



The Peace Corps
Performance and Accountability Report
FISCAL YEAR 2007



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The Peace Corps' mission is to promote world peace and friendship. While much has changed in the world since the Peace Corps' founding in 1961, its mission has not. The Peace Corps' goals are as relevant today as they were 46 years ago.



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THE DIRECTOR OF THE PEACE CORPS
WASHINGTON, D.C.

On behalf of all Americans serving in the Peace Corps around the world, I am pleased to present the Peace Corps' Performance and Accountability Report for fiscal year (FY) 2007. This report provides an account of the Peace Corps' financial and performance results, enabling the President, Congress, and the American people to assess the agency's operations during the past year.

Since 1961, the Peace Corps has partnered with 139 countries, and more than 190,000 Americans have served around the world carrying out the agency's mission of promoting world peace and friendship. The agency traces its roots and mission to the early 1960s, when then-Senator John F. Kennedy inspired Americans to serve their country in the cause of peace by living and working in developing countries.

Volunteers share their time and talents by serving as teachers, business advisors, youth counselors, agriculture and environmental specialists, and health and HIV/AIDS educators, carrying out the agency's three goals:

- 1) to help the people of interested countries in meeting their need for trained men and women;
- 2) to help promote a better understanding of Americans on the part of the peoples served; and
- 3) to help promote a better understanding of other peoples on the part of Americans.

At the end of FY 2007, 8,079 Americans were serving as Peace Corps Volunteers at 68 posts in 74 countries encouraging sustainable development and cross-cultural understanding at the grassroots level.¹ The number of Volunteers currently serving is the highest level in 37 years. In April 2007, the agency broadened its international reach with the historic arrival of 20 Volunteers in a new country entry, the Kingdom of Cambodia. Additionally, the Peace Corps is preparing for Volunteers to return to Ethiopia in October 2007 and assessments are being performed for entry consideration in Indonesia, Liberia, Rwanda, and Sierra Leone.

Three new strategic initiatives were launched during FY 2007. They are Strategic Recruitment and Outreach (enhancing recruitment and outreach to the 50+ age population, national organizations, and returned Peace Corps Volunteers), Measuring our Success and Impact, and Promoting Volunteerism at Home and Abroad. To better measure our success and impact, we created the Office of Strategic Information, Research, and Planning which focuses on performance planning and reporting, measurement and evaluations, and data management functions for the agency. We also have an ongoing task force defining steps to better promote volunteerism through our staff and Volunteers at posts.

Among our continuing initiatives, Volunteer safety and security remains the agency's highest priority and the Peace Corps continues to contribute significantly to the global fight against HIV/AIDS. Our internal management assessments of posts were continued in FY 2007 to partner with regional and post senior leadership to strengthen and improve post management.

The crowning financial achievement of FY 2007 was attaining the first-ever unqualified opinion from the external auditors on the Peace Corps financial statements for the fiscal year ending September 30, 2007. All

¹ The on board count for all Peace Corps Volunteers and trainees, and Crisis Corps Volunteers, from all funding sources serving under the Peace Corps as of September 30, 2007, is 8,079. This number includes 195 Volunteers funded by the President's Emergency Plan for AIDS Relief and nine Volunteers funded by USAID Tsunami funds. Some posts cover more than one country. The on board count includes posts in which the Peace Corps is active or suspended, but not closed.

existing material weaknesses were resolved this year and the financial system was successfully certified and accredited. This success can be attributed to our continuing internal control program coupled with intensive management efforts across the agency and implementation of financial management and information technology (IT) systems improvements throughout this fiscal year. Notable among the developing systems efforts is the creation of Magellan, a global IT network that will securely connect posts to the headquarters and regional recruiting offices, exploration of online collaboration tools, and continuing work to improve and enhance the Volunteer Delivery System.

Our FY 2007 performance measures were ambitious. I am pleased to report that the agency exceeded its performance targets in five of its eight performance goals and approximately 73 percent of 33 performance indicators. These results show continued improvement by staff and Volunteers as well as improved research and management of performance data. Overall, the Peace Corps has made great progress in documenting and streamlining its performance reporting process and can provide solid results on performance measures.

The accompanying financial statements in this Performance and Accountability Report submission were prepared from the Peace Corps' financial system and processes using the most reliable and complete data available. The agency's total assets were \$166 million as of September 30, 2007, and \$173 million as of September 30, 2006. Budgetary resources available from all years and all sources for use by the agency totaled \$345 million in FY 2007 and \$344 million in FY 2006, of which appropriated funds totaled \$320 million and \$322 million, respectively.

Improvements and refinements can always be made in the financial management world and those are reflected in the Message from the Chief Financial Officer that appears later in this report.

The agency's financial and performance data for this fiscal year are reliable and complete which is a tribute to the hard work of Peace Corps employees. I am most pleased with the increase this year in the number of dedicated Volunteers proudly serving around the world and I look forward to increasing the number of Volunteers age 50 and above in the years ahead. Volunteers represent the very best of America in serving the needs of others at this time of great conflict throughout the world. Our Volunteers share their skills and experiences while living in distant communities around the globe and their ability to quietly foster peace and friendship around our world has never been more important.

A handwritten signature in black ink, appearing to read "Ron Tschetter". The signature is fluid and cursive, with a large initial "R" and "T".

Ron Tschetter, Director
November 15, 2007



MANAGEMENT'S DISCUSSION AND ANALYSIS



Mission and Organizational Structure

Mission Statement

The Peace Corps' mission is to promote world peace and friendship. While much has changed in the world since the Peace Corps' founding in 1961, its mission has not. The Peace Corps' three core goals are as relevant today as they were 46 years ago:

- 1) to help the people of interested countries in meeting their need for trained men and women;
- 2) to help promote a better understanding of Americans on the part of the peoples served; and
- 3) to help promote a better understanding of other peoples on the part of Americans.

The Peace Corps carries out its mission and goals by assisting interested countries with their development needs while providing an effective and satisfying Volunteer experience for a diverse group of Americans in a safe and secure environment; and by building an operational infrastructure that efficiently and effectively supports Peace Corps Volunteers in the 21st century.

Since the program's inception, more than 190,000 Americans have served as Peace Corps Volunteers, and the agency has partnered with 139 countries throughout the world. These Volunteers foster positive relationships with host country nationals, dispel myths about Americans, and promote sustainable development. Upon their return, Volunteers bring messages back to the American people about life overseas, the people they have served, and the cultures they have experienced.

The women and men who serve as Peace Corps Volunteers reflect the rich diversity of the United States and represent some of the finest character-

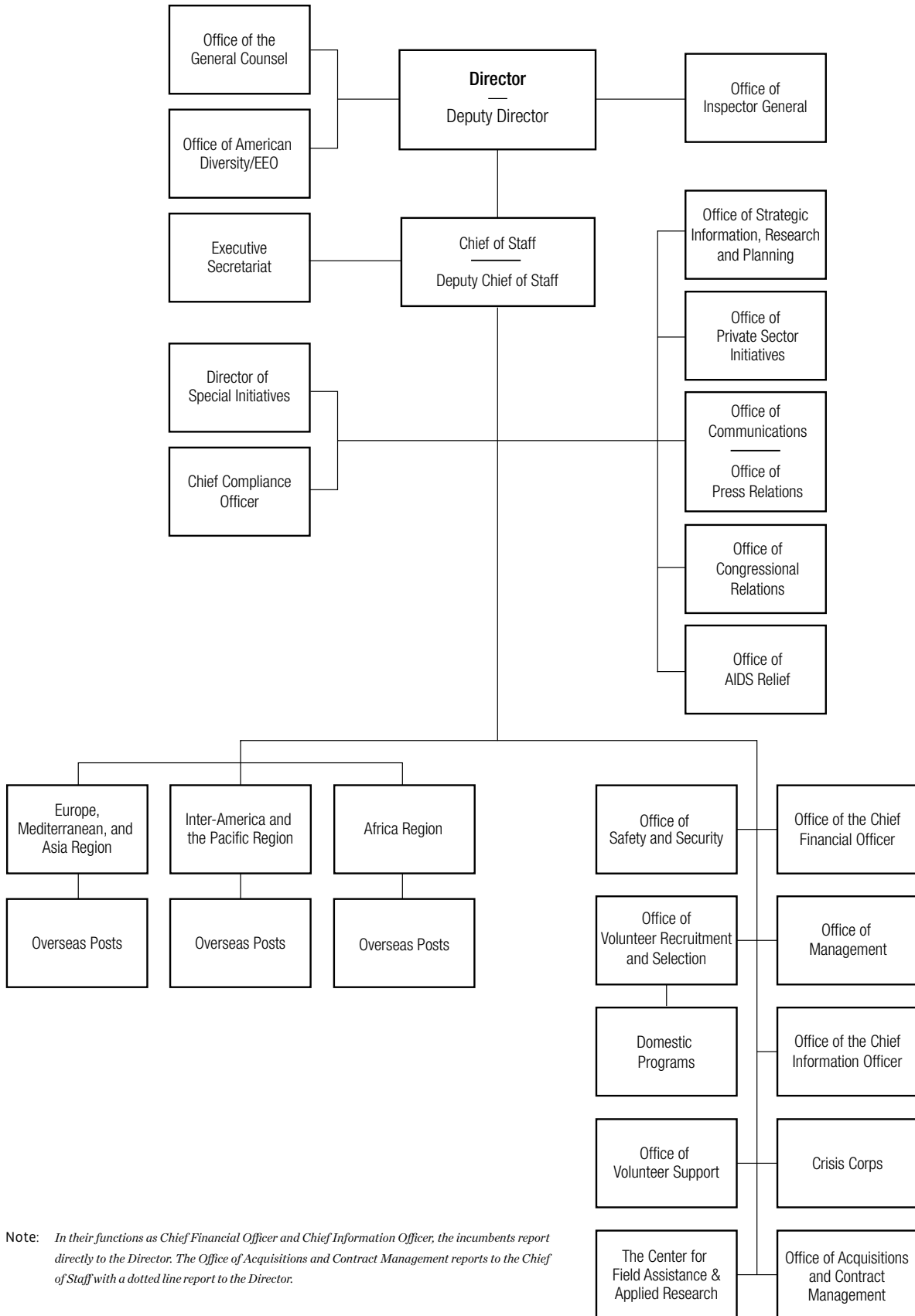
istics of the American people: a generosity of spirit, a strong work ethic, a commitment to service, and an approach to problems that is both optimistic and pragmatic. Our Volunteers are afforded no special privileges and often live in remote, isolated communities where they speak local languages and learn the cultures and customs of the people they serve. In this process, Volunteers share and represent the culture and values of the American people and, in doing so, earn respect and admiration for the United States among people who may have never met an American.

