captures the reasons why employees stop working for the Peace Corps cannot be retrieved in a useful way from the payroll database due to a limitation in that system, and so the agency must rely on a paper-based review of SF-50 notices of personnel actions for meaningful detail concerning separations. These factors result in a process for analyzing separations that is both incomplete and cumbersome.

APPENDIX A: ACRONYMS

AO	Administrative Officer (previous title of Director of Management Operations)
APCD	Associate Peace Corps Director
CD	Country Director
CO	Contracting Officer
COS	Close of Service
COTR	Contracting Officer Technical Representative
CSC	Civil Service Commission (currently the Office of Personnel Management)
DMO	Director of Management Operations
DPT	Director of Programming and Training
EOD	Enter on Duty
EMA	Europe, Mediterranean, and Asia
FSN	Foreign Service National
FTE	Full-Time Equivalent
FYR	The Five-Year Rule
GAO	General Accounting Office (now the Government Accountability Office)
GC	General Counsel
HQ	Headquarters
HRM	Human Resource Management
IAP	Inter-America and the Pacific
IMA	Internal Management Assessment
IPBS	Integrated Planning and Budget System
IT	Information Technology
NAS	National Academy of Sciences
OACM	Office of Acquisitions and Contract Management
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General
OM	Office of Management
OMS	Office of Medical Services
OPATS	Overseas Programming and Training Support
OPM	Office of Personnel Management
OSIRP	Office of Strategic Information, Research and Planning
OST	Overseas Staff Training
PAR	Performance and Accountability Report
PC	Peace Corps
PCDBMS	Peace Corps Database Management System
PIP	Performance Improvement Plan
PSC	Personal Services Contractor
PST	Pre-Service Training
PTO	Programming and Training Officer (previous title of Director of Programming and Training)
RPCV	Returned Peace Corps Volunteer
RRO	Regional Recruiting Office
SARC	Semi-Annual Report to Congress

SF50	Standard Form: Notification of Personnel Action
SOP	Standard Operating Procedure
TDY	Temporary Duty
USAID	United States Agency for International Development
U.S.C.	United States Code
U.S.C.C.A.N.	United States Code Congressional and Administrative News
USDH	United States Direct Hire Employee
VRS	Volunteer Recruitment and Selection
VS	Volunteer Support

APPENDIX B: MAJOR LAWS AND REGULATIONS AFFECTING FEDERAL AGENCIES SINCE 1961

Federal Financial and Performance Management

Federal Managers Financial Integrity Act of 1982 (FMFIA) (P.L. 97-255), as amended
Requires agencies establish internal accounting and administrative controls that comply with internal control standards prescribed by the Comptroller General to identify and address major performance and management challenges and areas at greatest risk of fraud, waste, abuse, and mismanagement.

Prompt Payment Act of 1982 (P.L. 97-177)

Requires the Federal government pay interest on overdue payments.

Chief Financial Officers Act of 1990 (CFO Act) (P.L. 101-576)

According to GAO, this is the most comprehensive and far-reaching financial management improvement legislation since the Budget and Accounting Procedures Act of 1950. The legislation brings more effective financial management practices to the Federal Government; improves accounting, financial management and internal controls; and provides for the production of complete, reliable, timely, and consistent financial information for use by the executive branch and the Congress.

Government Performance and Results Act of 1993 (GPRA) (P.L. 103-62), as amended

Requires agencies to clarify their missions, set strategic and annual performance goals, and measure and report on performance toward those goals. 2010 amendments require quarterly performance assessments of Federal agencies, and established agency performance improvement officers. The legislation creates: (1) chief operating officers, (2) program improvement officers, (3) a government-wide performance improvement council, and (4) a government-wide performance web-site.

Government Management Reform Act of 1994 (GMRA) (P.L. 103-356)

Addresses a range of Federal pay and financial management issues, and requires that Federal agencies have their financial statements audited before submitting them to OMB.

Federal Financial Management Improvement Act of 1996 (FFMIA) (P.L. 104-208)

Advances Federal financial management by ensuring that Federal financial management systems provide accurate, reliable, and timely financial management information to the government's managers.