Offices throughout the agency deliver services ranging from recruitment and selection of Volunteers to providing training and support to Volunteers in the field to carrying out essential financial, information technology, and administrative support functions.

Development indicators suggest that nations face significant challenges in agriculture, education, business, information technology, health and HIV/AIDS, the environment, and youth development. The Peace Corps, in partnership with interested countries, provides skilled Americans who work to transfer their knowledge about these areas and to build greater understanding between cultures. Thus, the Peace Corps provides practical assistance to developing countries by sharing America's most precious resource—its people. The Peace Corps combines development with the strong people-to-people relationships that Volunteers forge with host country colleagues and communities, providing a crucial foundation for peace and friendship for years to come. Indeed, the core values of the Peace Corps since its establishment on March 1, 1961, remain relevant, vital, and strong.

The organization chart of the Peace Corps follows:

Peace Corps Organization



Note: In their functions as Chief Financial Officer and Chief Information Officer, the incumbents report directly to the Director. The Office of Acquisitions and Contract Management reports to the Chief of Staff with a dotted line report to the Director.



Key Performance Measures

Performance Goals and Results Summary

The agency is currently utilizing its 2003-2008 strategic plan which was revised for 2006-2008 to better align the plan with the Peace Corps' three goals and internal processes, including new and modified strategic objectives with outcome-oriented targets and indicators. The FY 2008 *Congressional Budget Justification* (CBJ), which is submitted to Congress each year, includes the updated strategic plan. The CBJ is available to the public on the agency's website www.peacecorps.gov. The key strategic goals outlined in the agency's revised strategic plan focus on:

- Delivering a trained and diverse group of Volunteers to interested countries to transfer tangible skills and promote cross-cultural understanding;
- Ensuring Volunteers have a quality experience by providing relevant health, safety, and programmatic support;
- Increasing the exposure of Americans to other cultures by sharing Volunteer experiences through a variety of avenues; and
- Meeting the needs of applicants and Volunteers with efficient and effective support.

Thus, FY 2007 is the second year for the agency to report out on its current set of ambitious but achievable performance goals and indicator targets outlined in the revised strategic plan. In FY 2007, the agency was above target for five of its eight performance goals and approximately 73 percent of its 33 performance indicators.

Performance Goals and Status

At the end of FY 2007, 8,079 Americans were serving in 74 countries through 68 posts as Peace Corps Volunteers, encouraging sustainable development and cross-cultural understanding at the grassroots level. The number of Volunteers is noteworthy because it represents a 37-year high for Volunteers serving in the field during the period covered by the present strategic plan. The agency has also broadened its international reach with Volunteer placements in the Kingdom of Cambodia and the historic return of the Peace Corps program to Ethiopia. In addition, a number of assessments have been completed for potential new country entries in FY 2008.

The agency was slightly below target on the number of Peace Corps applicants representing diverse ethnicities and people 50+. While the agency has set ambitious goals in these categories, more efforts are planned to help meet targets. These include pilot recruitment efforts including 50+ recruitment liaisons at every regional recruitment office. These offices will also target specified associations and gatherings to help boost applications from older Americans and from Americans of diverse ethnicities. In FY 2007, the agency rolled out a new 50+ website and the Coverdell World Wise Schools did a major redesign of its website, which seems to have increased Web traffic.

Media outreach efforts are strong, and the agency exceeded its goals in FY 2007 for press coverage of diverse Volunteers or in outlets covering diverse audiences. Likewise goals were exceeded for placement of public service announcements (PSAs) in minority- and diversity-g geared media.

The Peace Corps uses various survey instruments to capture Volunteer feedback on key indicators of the agency's effectiveness in delivering different services. As the agency strives to continuously improve, these survey results can benefit currently

PERFORMANCE GOALS SUMMARY

Performance Goals	Under	On	Over
1.1.1 Number of Volunteers serving			
1.2.1 Transfer skills and knowledge			
1.3.1 Represent American diversity			
2.1.1 Volunteer healthcare*			
2.2.1 Volunteer safety*			
3.1.1 Interactions with Americans to build cross-cultural understanding			
4.1.1 Reduce response time to applicants			
4.2.1 Cap Volunteer resignation rate			
Total Performance Goals	3		5

Note * The agency does not have official FY 2007 targets and results for certain performance goals and indicators because the biennial Volunteer survey is not administered this year. Rather than indicating N/A for both the goals and results, the agency has interpolated goals and utilized close-of-service survey results in order to provide alternate information of agency performance in these areas.

serving and future Volunteers. The biennial Peace Corps Volunteer survey provides an important snapshot of Volunteer satisfaction during the same period of time worldwide. The close-of-service survey, which is given when Volunteers complete their service overseas, provides the agency with ongoing feedback from the field.

There are numerous steps in the application process to become a Peace Corps Volunteer. This enables the agency to recruit and thoroughly screen applicants for specific skills and medical and suitability issues prior to approving and inviting them to serve as Volunteers. The application process has been broken down into the various stages to allow the Peace Corps to best analyze its efficiencies. The agency is pleased to have exceeded its FY 2007 goal of response time to applicants and remains committed to streamlining the processes that enable Americans to obtain information, apply, join, and complete service as Volunteers.

High levels of returned Peace Corps Volunteer (RPCV) participation during Peace Corps Week and the work of our regional recruiters in tracking RPCV participation in activities that contribute directly to this goal historically were not sufficient to demonstrate achievement of our target in this area. The agency implemented changes to create a more objective and verifiable method of calculating these results moving forward. RPCV outreach activities

help carry the message of understanding of other cultures as they share their stories and experiences with schools, community groups and other philanthropic organizations across the country.

Performance Reporting Procedures

In FY 2007, the Peace Corps built on significant improvements to its performance reporting process. Throughout FY 2007, the agency continued to institutionalize its internal controls and documentation of processes surrounding strategic performance reporting. The creation of the Office of Strategic Information, Research, and Planning (OSIRP) has helped institutionalize agency performance planning and reporting, allowing for greater continuity and reliability in reporting and helping mitigate the effect of staff changes on consistent performance reporting.

Addressing mid-year performance results during FY 2007 mid-year budget reviews allowed the agency to take another positive step toward aligning performance with budgeting. The integrated mid-year review allows for the reallocation of funding and human resources to correct a course of action if there are challenges in meeting performance goals, or to validate positive actions taken to meet performance targets.

To continue emphasizing transparency and performance, the agency is using results from the close-of-service survey in FY 2007 to provide alternate data for indicators that used the biennial survey information in FY 2006. This is due to the unavailability of biennial survey data in FY 2007. The Peace Corps plans to continue this practice in future years when the biennial survey is not conducted.

The Peace Corps' FY 2007 performance results are based on reliable, actual data that are complete as of the production of the results at the close of the fiscal year. While the data are largely a complete and accurate view of the full fiscal year results, they are limited by instances of unforeseen challenges with technology and data that flow in beyond the reporting dates. Overall, the Peace Corps has made great progress in institutionalizing its performance reporting procedures and is well-positioned to provide solid results on its performance measures.



Environment Volunteer, Cambodia



Analysis of Financial Statements

Overview

The certification and accreditation of the financial system during fiscal year 2007 was a landmark achievement for the Peace Corps. This fiscal year, all required federal financial statements were generated directly from the financial system for the first time. Another major accomplishment—gaining better control of the property, plant, and equipment (PP&E) capital assets—was achieved by implementing an Oracle fixed asset module to streamline PP&E tracking and depreciation and initiation of a semiannual PP&E asset verification process with each post.

Analysis of the Peace Corps' Financial Statements

The Peace Corps' financial statements were prepared from its financial system and processes using the most reliable and complete data available. The financial system was certified and accredited during this fiscal year and conforms fully to government-wide standards. During FY 2007, generation of the financial statements was enhanced by implementing formalized and comprehensive reconciliation and quality control processes and by further documenting and publishing the basis for each fund classification and its treatment in the financial statements.

The agency had total assets of \$166 million as of September 30, 2007, and \$173 million as of September 30, 2006. As mentioned above, a major accomplishment—gaining better control of PP&E capital assets—was achieved by implementing an Oracle fixed asset module to streamline PP&E tracking and depreciation and initiation of a semi-annual PP&E asset verification process with each post.

Operational improvements have resulted in a significant reduction in the outstanding accounts receivable and accounts payable with the public in the FY 2007 closing balances as compared to the FY 2006 balances. Improvements in system and accounting procedures resulted in more accurate reporting of prepayments and accruals. The substantial increase in net outlays from FY 2006 to FY 2007 is a result of 1) operational efficiencies in accounts payable, 2) expensing more than \$5 million to partially fund the host country residents contractors separation liability fund established during FY 2007 and 3) increases in the number of Volunteers and the associated infrastructure and support costs.

Budgetary resources available for use by the agency totaled \$345 million in FY 2007 and \$344 million in FY 2006, of which appropriated funds totaled \$320 million and \$322 million, respectively.

Improper Payments Information Act (IPIA)

The Peace Corps is not identified in Appendix C, OMB Circular A-123 (formerly Section 57, "*Programs for which Erroneous Payments Information is Requested*," in OMB Circular A-11). Again this fiscal year, no improper payments were identified internally or by independent auditors that would reach the defined Improper Payments Information Act (IPIA) threshold of 2.5 percent and \$10 million. A risk assessment, though, was performed in the global accounts payable area this year in recognition of the inherent risk associated with improper payments. Additionally, internal control sample testing conducted during this fiscal year on high dollar payments did not reveal any significant improper payments for the agency.

Limitations of the Principal Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Peace Corps, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally

acceptable accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.



Business Volunteer, Ukraine



Analysis of Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish accounting and administrative controls to include program, operational, and administrative areas as well as accounting and financial management. The FMFIA establishes overall requirements for internal control and requires that the agency head evaluate and report annually on the control and financial systems that protect the integrity of Federal programs (Section 2 and Section 4 of FMFIA respectively).

Internal Control Over Peace Corps Operations

Oversight of the Peace Corps' internal control program is conducted by top agency management functioning as the senior assessment team that was established during FY 2006 and led by the Chief Financial Officer. Offices throughout the agency conducted risk assessments for their business areas during FY 2007 and identified no reportable material weaknesses. Additionally, Peace Corps managers prepared annual assurance statements attesting to the adequacy of internal controls, identifying no reportable material weaknesses in any area. Assurances were based on the managers' personal knowledge of day-to-day operations, existing controls, and other related reviews and evaluations. Internal control testing was conducted during this fiscal year to strengthen the reliability of personal service contract payment processing for the overseas contractors and to further substantiate the financial statement balances. During FY 2008, internal control testing will be expanded.

Summary

The Peace Corps is proud to have achieved an unqualified statement of assurance for FY 2007 and that the internal controls and financial management systems meet FMFIA objectives. Future agency efforts will remain focused to support this unqualified statement of assurance and an unqualified audit opinion on the agency's financial statements. Chang-

es made within the agency over the last few years that produced sound financial processes, a certified and accredited financial system, and strong operational management have supplied the pillars for a solid financial management foundation.

FY 2007 Annual FMFIA Assurance Statement

The Peace Corps assessed the effectiveness of the internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act (FMFIA) Section 2 and OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on this assessment, the Peace Corps can provide reasonable assurance for FY 2007 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Peace Corps conducted its assessment of whether the financial management systems conform to government-wide financial systems requirements in accordance with FMFIA Section 4 and OMB Circular A-123. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA for FY 2007.

Ron Tschetter, Director
November 15, 2007

George A. Schutter III, CPA, CPCM
Chief Financial Officer
November 15, 2007



Core Issues

The Peace Corps provides practical assistance to developing countries by sharing America's most precious resource—its people. The close interaction between Peace Corps Volunteers and local communities has allowed the Peace Corps to establish a record of service that is admired and recognized around the world.

At the end of FY 2007, 8,079 Americans were serving as Peace Corps Volunteers at 68 posts in 74 countries (posts in the Eastern Caribbean and Micronesia provide support to eight island nations) and fostering sustainable development and cross-cultural understanding at the grassroots level. Currently, about 20 percent of the Volunteers are serving in nations with predominantly Muslim populations. Volunteers work in the areas of agriculture, business, education, the environment, health and HIV/AIDS, and youth development, incorporating cross-cutting themes such as information and communications technology into their work. In addition to transferring skills to host country nationals and promoting cross-cultural understanding between Americans and other peoples, the Peace Corps service also provides the American workforce with overseas experience. In fact, in September 2007, the Peace Corps was again recognized by *Business Week* as one of the top 50 best places to launch a career. Returned Peace Corps Volunteers also contribute to America's legacy of service by offering their time and skills to community volunteer programs or organizations around the country and through Peace Corps programs such as Crisis Corps, Fellows/USA, and Peace Corps Week.

In FY 2007, the Peace Corps embarked on three strategic initiatives: Recruitment and Outreach; Measuring Success and Impact; and Volunteerism at Home and Abroad.

Recruitment and Outreach

The 50+ population represents a tremendous opportunity for the Peace Corps. Individuals in this population already volunteer at high rates and have a desire to share their expertise and skills. The Peace Corps has a strong relationship with AARP, which is helping the agency recruit older Americans. Additionally, the agency has identified pilot posts in each of the three regions to review the needs of potential 50+ Volunteers and make recommendations.

The Peace Corps must continue to be strategic and creative in increasing recruitment efforts at small colleges and universities. Relationships with groups like the Historically Black Colleges and Universities (HBCU), and the American Association of Community Colleges are helping with these efforts, leading to initiatives such as the Baccalaureate and Peace Corps Prep programs.

The Peace Corps will also work to ensure that its returned Peace Corps Volunteer (RPCV) community is engaged and ready to assist the agency in Volunteer recruitment as active alumni. The agency is pursuing opportunities for increased involvement, such as the mentoring program between RPCVs and recently returning Volunteers.

To increase public awareness for the Peace Corps, targeted websites were created such as the Teens website and the 50+ website, or significantly redesigned, such as the Coverdell World Wise Schools website.

Measuring Our Success and Impact

While we feel that the Peace Corps brings great value to the world, the agency needs to better measure its success and impact to better document results and better articulate its success and impact internally and to others.

The Peace Corps took concrete steps in FY 2007 to position itself for enhanced performance measurement in the future. The agency created the Office of Strategic Information, Research, and Planning to focus and integrate the efforts of the agency to improve the evaluation and measurement of performance, outcomes and impact; the management of data and information, and performance planning and reporting within the agency.

Volunteerism at Home and Abroad

We believe that the Peace Corps represents the gold standard for volunteerism, and we can assist our partners around the world in promoting volunteerism among their own people. Our Volunteers reached more than 1.4 million young people in 2006, and many posts are already working with youth in-service learning projects, teaching them the value of giving back to their own communities. We surveyed our posts to see how our Volunteers promote volunteerism in their host communities and created a task force to look at the way that the Peace Corps can encourage the spirit of volunteerism in our countries of service and here at home. The agency will be placing additional emphasis in this area as we implement our worldwide organizational plans for FY 2008 activities.

Other on-going significant core activities include:

Volunteer Safety and Security

Volunteer safety and security remains the agency's highest priority. In early FY 2007, the Office of Safety and Security determined that a program assessment would be useful to ensure that the office was appropriately staffed and fulfilling its programmatic responsibilities. This program assessment included interviews and a survey of the primary stakeholders of the safety and security program.

The following enhancements were identified for implementation in FY 2008:

Continue to enhance the roles of key safety and security overseas staff in supporting the safety and security of Volunteers; continue to emphasize the importance of site selection and Volunteer safety and security training; spearhead improvements to the existing process for monitoring critical safety and security recommendations; and continue the agency focus on under-reporting of crimes committed against Volunteers and explore creative solutions for encouraging additional incident reporting.

HIV/AIDS Initiative

The Peace Corps continues to contribute significantly to the global fight against HIV/AIDS. Peace Corps Volunteers, by living and working at the grassroots level in communities and speaking the local language, are uniquely suited to reach populations most in need of HIV/AIDS prevention and care services. The Office of AIDS Relief continues to provide agency-level policy guidance; overall leadership; and general supervision, direction, and coordination of Peace Corps' HIV/AIDS activities, including the agency's participation in the President's Emergency Plan for AIDS Relief (PEPFAR). The Peace Corps continues to be a valuable participant in the PEPFAR program with 195 PEPFAR-funded Volunteers serving in 10 of PEPFAR's 15 focus countries.² In addition to posts in the focus countries, 12 other Peace Corps posts implemented PEPFAR-funded activities in FY 2007.³

As a result of the Peace Corps' increased involvement in HIV/AIDS efforts globally, the agency is evaluating how issues around death, dying, grief, and loss due to HIV/AIDS are affecting Volunteers' emotional health to ensure the agency is providing adequate support to Volunteers. The results of this

² PEPFAR has identified 15 focus countries. The Peace Corps has posts in ten of these focus countries—Botswana, Ethiopia, Guyana, Kenya, Mozambique, Namibia, South Africa, Tanzania, Uganda, and Zambia. The other focus countries are Haiti, Ivory Coast, Nigeria, Rwanda, and Vietnam.

³ Other Peace Corps posts implementing PEPFAR-funded activities include: Dominican Republic, Eastern Caribbean, Georgia, Ghana, Honduras, Kazakhstan, Kyrgyz Republic, Lesotho, Malawi, Swaziland, Thailand, and Ukraine.

evaluation will define where the Peace Corps needs to strengthen support systems to ensure that those Volunteers performing these difficult tasks are well-prepared to cope with these issues.

Continuous Improvement

In an effort to focus on the efficiency and effectiveness of Peace Corps operations, the agency continued its program of Internal Management Assessments (IMA) of posts in FY 2007. The goal of the IMA program is to partner with regional and posts' senior leadership to strengthen and improve post management. Assessment teams have pursued meaningful solutions to improve posts' operations and to enhance Volunteer service and programmatic impact. Nine post assessments were conducted in FY 2007, leading to specific recommendations with agency-wide implications.