Accountability of Tax Dollars Act of 2002 (ATDA) (P.L. 107-289)

Expands the type of Federal agencies required to prepare audited financial statements.

Improper Payments Information Act of 2002 (P.L. 107-300), as amended

Minimizes erroneous payments by Federal agencies, and is intended to enhance the accuracy and integrity of Federal payments.

Federal Oversight

Inspector General Act of 1978 (P.L. 95-452), as amended

The IG Act of 1978 established the responsibilities of an Inspector General, and in 1988 IGs were established in small, independent agencies including Peace Corps.

Information Technology and Security

Information Technology Management Reform Act of 1996 (Clinger-Cohen Act) (P.L. 104-106)

This law (the ‘CIO Act’) established Chief Information Officers in each Federal agency, and a comprehensive approach for executive agencies to improve the acquisition and management of their information resources.

Federal Information Security Management Act (FISMA) of 2002 (P.L. 107-347; Title III)

Provides a framework for ensuring the effectiveness of information security controls and mandates Federal agencies develop, document, and implement an information security program.

Acquisitions and Contracts

Office of Federal Procurement Policy Act of 1974 (P.L. 93-400)

Authorized the issuance and development of the Federal Acquisition Regulations (FAR) codifying uniform policies for acquisition of supplies and services by executive agencies.

Federal Acquisition Streamlining Act of 1994 (P.L. 103-355)

Enables simplified procurement of goods and services under certain conditions and promotes the use of fixed price performance-based contracting.

The Federal Activities Inventory Reform (FAIR) Act of 1998 (P.L.105-270)

Provides a process for identifying the functions of the Federal Government that are not inherently governmental functions.

Employment and Federal Personnel Systems

Civil Service Reform Act of 1978 (P.L. 95-454)

Significant reform of the Civil Service that abolished the Civil Service Commission and created three new Federal agencies including the Merit Systems Protection Board, the Office of Personnel Management, and the Federal Labor Relations Authority

Equal Pay Act of 1963 (P.L. 88-38)

Prohibits gender-based wage discrimination.

Civil Rights Act of 1964 (P.L. 88-352) (Title VII), as amended

Prohibits employment discrimination based on race, color, religion, sex and national origin. Establishes the EEOC and provides it with regulatory authority.

Age Discrimination in Employment Act (ADEA) of 1967 (P.L.90-202)

Promotes employment of older persons based on their ability rather than age and prohibits arbitrary age discrimination in employment.

Occupational Safety and Health Act (OSHA) of 1970 (P.L.91-596)

Establishes OSHA and requires employers to provide a workplace free from recognized hazards that can cause physical harm to employees.

Americans with Disabilities Act of 1990 (Pub. L. 101-336) (ADA), as amended

Prohibits employment discrimination against qualified individuals with disabilities.

Rehabilitation Act of 1973 (Pub. L. 93-112)

Prohibits discrimination on the basis of disability in programs conducted by or financed by Federal agencies and in Federal employment.

Family and Medical Leave Act (FMLA) of 1993 (P.L.103-3)

Provides family and temporary medical leave under certain conditions in order to entitle employees to take reasonable leave for medical reasons, for the birth or adoption of a child, and for the care of a child, spouse, or parent who has a serious health condition.

Whistleblower Protection Act of 1989 (P.L. 101-12), as amended

Strengthens and improves protection of the rights of Federal employees in order to prevent reprisals, and to help eliminate wrongdoing within the Government.

Access to Information and Privacy

The Freedom of Information Act (FOIA) of 1966 (P.L. 89-554), as amended

Requires Federal agencies to disclose requested information unless it is protected from public disclosure. Significant amendments were passed by Congress in 1976 and 1996.

Privacy Act of 1974 (P.L. 93-579), as amended

Establishes a code of fair information practices that governs the collection, maintenance, use, and dissemination of information about individuals maintained in systems of records by Federal agencies.

Paperwork Reduction Act of 1980 (P. L. 96-511), as amended

Requires agencies to be more responsible and publicly accountable for reducing the burden of Federal paperwork on the public. Provides the Office of Management and Budget with regulatory authority governing Federal information and information policy.