In addition, the Peace Corps' Office of the Inspector General (OIG) regularly conducts audits and evalu-

ations in the utilization of agency resources, and the efficiency and effectiveness of programs that support Peace Corps Volunteers. Audits focus on fiscal accountability and effectiveness of internal controls over Peace Corps wide resources. Evaluators analyze the program operations of the Peace Corps at both overseas posts and domestic offices. Audits and evaluation reports identify internal control weaknesses, best practices and recommend program improvements and means to comply with Peace Corps' policies and procedures. During FY 2007, the OIG issued six program evaluation reports and 16 audit reports in 21 countries.

Overall

The Peace Corps' mission and efforts around the globe are as important as ever. The agency will continue to strive to operate at its optimum level to ensure more Americans are given the opportunity to serve as Peace Corps Volunteers to carry out the agency's mission of world peace and friendship.



Health Volunteer, Benin



Actions to Address Agency-Identified Prior Year Challenges

Volunteer Delivery System

Early in FY 2007, the Director announced the formation of the Volunteer Delivery System (VDS) steering committee as a major initiative to come out of the strategic planning effort. The Volunteer Delivery System represents the entire pipeline of the system in which Volunteers are recruited, apply, are invited, trained and deployed to serve overseas.

The objective of the VDS steering committee is for the Peace Corps to optimize VDS by leveraging the full force of the agency's organization, management, technology, and fiscal operations to improve and sustain VDS holistically. The steering committee ensures seamless continuity of operations between offices, focuses agency resources, and proposes strategic solutions to emerging challenges.

To date, the VDS steering committee has been focusing on the issues of new recruiting strategies (including Americans over 50), better messaging of the meaning of service, expediting the process for clearing and inviting applicants, language training, and the development of good sites and projects for Volunteers. Process and system changes are under evaluation. Additionally, pilot posts have been identified to evaluate effectiveness of changes in field operations. The active and important work of the VDS steering committee will continue into FY 2008 and beyond as changes are expected to be implemented to start addressing identified challenges.

Strategic Research, Evaluation and Planning Functions

The agency identified the lack of strategic research, evaluation and planning functions as a major challenge for FY 2007. The agency must do a better job of measuring its performance and documenting results to enhance its ability to articulate its success and impact internally and to others. Propelled by internal strategic planning, the Office of Manage-

ment and Budget (OMB) Program and Rating Tool (PART) assessment process, and the need for a cohesive process in preparing the FY 2009-2014 strategic plan, the agency took major steps in FY 2007 to address this issue.

The agency created the Office of Strategic Information, Research, and Planning (OSIRP) to focus and integrate the efforts to improve: the evaluation and measurement of our performance, outcomes and impact; the management of data and information, and performance planning and reporting within the agency. The new office began its work in May 2007 and has already begun improving the governance of data and information, and the research associated with the formulation of critical evaluations that must be performed in order to support the development of the agency's FY 2009-2014 strategic plan.

Financial Process Changes

Extensive system and process changes implemented in FY 2006 and in prior years were extremely effective in FY 2007. These prior year system and process changes allowed for the production of accurate and timely financial statements in FY 2007. Changes implemented in the past years were further tested and validated during this year's successful certification and accreditation of the financial system, Odyssey, in accordance with the Federal Information Security Management Act (FISMA), Public Law 107-347. There were no requirements for additional system and process changes resulting from the formal FISMA review. Additionally, internal control testing as well as implementing standardized reconciliations allowed the Peace Corps to make necessary changes as a part of the regular day-to-day operations in the financial arena. This fiscal year no material weaknesses were identified in the risk assessments and existing material weaknesses from past year financial audits were mitigated.



Agency-Identified Future Challenges

In looking ahead, future challenges for the agency include:

- Continuing to enhance the Volunteer Delivery System, with a special focus on the recruitment of 50+ and applicants of diverse ethnicities.
- Institutionalizing the functions of performance planning and reporting, evaluation and measurement and strategic management of information through the efforts of OSIRP. This will ensure that these functions are implemented in a holistic, comprehensive and effective manner.
- Evaluating and improving the capabilities of staff to ensure the continuity of mission in supporting our Volunteers and ensuring effective performance at our posts overseas.
- Standardizing and formalizing training of Host Country Staff in current financial management best practices.

While our challenges continue to evolve, the Peace Corps' mission is as vital today as it was in 1961 and the agency is well positioned to meet these challenges head on as we continue to emphasize operational excellence in the years to come.



Education Volunteer, Nicaragua



President's Management Agenda Summary

The Peace Corps continually strives to improve its management and performance. Strategic and performance goals, indicators, and targets were recently assessed within the context of the President's Management Agenda (PMA) and the agency's own management initiatives. Highlighted here are the major improvements for each PMA initiative made during this fiscal year that reflect efficiency and effectiveness gains for the Peace Corps and all of its staff. The PMA helps the agency adopt new disciplines to ensure its focus on results is effective and enduring. For each initiative, the PMA establishes clear, government-wide goals or standards for success and the Peace Corps is committed to meeting or exceeding these goals and standards.

Strategic Management of Human Capital

The Peace Corps operates under a unique term-limited hiring authority. Staff members are limited to five years of regular employment, with an additional 30 months available for up to 15 percent of the staff. Within this context, the agency continually strives to improve its human resource management (HRM) consistent with the goals of PMA and to meet or exceed the agency's own goals and initiatives.

A vital part of the agency's HRM plan is the integration of the President's expanded e-government initiative into all of our processes. The most important initiative to support strategic management of human capital is our ongoing implementation of an automated human capital management system introduced as a pilot program during FY 2006. By automating many of our HRM functions and other e-government initiatives, the agency is streamlining many of its processes, procedures and practices. Repetitive reporting tasks are being reduced and information is shared more quickly and efficiently between offices. Automating internal processes reduces operating costs.

Use of this system and its recruitment and staffing modules has reduced the time it takes to recruit and hire quality applicants by simultaneously sending vacancy announcements to over 1,400 recruitment sources. Potential candidate rosters are now available within one week, a significant improvement over the previous manual system. Additionally, this system provides the applicant intake tool for the Leadership Development Academy which was launched in FY 2006 and is now in its second year. The goal of this 12-month leadership program is to ensure that potential future leaders have the necessary skills to lead the Peace Corps. Other enhancements achieved through the ongoing system implementation include specialized orientation training, conducting of HRM formal efficiency surveys, distributing customized quarterly electronic newsletters, conducting three town hall events with increased participation, developing a management communication plan, and maintaining a personnel database of former Peace Corps employees to facilitate future re-employment.

Improvements are being continuously incorporated and the agency is fine-tuning the way in which HRM business is conducted to maximize performance and to ensure that the most efficient results are achieved to meet the needs of all Peace Corps' customers.

Competitive Sourcing

Over the past few years, the Peace Corps has outsourced many functions to private firms and to other government agencies. These various outsourcing initiatives have resulted in a 2:1 ratio of outsourced positions to Peace Corps employees. The agency continues to operate effectively with a full-time staff of approximately 1,000 employees at Peace Corps headquarters, regional recruiting offices, and at posts in the 74 countries in which Volunteers serve. The agency augments its full-time staffing with about 2,000 contractors, who work

domestically and overseas. Most overseas staff functions under personal service contracts, which are renewed annually. While the agency is open to newly developing opportunities, no new competitive sourcing initiatives were implemented this fiscal year, and none are planned for FY 2008.

Improved Financial Performance

The most significant improvements in financial performance in this fiscal year were completing the certification and accreditation process for the agency's financial system and validating the agency's contingency plan. This mitigated non-conformances to the government-wide financial management systems requirements previously impeding a clean financial audit opinion. The financial systems area can now focus more directly on future system improvements for Peace Corps customers. This fiscal year all required federal financial statements were generated directly from the financial system and processes for the first time.

External auditors issued a qualified opinion on the Peace Corps' September 30, 2006, balance sheet. With the improved financial reporting and internal controls implemented by the Peace Corps, the auditors were able to perform extended procedures during FY 2007 and an unqualified opinion was extended to all financial statements for the fiscal year ended September 30, 2007. Aggressive monitoring and completion of the corrective actions necessary to satisfy the agency's corrective action plans in response to other external financial audit findings have significantly reduced the overall number of outstanding audit findings and eliminated material weaknesses for the agency. Major milestones were achieved this fiscal year in gaining better control of the capital assets (property, plant, and equipment [PP&E]) through implementation of an Oracle Fixed Asset module to streamline tracking and depreciation of PP&E and initiating the ongoing process of semi-annual verification of PP&E assets with each post. Account reconciliations were standardized during this year and further systematizing efforts will oc-

cur in the future. The Inspector General's post and headquarters audits were closely monitored to ensure financial-related findings were resolved speedily, thereby reducing outstanding financial oversight audit findings from 23 to one for this fiscal year. The recent Office of the Chief Financial Officer reorganization has produced better communication and consistency among managers and helped stabilize contract consultants in their positions.

The agency-wide internal control program expanded to include internal control testing to strengthen the reliability of personal service contract payment processing for the overseas contractors and to further substantiate undelivered orders for the financial statement balances. Additionally, long-term personal service contract payments were fully automated during this fiscal year to further increase accuracy and speed and legislation was signed into law that allowed the agency to create a personal service contractors separation pay account at Treasury to better manage the funding of separation pay for host country nationals.

Financial management improvement efforts introduced this fiscal year that directly benefit the posts located around the world include enhancing financial management training for new country directors and administrative officers; replacing announced cash verifications with surprise audits by each post; reducing the required quarterly reports from five to two; changing the imprest fund replenishments from check to automated clearinghouse/electronic funds transfer; focusing on electronic funds transfer payments to reduce imprest fund cash requirements; implementing the paper check conversion over-the-counter program to fully automate and improve the collection, reconciliation, research and reporting associated with check collections; and canceling and crediting payments issued by the State Department's financial service centers so the funding is immediately available to the posts.

Many other important financial performance accomplishments were instituted during this fiscal

year to include financial management performance metrics measuring critical activities that evaluate the agency's financial health, eliminating the \$1.2 million debit card backlog spanning several fiscal years and changing to a new debit card platform that will automatically unload unused amounts on debit cards based on expiration date to prevent future problems as well as replacing the manual method of referring debts to Treasury for collection. Strong efforts to improve financial policy and to disseminate that policy rapidly throughout the agency continue through use of e-mails, bulletins, policies, and procedures and will be even further strengthened in the coming fiscal year. On-going efforts to maintain and update Peace Corps manuals and handbooks continue to be a priority for the future as well as strengthening the documentation for functions and processes.

Expanded E-Government

Expanded e-government fosters a citizen-centered government with a greater volume of service at a lower cost. The Peace Corps' challenge is to ensure that its investments in information technology (IT) are put to the best use while providing for system security and integrity. This is critical since the likelihood of obtaining resources for all identified IT initiatives can be difficult. To facilitate program and operation transparency, the Peace Corps' e-government initiatives are geared toward overcoming agency bureaucratic divisions and increasing productivity and the ease of electronic access for citizens. The agency has witnessed annual progress in its systems maturation, from a low-tech operating environment to a the high-tech enabled agency of today.

Consistent with current government-wide management reforms, the Peace Corps will increase its use of IT and e-government services to strengthen the quality, efficiency, and timeliness of recruiting, assessing, and selecting prospective Volunteers. In 2004, the Peace Corps began developing the infra-

structure required to modernize the agency and enable greater e-government solutions. The agency has enhanced telecommunications, hardware, security, and solutions development capability worldwide since that time.

The Volunteer Delivery System (VDS) is a continuous cycle of Volunteer recruitment, screening, and placement that allows the Peace Corps to deliver the best suited Volunteers for a host country's needs. The Peace Corps has strategically aligned its VDS with the agency's mission, modernizing its processes to speed up the delivery process and to reach different diverse groups more effectively. Internal communication has been streamlined and overall response times to applicants have been reduced. The agency has deployed a Web-based conferencing tool, WebEx, which facilitates sharing real-time information between overseas and domestic staff. WebEx has significantly improved Volunteer placement because the post receiving the Volunteer can discuss host needs and requirements with the Placement Office that sends the Volunteer. Correspondingly, accurate and effective placement reduces early termination rates and increases Volunteer satisfaction because the right person is placed in the right job. WebEx also reduces travel costs by allowing staff to teleconference via the Web instead of meeting face-to-face.

As the agency refreshed technology at Africa region posts, a number of country directors recommended enhancements to increase productivity and effectiveness. In response, English language and typing tutorials have been introduced at each post. These tools increase productivity of administrative staff, primarily host country nationals who may struggle with language or data entry.

The Peace Corps continues to implement IT security solutions to secure data stored and processed on agency computers. This enables the agency to be compliant with the Continuity of Operations Plan (COOP) and the Federal Information Security In-

formation Management Act. In FY 2007, the agency made significant strides in the certification and accreditation processes.

Enhanced technology helped provide an automated property tracking system that is better controlling and managing assets owned and/or operated by the agency. PropMan II, the agency's new PP&E system, not only improves property management, but it provides a standard system to capture, track, and report on Peace Corps property.

A number of overseas posts have monthly telecommunications costs of more than \$4,000, including long-distance and local phone service. The Peace Corps is piloting a voice-over-Internet protocol (VOIP) at two overseas posts, reducing this cost to approximately \$400 per month. VOIP could potentially lower telecommunications costs for as many as 20 overseas posts.

E-mail is a critical component of the Peace Corps communication and collaboration environment. It is probably the most depended-upon technology in the agency. Approximately 85 percent of our incoming e-mail is spam. In FY 2007, the Peace Corps implemented a spam reduction solution that eliminates 99.5 percent of spam and prevents the loss of productivity associated with managing bogus e-mail.

The Peace Corps released a new version of the Volunteer information database application (VIDA) which allows posts to manage their Volunteers using a standard system, process, and reports. This work is ongoing and includes enhancements to mobility (VIDA will work on a laptop, tablet, or personal digital assistant) and data transmission (data will be available at Peace Corps headquarters).

The agency continues to implement VSAT (very small aperture terminal, an earthbound station used in satellite communications of data, voice, and video signals) terminals in countries where the telecommunications infrastructure does not support stable telephone and Internet services. In FY 2007, this technology was implemented in Benin, Burkina Faso, Guyana, Kenya, Kyrgyz Republic, Lesotho, Malawi, Mali, Mauritania, Micronesia, Samoa, St. Lucia, Togo, Tonga, Turkmenistan, Uganda, and Vanuatu.

The Peace Corps upgraded the Crime Incident Reporting System introduced in FY 2006 to a Crime Incident Reporting Form (CIRF). CIRF is providing a secure, timely, standard electronic solution for posts to report specific crimes against Volunteers to the Office of Safety and Security, regions, medical staff, the inspector general, and general counsel. CIRF is saving time, enhancing safety and security, and providing accurate and consistent information to all parties involved.

Peace Corps e-government plans for FY 2008-2009 include:

- Deploying a search engine solution called Information Access
- Developing the first iteration data warehouse for information sharing
- Developing requirements and analysis for a content management system
- Analyzing a document management solution to address the Health Insurance Portability and Accountability Act, the National Archives and Records Administration, and COOP needs
- Deploying an agency mobility solution, including wireless.

- Deploying a pilot wiki (an online collaboration tool) called Peace Wiki.
- Deploying sharepoint portal services to more posts, reducing the need for Volunteers to travel to posts to exchange information.
- Deploying the VOIP solution for additional posts.

The Peace Corps will continue to align IT systems with core business processes using its governance process to ensure agency priorities are achieved. Defining IT strategic planning around processes that make the best use of Web accessibility will be one way the agency accomplishes this.

Budget and Performance Integration

The primary tool the Peace Corps uses to integrate budget and performance is its Integrated Planning and Budget System (IPBS). The IPBS is consistent with the planning process defined by the Government Performance and Results Act and is tied to the PMA. The system aligns the Congressional planning and budget cycle with the major business life cycles of the Peace Corps (i.e., posts' field project design and the agency's Volunteer recruitment and delivery cycles). IPBS was reengineered during FY 2006 and the agency is experiencing the benefits of the enhanced planning features, the internal monthly budget execution reviews and the quarterly execution reviews. Realigning performance reviews with the mid-year budget review process, combined with formal presentations to the Director, has streamlined the reallocation process for funding and the management of human resources and increased the visibility of problem areas for quick resolution.

The agency's most recent step toward improving the budget and performance integration was creating the Office of Strategic Information, Research, and Planning during FY 2007. This office will lead the development of content for long-range planning

efforts; facilitate implementation of Peace Corps-level program evaluations; improve use of outcome-oriented performance measures; and serve as the agency's authority for data governance and stewardship.

Managing within the framework of the President's Management Agenda provides agency management with an opportunity to create systems that enhance performance. These improved capabilities allow the Peace Corps to focus on its vital mission and build a solid foundation for future excellence.



Volunteers in El Salvador



PERFORMANCE SECTION



Annual Performance Report

The Peace Corps' mission of promoting world peace and friendship is accomplished through the work of Peace Corps Volunteers as they transfer skills and build cross-cultural understanding in partner countries throughout the world. The agency operates in host countries that have invited the Peace Corps to assist them in meeting their development needs. Through their work, Peace Corps Volunteers build bridges of understanding between Americans and host country nationals.

The Peace Corps uses performance goals and measures that focus on providing skilled Volunteers to meet host country needs, supporting the health and safety of the Volunteers, and ensuring that Volunteers reflect the face of America to host countries. The measures also look at the efficiency and effectiveness of efforts to recruit, train, and support Volunteers as they carry out their work, as well as the exposure of Americans to other cultures because of the Peace Corps. These goals and measures provide a clear picture of the agency's most important performance results.

In FY 2007, the Peace Corps made significant strides in institutionalizing its performance reporting process through the creation of the Office of Strategic Information, Research, and Planning (OSIRP). For FY 2006-2008, the Peace Corps adjusted its strategic plan to better align the plan to the Peace Corps' three core goals and internal processes, including new and modified strategic objectives with outcome-oriented targets and indicators. The Peace Corps completed, and OMB approved, the revised version of the agency's strategic plan, which was included in the FY 2007 *Congressional Budget Justification*.

Program Assessment Rating Tool

The strategic plan adjustment was in response to the Peace Corps' first-ever Program Assessment Rating Tool (PART) review, which occurred in FY 2005. The Peace Corps received an "effective" rating, which indicates that the agency has set ambitious goals, achieved results, is well-managed, and improves ef-

iciency. The PART review process also included recommendations for improvement, called the PART improvement plan. The Peace Corps' improvement plan outlined the need to identify new strategic objectives with outcome-oriented targets and indicators more closely aligned to the agency's mission statement. In response, the Peace Corps produced the interim adjustment to the strategic plan described above under which the agency is currently operating.