Ethics

Ethics in Government Act of 1978 (P.L. 95-521), as amended

Established the Office of Government Ethics (OGE) to provide overall direction, oversight, and accountability of policies designed to prevent and resolve conflicts of interest and to promote a high standard of ethics for executive branch employees. OGE promulgated regulations in 1992 establishing the Standards of Ethical Conduct for Employees of the Executive Branch. OGE also oversees the financial disclosure program for Federal agencies.

**APPENDIX C: AVERAGE LENGTH OF SERVICE OF PEACE CORPS DIRECT HIRE
EMPLOYEES, BY OFFICE: 2000 TO 2010**

Peace Corps Office or Duty Station ³⁹	Number of USDHs	Years from EOD to Separation ⁴⁰
Headquarters	1495	2.75
Congressional Relations	17	0.52
Public Engagement	24	1.35
Private Sector Initiatives	30	1.38
Press Relations	74	1.97
Management/Human Resources	216	2.27
Safety & Security	13	2.28
Director's Office	47	2.45
Volunteer Recruitment and Selection	143	2.52
Peace Corps Response	30	2.53
Strategic Information, Research and Planning	13	2.63
Programming and Training Support	150	2.78
Acquisitions and Contracts (OACM)	33	2.84
Chief Financial Officer (OCFO)	198	2.91
Volunteer Support/Medical/Special Services	147	3.08
EMA Region	51	3.14
Chief Information Officer (OCIO)	119	3.27
IAP Region	59	3.34
General Counsel	26	3.46
Africa Region	59	3.53
American Diversity Program	4	3.99
Inspector General	37	4.06
AIDS Relief	5	5.15
Overseas Posts	462	3.85
Africa Region	182	4.11
EMA Region	157	3.45
IAP Region	123	3.99
Regional Recruiting Offices	435	2.82
Grand Total	2392	2.98

³⁹ The data in Appendix C does not include tenure calculations for temporary hires, interns, experts or other employees not subject to the five-year rule.

⁴⁰ The average EOD to separation calculations in this table do not include currently serving staff who have not separated yet. For some smaller offices such as Congressional Relations where a few longer-serving direct hire employees currently work, average employee tenure would be somewhat higher if currently-serving employees were included in the average tenure calculation. For example, in Congressional Relations, average tenure over the same period, including currently serving employees would be 1.23 years, not 0.52 years.

**APPENDIX D: OIG SEMI-ANNUAL REPORTS TO CONGRESS THAT MENTION
THE FYR**

Semi-Annual Report to Congress (SARC)	FYR finding or reference	Agency response
1st SARC: October 1989 (the first SARC by Peace Corps' OIG)	"The rate of turnover of qualified staff, both in the OIG and throughout the agency, is disheartening. Since 1985, the average tour of duty of all Peace Corps staff has been seventeen months."	
	The IG reported that the FYR was an impediment to completing important audits and investigations and the independence of the OIG was compromised by having to seek the Director's approval on extension requests.	The Peace Corps Director committed to consider all extension requests "solely in accordance with the criteria under the Peace Corps Act and with respect for the purposes of the Inspector General Act."
	In a review of the Peace Corps' financial management system, independent auditor Peat Marwick Main & Co. found that high employee turnover created by the statutory FYR caused a weak internal control environment, deprived Peace Corps of the institutional memory essential to the resolution of problems, increased staff training costs, and created difficulty in attracting and retaining competent, qualified personnel to operate the financial management system economically and efficiently.	The Peace Corps Director maintained that "The five-year rule has worked well for almost 25 years and has been a key ingredient in maintaining the uniqueness of the United States Peace Corps...In my view, it is important that the Agency have the opportunity, where appropriate, for new points of view and different experience, in auditing, investigating and inspecting programs, as well as in conducting them."
2nd SARC: April 1990	<p><u>"Personnel Stability.</u> The agency needs to address the destabilizing effects of the high rate of attrition among staff and Volunteers."</p> <p>"Because of the five-year rule and normal staff attrition, since 1985 the average tour of duty of all Peace Corps employees has been seventeen months."</p> <p>"The constant disruption of agency staff and the Volunteer work-force inhibits effective management and programming, and has become cost prohibitive. Solutions must be found to stem the flow of talented personnel."</p>	The Peace Corps Director acknowledged that average length of employment over the previous 3 years was less than 2.5 years. The Director authorized a study of early terminations of Volunteers <i>but the agency did not address staff attrition.</i>