The PART improvement plan also refers to the agency's need to better measure Volunteers' effectiveness in carrying out the Peace Corps' second core goal of promoting a better understanding of Americans on the part of the peoples served. OSIRP is developing sophisticated research methods to measure outcomes that will enable the Peace Corps to quantify its achievement of this second core goal and the rest of the agency's performance measures in FY 2008. In addition to institutionalizing the agency's performance reporting, OSIRP is also charged with developing the FY 2009-2014 strategic plan.

Office of Inspector General Audits and Evaluations

The Peace Corps' Office of the Inspector General (OIG) regularly conducts audits and evaluations of the effectiveness of programs that support Peace Corps Volunteers. Auditors focus on fiscal accountability and effectiveness of internal controls over Peace Corps resources. Evaluators analyze the program operations of the Peace Corps at both overseas posts and domestic offices. Audits and evaluation reports identify internal control weaknesses, best practices and recommend program improvements and means to comply with applicable federal regulatory guidance, and Peace Corps' policies and procedures. During FY 2007, the OIG issued six program evaluation reports and 16 audit reports reporting on 21 countries. Audit management challenges cited in the reports include operational areas related to financial reporting, information technology, and internal controls over Peace Corps resources such as cash and capital assets. Challenges cited in the pro-

gram evaluation reports relate to site development and selection, grant-making and other funding-related issues, technical and local language training, and the sufficiency and quality of medical services to Volunteers.

OIG issued 16 audit reports in FY 2007 related to administrative and financial operations at overseas posts. Other audits performed included the annual audits of the agency's financial statements, privacy and vulnerability assessment of Peace Corps' intranet and external website, and a Federal Information Security Management Act review of selected agency information systems.

The six program evaluations were conducted in Azerbaijan, Cameroon, Eastern Caribbean, Ecuador, Guinea, and South Africa. Reports from these evaluations are submitted to regional directors who then take appropriate action to address identified concerns.

In FY 2007, the OIG also initiated field research for two large-scale comprehensive evaluations to look at the safety and security of Volunteers and the agency's medical screening process for potential Volunteers. Research for these two evaluations involved travel to 16 countries.

Internal Management Assessments

The goal of the Office of the Director's internal management assessment (IMA) program is to partner with regional and post senior leadership to strengthen and improve the management of posts. Assessment teams have pursued meaningful solutions to improve the efficiency and effectiveness of post operations and to enhance Volunteer service and programmatic impact. These assessments are collaborative and build consensus. Additionally, the assessments are timely for posts and regions, relevant to senior staff at selected posts and the regions, and are responsive to post and region needs.

In FY 2007 IMA assessments were conducted in: Belize, Costa Rica, Guyana, Kenya, Mexico, Niger, Peru, the Philippines, and Zambia. Assessments focused on:

- Posts in transition (new leadership, program direction and internal challenges);
- Peace Corps training;
- Operational models in geographically large countries;
- Review of Peace Corps operations in new entry countries (three to five years after opening);
- Volunteer support concerns in countries with high incidence of HIV/AIDS and the impact of the President's Emergency Plan for AIDS Relief (PEPFAR) funds on operations; and
- Post growth (implications for staffing, budget, Volunteer support, and site development).

Performance Reporting Process

Throughout FY 2007, the agency continued to use the enhanced internal controls and documentation of processes developed in FY 2006. The creation of OSIRP was a major step in providing an institutional home for performance reporting in the agency.

The Peace Corps' FY 2007 performance results are based on reliable, actual data that are complete as of the production of the results at the close of the fiscal year. Overall, the Peace Corps has made great progress in institutionalizing its performance reporting process and is well-positioned to provide solid results on performance measures.

Performance Summary

FY 2007 is the second year for the agency to report out on its current set of ambitious but achievable performance goals and indicator targets as outlined in the strategic plan. In FY 2007, the agency was above target for five of the eight performance goals and approximately 73 percent of the 33 per-

formance indicators. In some cases results were better than anticipated; in other areas results fell short of the goal. A case-by-case analysis is included in the section entitled “Annual Performance Results”. The agency will continue to work to achieve its strategic goals and to serve the Volunteer, host country nationals, and the American people.

PERFORMANCE INDICATORS SUMMARY

Performance Goal and Brief Description	Performance Goal Against Target	Performance Indicators Against Target		
		Under	On	Over
1.1.1 Volunteers serving	Over	2	1	1
1.2.1 Skills and knowledge transfer	Over	1	-	3
1.3.1 Representation of American diversity	Under	2	-	3
2.1.1 Volunteer healthcare	Over*	-	-	3
2.2.1 Volunteer safety	Under*	-	-	3
3.1.1 Interactions with Americans to build cross-cultural understanding	Under	2	-	3
4.1.1 Reduction of response time to applicants	Over	-	1	4
4.2.1 Volunteer resignation rate	Over	1	-	2*
Total Performance Goals = 8	3 Under 5 Over	8	2	22

Notes: The three categories of performance measurement are under, on, or over target. A number that is under target is any number below the target; a number that is on target is any number that is exactly on target; and a number that is over target is any number that is more than the target. Data for one of the performance indicators for Performance Goal 4.2.1 are not available as the biennial Volunteer survey was not performed in FY 2007 and the close-of-service survey did not include the necessary question to inform this indicator.

* The agency does not have official FY 2007 targets and results for certain performance goals and indicators because the biennial Volunteer survey is not administered this year. Rather than indicating N/A for both the goals and results, the agency has interpolated goals and utilized close-of-service survey results in order to provide alternate information of agency performance in these areas.



Correlation of Peace Corps Core Goals and Strategic Goals

The Peace Corps has four strategic goals that align to the agency's three core goals (as set forth in the Peace Corps Act). Although many of the agency's activities cut across all of the three core goals, there are close relationships between specific core goals and certain strategic goals. The following table shows these relationships.

Goal 1) to help the people of interested countries in meeting their need for trained men and women;

Goal 2) to help promote a better understanding of Americans on the part of the peoples served; and

Goal 3) to help promote a better understanding of other peoples on the part of Americans.

CORRELATION OF PEACE CORPS CORE AND STRATEGIC GOALS

Core Goals	Strategic Goals	Performance Goals	Correlation
Goal 1	1, 2, 4	1.1.1	More Volunteers in the field provide more opportunities to assist interested countries and broaden the impact of the agency.
		1.2.1	
		2.1.1	The effectiveness of Volunteers to assist communities overseas is enhanced when they are safe and healthy.
		2.2.1	
		4.1.1	Getting Volunteers to the field and having them serve their full term enhances the opportunities for positive impact.
		4.2.1	
Goal 2	1, 2, 4	1.1.1	By increasing the number of Volunteers overseas, and having a diverse representation of America, a better understanding of Americans by the people they serve is expanded.
		1.3.1	
		2.1.1	The effectiveness of Volunteers to accomplish Goal 2 is enhanced when they are safe and healthy.
		2.2.1	
		4.1.1	Getting Volunteers to the field and having them serve their full term enhances the ability to fulfill Goal 2.
		4.2.1	
Goal 3	3	1.1.1	By increasing the number of Volunteers serving overseas, the base of persons who will promote a better understanding of other peoples to Americans is expanded.
		1.3.1	
		3.1.1	Helping promote a better understanding of other peoples on the part of Americans is achieved by sharing Volunteer experiences and stories in a variety of venues.



Annual Performance Results

STRATEGIC GOAL 1

Assist interested countries with their identified needs by gradually expanding the number of trained Volunteers serving overseas; broadening the impact on the lives of men and women in their host communities by transferring tangible skills; and helping to promote an understanding of Americans, including representing American diversity, at a rate consistent with annual funding.

Outcome Goals:

- 1.1 Assist interested countries with their identified needs by gradually expanding the number of trained Volunteers serving overseas from 7,733 in FY 2004 to 8,000 in FY 2008, at a rate consistent with annual funding.
- 1.2 Broaden the impact of Volunteers on the lives of men and women in their host communities by transferring tangible skills, as measured by increasing Volunteers reporting in the Peace Corps' close-of service survey that they were "adequately" to "exceptionally" effective in transferring knowledge and skills to members of their host community, from 80 percent in FY 2006 to 82 percent by FY 2008.
- 1.3 Represent American diversity in Peace Corps host communities by increasing numbers of Peace Corps applicants representing diverse ethnicities and people 50+ by 4 percent, from the FY 2005 level of 24 percent to 28 percent by FY 2008.

Performance Goal 1.1.1.

Increase the number of Peace Corps Volunteers to 7,920 by FY 2007.

FY 2007 Goal
7,920

FY 2007 Actual
8,079

Results

FY 2003	FY 2004	FY 2005	FY 2006
7,533	7,733	7,810	7,749

Results and Analysis:

At the end of FY 2007, 8,079 Americans were serving in 74 countries through 68 posts as Peace Corps Volunteers encouraging sustainable development and cross-cultural understanding at the grassroots level. This level of achievement is noteworthy because it represents a high for field-serving Volunteers during the period covered by the present strategic plan and for the agency during the last 37 years. In addition, the agency broadened its international reach with the arrival of Volunteers entering on duty in the Kingdom of Cambodia which opened in FY 2006 and the historic return of the Peace Corps to Ethiopia.

Performance Indicators 1.1	FY 2007 Target	FY 2007 Results
i. Number of new country entries	2	1
ii. Percentage of Peace Corps focus countries participating in the President's Emergency Plan for AIDS Relief (PEPFAR)	100%	100%
iii. Number of Crisis Corps Volunteers (all funding sources)	100	64
iv. Overall visits to website	8.6 million	10 million

Results and Analysis:

In accomplishing the agency’s goals for modest expansion, the Peace Corps continues to respond to the numerous countries requesting a Peace Corps presence by opening new programs that focus on meeting the unique needs of the host country. In April 2007, the Peace Corps placed Volunteers in the Kingdom of Cambodia for the first time. Volunteers will also again be working in Ethiopia with trainees arriving there in October 2007. The agency has also completed assessments for new country entries in three African countries and one Asian country for consideration in FY 2008.