	<p><u>“Training.</u> Because of the five-year rule, there is limited opportunity to develop critical management skills. At present training of overseas staff is marginal. Not all are given an opportunity to attend overseas staff development training at headquarters...It is essential that Peace Corps devote more resources to training to insure that its programs are efficiently and effectively managed.”</p>	<p>The Peace Corps Director responded that he had made staff training “a priority...Our new country entry plans necessitate that we develop a talent pool from which new overseas administrative officers can be selected.”</p>
<p>3rd SARC: October 1990</p>	<p><u>“Personnel Stability.</u> The Agency needs to address the destabilizing effects of the high rate of attrition among staff and Volunteers...We believe that the constant disruption of the continuity of Agency staff...inhibits effective management and programming, and has become cost prohibitive. Solutions must be found to stem the flow of talented personnel. To that end the OIG plans to commission a study of the effects, if any, of Peace Corps term-limited appointments on the management and staffing of the agency.”</p> <p><i>The OIG did not commission this study.</i></p>	<p>In response the Peace Corps Director asserted that the FYR was generally beneficial to the Peace Corps, “I believe that the limited term excepted service appointments...enacted by Congress in 1965...ensures[sic] an energetic, creative, and effective environment that allows for the development and implementation of new and productive ideas...In providing only limited exceptions to the five-year rule in reviewing the issue in 1985, Congress made clear that it does not think the basic five-year rule should be changed. Therefore, I believe that, on balance, the present system of time-limited appointments, combined with discretion to grant extensions...is working well and is meeting the needs of the agency.”</p>
	<p>“Because of the five-year rule, we stated that there was limited opportunity to develop critical management skills on the part of the American staff.”</p>	
	<p>The IG reported that because of the FYR it was unable to attract and retain the level of staff it needed and lacked control over its personnel system: “During the last reporting period, we lost 50% of our audit staff to the five-year rule...It took over a year to find three qualified investigators. During this reporting period we lost all but one of our experienced inspectors and had to re-staff. In his five years with the Agency the IG has witnessed a 150% turnover in his staff. ...The IG lacks control over the term of service of OIG personnel...This issue must be visited by Congress.”</p>	
	<p>The IG noted that its examinations of Peace Corps operations’ had identified “deep and pervasive” financial, managerial and administrative problems that had been in existence for 20 years, and that the FYR contributed to the agency’s inability to resolve them: “because of the attrition of both OIG audit and Agency staff, due to Peace Corps’ term-limited appointments, the continuity needed to identify the root cause of these problems has been lacking.”</p>	

<p>4th SARC: April 1991</p>	<p>The IG reported that there was "...ample evidence that the rapid turnover of personnel in the support functions caused by Peace Corps' term-limited appointment policy creates an even greater weakness to the integrity of the Agency's financial management systems. The Agency needs a well-trained accounting and fiscal services staff with a sustained knowledge of unique Peace Corps operations to operate and maintain integrity in any automated environment."</p>	<p>The Peace Corps Director did not agree that the FYR was causing operational challenges: "I consider the five year rule to be a key ingredient in our ability to meet the challenge of change. It has served us well in the past. In periods of growth, and generally, it contributes to innovations in planning, implementing and evaluating programs."</p>
<p>5th SARC: October 1991</p>	<p>The IG reported a "devastating" effect of the FYR on operations of the OIG as experienced staff left and delays in approving extension requests resulted in staff vacancies.</p>	<p>The Peace Corps Director responded that effects on the OIG were similar to the rest of the agency, and not a liability: "In short, the effect of the rule on IG operations is no different than any other office within the agency, and the general premise is that the rule within the context of this unique agency is not a liability. I fully agree with this position and will continue to support the principles set forth by the rule."</p>
<p>6th SARC: April 1992</p>	<p>The IG reported that the FYR led to insufficient performance management: "In the area of personnel policy, the inspection found that the possibility of separating employees after a standard 30-month tour, a six-month trial period or, immediately, with a thirty-day letter has discouraged Agency managers from issuing standard performance appraisals and attempting to improve the performance of less productive workers."</p>	<p>The Acting Director of Peace Corps did not specifically respond to the IG's concerns of the FYR's effects on performance management at Peace Corps.</p>
	<p>The IG reported that average staff tenure at that time was just 22 months "with many staff having limited management experience in larger organizations" and that the agency "experiences a one-third staff turnover each year."</p>	
<p>7th SARC: October 1992</p>	<p>The IG reported that OIG intended to audit the FYR in 1993 in order to enhance the agency's understanding of how the rule affected the Peace Corps, <i>but it did not conduct the audit.</i></p>	<p>The Peace Corps Director did not respond to the IG's intention to audit the FYR.</p>
<p>10th SARC: April 1993</p>	<p>The IG reported that OIG country program evaluations had found disruptive effects of the FYR overseas, with management positions left vacant for extended periods of time, USDH personnel leaving before the end of their tours, Volunteers functioning as program managers when those positions were vacant, and staff duties not being properly delegated during vacancy periods.</p>	

22nd SARC: April 1999	The IG explained how the FYR affected OIG: "The result is regular turn-over and an average tenure of about three-and-one-half years. With the Peace Corps OIG employment so limited in time, experienced staff must be hired since there is no real opportunity for entry-level training. This also places an added degree of difficulty on recruitment and makes 'institutional memory' an ongoing concern. The Office continues to review with the Director and other senior staff issues relating to staff retention and stability within the OIG."
23rd SARC: October 1999	The IG restated his concerns about the effects of the FYR on operations of OIG, and noted that he had decided not to follow the agency's practice of granting 30 month tours, but to grant all new OIG employees a single five-year appointment. "The single five-year appointment is intended to express greater mutual commitment between management and employees and enhance staff retention...The IG's action has been supported by Peace Corps management, although the agency as a whole has not followed suit."
24th SARC: April 2000	IG restated reasons for granting OIG employees 5-year appointments; no other mention.
25th SARC: October 2000	IG restated reasons for granting OIG employees 5-year appointments; no other mention.
26th SARC: April 2001	The IG reported that FYR-induced turnover and vacancies were harmful to recruitment and Volunteer support: "The 'five-year rule'... results in annual agency staff turnover rate in excess of 25%. As of the end of March 2001, 12% of the agency's current positions are vacant; 67 of them are critical to Volunteer health and safety...The impact of the vacancies continues to be felt in important operations, such as recruitment and Volunteer support..."
32nd SARC: April 2004	The IG described legislation, Section 6 of H.R. 4060, that would establish a more independent IG at Peace Corps by moving the IG appointment from the Director of the Peace Corps to the President, and by not subjecting OIG staff to the Peace Corps' personnel system, i.e. the FYR.
39th SARC: October 2007	The IG again reported insufficient performance management and its harmful effects: "Performance Management and Disciplinary Actions. A broad management challenge that exists within the agency involves the reluctance of management to undertake disciplinary actions against employees where there is evidence of unsatisfactory performance and/or inappropriate conduct....In addition, failures on the part of Peace Corps posts to follow-up appropriately with employees who had significant performance deficiencies has led to significant losses and mismanagement of agency resources."
45th SARC: October 2010	The IG reported that the Agency had data challenges: "Data is often not centralized and accessible to the staff that needs the information to perform their jobs. For example, the agency does not have timely access to employee turnover and tenure data and could not produce the data needed to determine the average length of time it takes to fill vacant positions. Gathering such data often requires access to numerous systems and databases and staff must manually assemble it from multiple sources to develop needed reports and information. This manual process is not efficient and can lead to errors unless staff undertakes time-consuming data validation efforts. Furthermore, without timely access to relevant data, the agency cannot easily obtain the data necessary for making informed management decisions and assessing whether the agency is meeting its performance goals."
47th SARC: October 2011	The IG cited Information Technology Management at Peace Corps as a management challenge, caused in part by "high personnel turnover in key technical areas, resulting at least in part, from term limit assignments imposed by law and the availability of qualified resources."

APPENDIX E: AGENCY'S RESPONSE TO THE PRELIMINARY REPORT



Since 1961.