The Peace Corps continues to be a valuable participant in the President’s Emergency Plan for AIDS Relief (PEPFAR). The Peace Corps has a presence in 10 of the 15 PEPFAR focus countries. Each of these posts actively participated in PEPFAR funded HIV/AIDS programs during FY 2007, expanding and enhancing their ongoing efforts in the fight against the pandemic. Twelve additional posts also participated in the PEPFAR funded program, and Volunteers throughout the world integrated HIV/AIDS awareness messages into their work. By living and working at the grassroots level in communities and speaking the local language, Peace Corps Volunteers are uniquely suited to share culturally appropriate messages in HIV/AIDS education and prevention.

The Peace Corps’ Crisis Corps program sends returned Peace Corps Volunteers on short-term assignments to assist with critical country needs. This fiscal year, programs primarily supported the HIV/AIDS global pandemic and disaster preparedness and mitigation in countries prone to natural disasters. In FY 2007 Crisis Corps served in 10 new countries: Eastern Caribbean (which comprises Antigua/Barbados, Dominica, Grenada, St. Lucia, St. Kitts, and St. Vincent), Guyana, Madagascar, Panama, and the Philippines. Of the 64 Crisis Corps Volunteers who served, 41 supported HIV/AIDS programs in nine countries. Crisis Corps also sponsored a disaster preparedness workshop for the Central America/Caribbean sub-region, providing strategic response training to facilitate future participation in disaster preparedness and response.

A strategic realignment of priorities in Jamaica along with staff changes in Jamaica and Guatemala, led to a shortfall of anticipated assignments for the Crisis Corps in the Central America/Caribbean sub-region for FY 2007. Establishing a new program in the Philippines, which required hiring a project coordinator and extensive relationship building and site development, also delayed placements and contributed to the program’s not meeting its FY 2007 targets. The process to request Crisis Corps Volunteers has been streamlined, and the program expects to receive more-than-sufficient requests to meet its FY 2008 targets.

The American public increasingly uses the internet as its primary source to obtain information. New initiatives for the Peace Corps website have increased traffic to the site by an additional 92,000 visitors. In FY 2007, these initiatives included RRS (really simple syndication) feeds to syndicate news, events, and content of Volunteers’ journals; and adding compelling new content to the website, such as an interactive world map, a Kenyan sign language project, the new Coverdell World Wise Schools site, and “Volunteer Voices” podcasts.

Performance Goal 1.2.1.

Incrementally increase the percentage of respondents to the Peace Corps close-of-service survey reporting the effectiveness of transferring knowledge and skills to members of their host community as “adequately” to “exceptionally” to 81 percent by FY 2007.

FY 2007 Goal		FY 2007 Actual	
81%		86%	
Results			
FY 2003	FY 2004	FY 2005	FY 2006
N/A	N/A	N/A	83%

This is a new performance goal as of FY 2006. No data from past fiscal years is available.

Results and Analysis:

One of the Peace Corps' main objectives is for Volunteers to transfer skills to members of the communities in which they live and work in order to make a meaningful and sustainable difference in the lives of those they serve. Volunteers are instructed on methods to build the capacity of the host country nationals with whom they work and to help tech solutions that will be sustainable within the community. According to Volunteers surveyed upon completion of their service, via the close-of-service survey implemented in FY 2007, 86 percent said they effectively transferred knowledge and skills to members of their host community.

Performance Indicators 1.2	FY 2007 Target	FY 2007 Results
i. Number of individuals assisted by Volunteers (e.g., students, farmers, community members) as reported via the prior year's project status report annual review	2,176,000	2,403,458
ii. Number of service providers trained by Volunteers (e.g., teachers, health clinic workers, agriculture extension agents) as reported via the prior year's project status report annual review	114,300	155,565
iii. Number of community-initiated, Volunteer-led, Partnership Program projects	465	429
iv. Increase the extent Volunteers report that they have helped host country nationals gain a better understanding of the United States and its people, as reported by the Peace Corps close-of-service survey	91%	95%

Results and Analysis:

The agency exceeded its targets for the numbers of individuals assisted and service providers trained by Volunteers. The Center for Field Assistance and Applied Research, through its annual project status review process, compiles annual data and reviews observations related to programming and training as submitted by the field. The Peace Corps accomplishes its goal of transferring skills to people of interested countries by building the capacity of men, women, girls, and boys to manage their own development in a sustainable manner. Volunteers help build capacity by increasing knowledge, improving skills, and promoting behavior change of individuals and families in the countries they serve. Capacity-building efforts are targeted toward individuals, service providers, and organizations, who can, in turn, teach fellow community members.

One key goal of each Volunteer is to help promote a better understanding of Americans on the part of the host country community in which the Volunteer is serving. In FY 2007, the Peace Corps exceeded its target for this performance indicator. Sharing about themselves, their families, and their life in the United States, enables Volunteers to build a bridge of cross-cultural understanding. By living and working in local communities and speaking the local language, Volunteers forge relationships with their host country community members, and they model a spirit of friendship, understanding, and volunteerism on behalf of Americans.

The Peace Corps was slightly below its target for community-initiated, Volunteer-led Peace Corps Partnership Program projects. This was largely due to the use of cumbersome guidance documents and processes during the first part of the year. Steps were taken mid-year to streamline these documents and processes. Subsequently, project approvals increased threefold, but the number still fell short of FY 2007 targets by 36. It is important to note that the average project size increased by approximately 4 percent, while the average fundraising time decreased by approximately 30 percent, further validating the effectiveness of the new streamlined processes.

Performance Goal 1.3.1.

FY 2007 Goal
27%

FY 2007 Actual
24%

Incrementally increase the number of Peace Corps applicants representing diverse ethnicities and people 50+ by 3 percent from a FY 2005 level of 24 percent to 27 percent by FY 2007.

Results			
FY 2003	FY 2004	FY 2005	FY 2006
25.9%	26.1%	24.5%	24%

Results and Analysis:

While working to gradually expand its number of Volunteers, the agency is also working to increase the number of individuals from underrepresented ethnic and age groups who apply for Peace Corps service. This effort ensures that the Peace Corps continues to do its best to reflect the diverse face of the United States. While the agency enhanced its performance in FY 2007, it still failed to meet its FY 2007 target of 27 percent. A new strategic emphasis on minority recruiting reflects the agency’s continued commitment to recruit applicants of diverse ethnicities and those age 50+.

Performance Indicators 1.3	FY 2007 Target	FY 2007 Results
i. Percentage of applicants over the age of 50	7.9%	7.4%
ii. Percentage of applicants of diverse ethnicities	20%	17.4%
iii. Total visitors to website who access minority recruitment pages and/or scarce skills and family pages	440,000	572,363
iv. Number of articles placed in newspapers and other media that focus on diverse Volunteers and/or target diverse audiences	180	260
v. Total number of public service announcements (PSA) placements in minority- and diversity-oriented media	2,500	12,337

Results and Analysis:

Several initiatives have begun to further increase the diversity of the Peace Corps applicant pool. The following are continuing programs to further improve performance in this area: (1) Presentations at national conventions regarding Volunteer service either mid-career or post retirement; (2) Increased to more than 275 50+ general information meetings with a focus on opportunities for 50+ throughout the 11 regions; (3) Increased press coverage beginning with the Lillian Carter Awards and placement of national advertising in fraternal organization publications; (4) Addition of 50+ recruiters in the regional offices by hiring seasoned or 50+ temporary and full-time staff.

The Peace Corps has also worked diligently to increase the production of diverse applicants. Peace Corps currently enjoys a historic high number of diverse Volunteers in the field. Even though the agency did not meet the FY 2007 target for applicants of diverse ethnicities, Volunteer Recruitment and Selection has implemented the following for further improved performance in the future: (1) Regional diversity milestones; (2) Awareness and extended outreach at Hispanic-serving institutions and the Hispanic Association of Colleges and Universities (HACUs); (3) Workshops and presentations at various minority-serving institutional organizations; (4) Provision of diversity funds to regional recruitment offices for diversity recruitment pilot programs and participation in national diversity events.

New web content and PSA marketing efforts have increased visitors to the Peace Corps' website. Also in FY 2007, the bandwidth of the agency's Internet server was increased and multimedia assets were off-loaded to an external server. This enabled visitors to navigate through the website much more easily. More visitors are coming to the site and each visitor is staying longer to view more pages, sharply increasing the number of minority recruitment, scarce skills, and family pages viewed.

This year the Peace Corps reenergized its campaign to recruit more Volunteers ages 50 and over. The steering committee for the Volunteer Delivery System focused on new recruiting strategies (including those for Americans age 50 and over); communicating better what service really means; expediting the process to medically clear and invite applicants; strengthening language training; and creating good site placements and projects for Volunteers. Pilot posts are evaluating the effectiveness of changes in field operations.

The agency also continued to highlight the diversity of its Volunteers throughout 2007, with concentrated effort during times such as African American History Month, Hispanic Heritage Month, and Asian Pacific Islander Heritage Month. All of these efforts allowed the agency to exceed its number of article placements in diverse and targeted diverse media.