MEMORANDUM

To: Kathy Buller, Inspector General

Through: Daljit K. Bains, Chief Compliance Officer *[Signature]*

From: Aaron S. Williams, Peace Corps Director *[Signature]*

Date: June 18, 2012

CC: Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff
Joaquin Ferrao, Deputy Inspector General
Esther Benjamin, Associate Director, Global Operations
Bill Rubin, General Counsel
Garry Stanberry, Deputy Associate Director, Management
Paul Weinberger, Associate Director Congressional Relations

Subject: Agency Response to the **OIG Preliminary Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps**

Enclosed please find the agency's response to the recommendations made by the Inspector General for Peace Corps/ Preliminary Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps sent to the Agency on April 27, 2012.

The agency concurs with all 5 recommendations provided by the OIG in its Preliminary Evaluation Report and will work to respond to recommendations in an expeditious and timely manner.

Recommendation 1:

That the Director carry out the necessary reforms to the 5YR [Five Year Rule], including seeking legislative remedies if required, to reduce the rate of employee turnover and increase the average length of employment of the agency's direct hire employees.

Concur:

The Director is taking the appropriate steps to review which measures can be taken to potentially reduce the rate of employee turnover and increase the average length of employment of the agency's direct hire employees. Consideration will be given to the possibility of administrative measures, as well as possible legislative changes which might be considered to address the effects of the 5YR.

Management will carefully review the findings in the OIG's evaluation and conduct appropriate analyses of the agency's workforce and personnel authorities to develop specific actions in response to the OIG's findings. Management will also factor in the findings and work of two consultants who have been retained to provide advice and input on issues related to the OIG's evaluation and the five-year rule. These consultants have extensive experience in the programs and operations of foreign affairs agencies, including the Peace Corps.

The consultants will conduct interviews with staff and external stakeholders as well as conduct reviews and analyses of existing reports that have previously reviewed the impacts of the 5 year rule. Upon the completion of their analyses, the consultants will produce a list of suggested recommendations which will be considered by management in further consultation with appropriate staff.

Status and Timeline for Completion:

The consultant's report will be submitted to the Director by August 2012. Management will submit a more defined timeline for response to this recommendation as soon as its analyses and findings are complete.

Recommendation 2:

That the Director identify which functions should be subject to periodic turnover to meet the needs of the agency, and implement a process to manage turnover so that the agency retains qualified personnel on the basis of merit and performance.

Concur:

The Director will ensure outreach with the appropriate stakeholders, including suggestions from the contracted consultants as mentioned in the response to recommendation 1, to determine the best approach to manage turnover and retain qualified personnel based on agency needs.

Status and Timeline for Completion:

The consultant's report will be submitted to the Director by August 2012. Management will submit a more defined timeline for response to this recommendation as soon as its analyses and findings are complete.

Recommendation 3:

That the Director identify the agency's core business functions and positions that currently suffer from frequent staff turnover and lack of continuity, and determine and implement a process for acquiring and retaining qualified personnel to perform those functions on the basis of merit and performance.

Concur:

The Director will work with the appropriate staff to identify which departments suffer from frequent staff turnover and determine the best approach for acquiring and retaining qualified personnel.

Suggestions from the consultants will inform any decisions reached in implementing this recommendation.

Status and Timeline for Completion:

The consultant's report will be submitted to the the Director by August 2012.

Management will submit a more defined timeline for response to this recommendation as soon as its analyses and findings are complete.

Recommendation 4:

That the Associate Director for Management lead improvements in the agency's approach to performance management by raising expectations to actively address employee performance issues and by providing supervisors with the training and support to correct inadequate performance and separate employees who do not improve.

Concur:

The Acting Associate Director for Management has appointed a working group to determine the best approach to lead improvements to Peace Corps' approach to performance management. The working group includes the Deputy Associate Director, Office of Management; Supervisor, Human Resource Specialist and the Associate General Counsel. Additional members may be added as necessary. The positions of Director, Human Resource Management and the Employee Relations Manager are currently being recruited and will join the working group as soon as they come on board.

The working group is currently considering both formal classroom instruction and on-line video instruction to educate managers on their performance management responsibilities.

The Union and the Peace Corps Labor Management Relations Partnership Council will also be consulted prior to finalizing a response to this recommendation.

Once the final improvements to the approach to performance management have been determined and implemented, they will be shared with the OIG for the purpose of implementing this recommendation.

Status and Timeline for Completion:

Q2 2013

Recommendation 5:

That the Director of Human Resources put in place more robust processes and systems to gather and analyze data on the causes of unwanted, early employee resignations, and develop data-driven solutions to curb the pace at which employees resign early.

Concur:

The OIG's preliminary report accurately captures the issues the agency faces in dealing with the limitations of the Five Year Rule and 30-month appointments, specifically the associated attrition rate and related performance management issues. Numerous previous studies and reports also support this finding.

Nonetheless, it is desirable to develop current data to support these premises and possibly to assist in data-driven solutions.

Accordingly, the Acting Associate Director for Management concurs that there is a need for gathering and analyzing data as it relates to the causes of unwanted, early employees resignations and has appointed a working group to identify more robust processes and systems that may result in a reduction in early resignations.

The working group includes the Deputy Associate Director, Office of Management; Supervisory Payroll/Personnel Specialist, Supervisor Human Resource Specialist, Human Resource Specialist and the Office of Strategic Information, Research and Planning. Additional members may be added as necessary. The positions of Director, Human Resource Management and the Employee Relations Manager are currently being recruited and will join the working group as soon as they come on board. Thus far, the working group is considering surveys and interviews to create empirical data to drive decisions. The Union and the Peace Corps Labor Management Relations Partnership Council will also be consulted.

Developing data collection systems will be informative and necessary to determine the causes of unwanted, early employee resignations for the agency yet, may not have the impact of reversing the trend of resignations due to the 5YR.

The Office of Management will share its findings once the relevant information has been collected.

Status and Timeline for Completion:

Q2 2013

APPENDIX F: OIG COMMENTS

Management concurred with all 5 recommendations. In its response, management described actions it intends to take to further analyze and address the issues that prompted each of our recommendations. Management's corrective actions are ongoing and as a result none of the 5 recommendations can be closed at this time. We wish to note that when we close recommendations, we are not certifying that the agency 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.

The recommendations will remain open until we receive sufficient evidence that management has taken appropriate corrective actions. Such evidence must include the following:

- **Recommendations 1, 2 and 3.** Please provide OIG with a specific date by which we should expect to receive the consultants' report and suggested recommendations, along with management's plan and timeline for implementing the agency's response to recommendations 1, 2 and 3. Please ensure that the documents provided to OIG show the Director's consideration of the suggested recommendations in the consultants' report, and which recommendation(s) the Director has approved for further action.
- **Recommendation 4.** Please provide OIG with a specific date by which we should expect to receive documentation related to improvements in the agency's approach to performance management. Please ensure that the documents provided to OIG show management's consideration of ways to improve performance management, and which approach(es) to improving performance management have been approved for further action.
- **Recommendation 5.** Please provide OIG with a specific date by which we should expect to receive documentation related to management's plan to put in place more robust processes and systems to gather and analyze data on the causes of unwanted, early employee resignations. Please ensure that the documents provided to OIG show management's plan for obtaining and analyzing information on the reasons why employees resign early, and for using that information to develop solutions that may curb the pace at which employees resign early.

APPENDIX G: EVALUATION COMPLETION AND OIG CONTACT

EVALUATION COMPLETION

This evaluation was conducted under the direction of Jim O’Keefe, Assistant Inspector General for Evaluations, by Senior Evaluator Jeremy Black. Additional contributions were made by Senior Evaluators April Miller and Heather Robinson.



Jim O’Keefe

Assistant Inspector General for Evaluations

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us improve our products, please e-mail Jim O’Keefe, Assistant Inspector General for Evaluations and Inspections, at jokeefe@peacecorps.gov, or call (202) 692-2904.

Help Promote the Integrity, Efficiency, and Effectiveness of the Peace Corps

Anyone knowing of wasteful practices, abuse, mismanagement, fraud, or unlawful activity involving Peace Corps programs or personnel should call or write the Office of Inspector General. Reports or complaints can also be made anonymously.

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