In FY 2007, there were 12,337 placements for Peace Corps PSAs in minority- and diversity-g geared media—more than five times the goal. Significant factors contributing to this success were the release of two new Spanish radio PSAs; continued placement of the Spanish television PSA, which launched in 2006; and the strategic placement of Web PSAs. New targeted print PSAs were released in July 2007, which will additionally strengthen the agency's public service campaign.



Print ads from the Peace Corps Life is Calling campaign

STRATEGIC GOAL 2

Ensure a quality Volunteer experience by increasing the quality of healthcare and managing the safety and security risk factors in each of the communities where the Volunteers live.

Outcome Goals:

- 2.1 Increase the percentage of Volunteers indicating feeling “adequately” to “exceptionally” satisfied with their in-country healthcare from FY 2002 level of 75 percent to 82 percent by FY 2008.
- 2.2 Increase the percentage of Volunteer survey respondents indicating they feel safe most of the time (“usually safe” to “very safe”) where they live from FY 2002 level of 86 percent to 88 percent by FY 2008.

Performance Goal 2.1.1.

Incrementally increase the percentage of respondents to the biennial Peace Corps Volunteer survey indicating feeling “adequately” to “exceptionally” satisfied with their in-country healthcare from the FY 2002 level of 75 percent to 82 percent by FY 2008.

FY 2007 Goal 81%		FY 2007 Actual 92%	
Results			
FY 2003 N/A	FY 2004 87%	FY 2005 N/A	FY 2006 92%

Notes: The target level for this performance goal is interpolated between those previously established for FY 2006 at 80 percent and for FY 2008 at 82 percent. The close-of-service survey results for FY 2007 have been used to inform this performance goal since the next biennial Peace Corps Volunteer survey is targeted for implementation in FY 2008.

Results and Analysis:

The health, safety, and security of every Volunteer is the Peace Corps’ highest priority and is reflected as such in the agency’s planning. The results of the FY 2007 close-of-service Volunteer survey demonstrate that the vast majority of Volunteers are satisfied with the healthcare they receive while they live and work in their communities around the world.

Performance Indicators 2.1	FY 2007 Target	FY 2007 Results
i. Percentage of Volunteers medically evacuated to Washington, D.C., reporting they are satisfied with their medical evacuation care as measured by the medevac survey	90%	92%
ii. Percentage of Volunteer respondents reporting feeling “adequately” to “exceptionally” prepared, both physically and mentally, to meet the challenges of Peace Corps service as measured by the Peace Corps close-of-service survey	90%	92%
iii. Incidence of <i>falciparum</i> malaria in Africa region (measure is in cases per 100 Volunteer/trainee years)	Less than 6.0	1.7

Results and Analysis:

Peace Corps Volunteers serve in challenging environments throughout the world, and the health of Volunteers is one of the agency’s top priorities. In extreme circumstances, Volunteers may need to be medically evacuated to Washington, D.C. Their satisfaction with the care received is important. During FY 2007, data from the survey given to medevaced Volunteers show that the agency exceeded its goal by achieving a 92 percent satisfaction rate. These high marks reflect how well the medical field support unit supports Volunteers on medevac status. Accommodations for these Volunteers during their stay in D.C. include a lounge with Internet access and telephone service for their use; and shuttle bus transportation to and from Peace Corps headquarters each week day, and to grocery stores and pharmacies throughout the week.

The Peace Corps focuses on equipping Volunteers with the tools they need to deal with the changes they will face in their communities. Training on physical and emotional health is a focus of pre-service training and is

reinforced throughout a Volunteer’s term of service. Close-of-service survey results from FY 2007 indicate that the vast majority of Volunteers are satisfied with the preparation they receive during training to meet the mental and physical challenges of Peace Corps service. Furthermore, Volunteers in malaria-prone areas are thoroughly trained on proper protocols and the importance of malaria prophylaxis, resulting in a marked decrease in the incidence rate for falciparum malaria.

Performance Goal 2.2.1.

Incrementally increase the percentage of respondents to the biennial Peace Corps Volunteer survey indicating that Volunteers feel safe most of the time (“usually safe” to “very safe”) where they live by 2 percent from FY 2002 level of 86 percent to 88 percent by FY 2008.

FY 2007 Goal		FY 2007 Actual	
87%		85%	
Results			
FY 2003	FY 2004	FY 2005	FY 2006
N/A	88%	N/A	88%

Notes: *The target level for this performance goal is interpolated between those previously established for FY 2006 at 86 percent and for FY 2008 at 88 percent. The close-of-service survey results for FY 2007 have been used to inform this performance goal since the next biennial Peace Corps Volunteer survey is targeted for implementation in FY 2008.*

Results and Analysis:

The safety and security of the Volunteer is the agency’s highest priority. Safety and security information is incorporated into all aspects of Volunteer recruitment, training, and service. While we are concerned with the slight drop off in this performance indicator, we attribute this to the smaller Volunteer population sampled by the close-of-service surveys. We will continue to emphasize performance in this area and will be able to validate it during the implementation of the biennial Volunteer survey in FY 2008.

Performance Indicators 2.2	FY 2007 Target	FY 2007 Results
i. Percentage of posts receiving safety and security report recommendations annually	85%	87%
ii. Percentage of Volunteer respondents reporting the safety and security portion of their pre-service training as “adequate,” “effective,” or “very effective” as measured by the biennial Volunteer survey*	85%	96%
iii. Percentage of Volunteer respondents reporting they were “somewhat,” “considerably,” or “completely” satisfied with support provided by Peace Corps staff for safety and security, as measured by the biennial Volunteer survey*	85%	90%

Notes: * *The target level for performance goals ii. and iii. are maintained at the level previously established for FY 2006 of 85 percent. The FY 2008 target is 85 percent. The close-of-service survey results for FY 2007 have been used to inform these performance goal since the biennial Peace Corps Volunteer survey will be conducted again in FY 2008.*

Results and Analysis:

To help measure the impact that the safety and security support staff has had on Volunteer safety, the agency’s Office of Safety and Security determined that 85 percent of posts would be visited by safety and security officers to assess and recommend improvements to their respective Volunteer safety support systems. By the end of FY 2007, this goal had been exceeded. Safety and security site visits assisted staff in training, crisis management, and collaboration with embassies on physical security recommendations or office relocations; to follow-up on previous recommendations; and to provide other safety and security programmatic support.

An important goal related to a Volunteer’s perception of safety and security was increasing the percentage of Volunteer respondents to 85 percent who felt that the safety and security information received during pre-service training was “adequate” to “very effective”. This percentage was also greatly surpassed with survey data indicating that 96 percent reported favorably. By including region-and post-specific safety and security information in all *Welcome Books*, invitees become aware of the overall security environment of prospective posts

as well as the agency’s approach to safety and security. Receiving this information before leaving home enables invitees to better absorb the messages that are reiterated and emphasized in staging and pre-service training.

Additionally, 90 percent of Volunteers reported that they were “somewhat” to “completely” satisfied with the support provided by Peace Corps staff regarding their safety and security, which is well above the 85 percent goal. The presence of regional Peace Corps safety and security officers in the field, safety and security coordinators at each post, and safety and security desk officers at headquarters has improved communication, coordination, and oversight of safety and security systems. The agency is encouraged by the positive perceptions Volunteer have of their security, training, and support and remains committed to focusing on this important issue, remaining vigilant to maximize Volunteer security overseas.



Education Volunteer, Kenya

STRATEGIC GOAL 3

Increase the exposure of Americans to other cultures by sharing Volunteer experiences and stories in numerous venues, including the classroom, special events, community visits, and through electronic means, as well as engaging those who have completed their service in ongoing Peace Corps-supported volunteer opportunities.

Outcome Goal:

3.1 Increase the number of interactions with Americans to further the Peace Corps’ goals through Peace Corps-supported activities to 25,844 (aggregate of indicators i. through iv.) by FY 2007.

Performance Goal 3.1.1.

Increase the number of interactions with Americans to further the Peace Corps’ goals through Peace Corps-supported activities to 25,844 in FY 2007.

				FY 2007 Goal	FY 2007 Actual
				25,844	21,748
				Results	
FY 2003	FY 2004	FY 2005	FY 2006		
N/A	N/A	N/A	21,377		

This is a new performance goal as of FY 2006. No data from past fiscal years is available.

Results and Analysis:

The Peace Corps’ failure to achieve this goal is directly related to the methodology to calculate Performance Indicator 3.1 (i). In early FY 2007 the agency established that the previously used methodology was labor intensive and did not provide results that could be verified in an optimal manner. This was because it included an estimate of the number of unregistered returned Peace Corps Volunteers (RPCV) who participated in Peace Corps Week activities. While a number of these individuals definitely contribute to this goal, the Peace Corps has decided to exclude this estimate of unregistered participants in future calculations.

Performance Indicators 3.1	FY 2007 Target	FY 2007 Results
i. RPCV interactions with the American public in communities and on campuses nationwide during Peace Corps Week and throughout the year through activities supported by the Peace Corps	15,200	10,954
ii. Donors supporting Peace Corps Volunteer projects through private sector contributions	5,800	5,684
iii. U.S. educators connecting with Peace Corps Volunteers through the Peace Corps’ Coverdell World Wise Schools correspondence match program	4,500	4,689
iv. Fellows/USA participants serving in communities nationwide	344	421
v. Visits per year to the Peace Corps’ Coverdell World Wise School website that contains lesson plans, Volunteer stories, and other educational resources for use in the classroom and beyond	1.32 million	2.1 million

Results and Analysis:

RPCV participation in Peace Corps Week surpassed the FY 2006 level by 91 participants. However, the agency failed to meet its goal due to a change in calculating methodology. The previously used methodology did not provide results that could be verified in an optimal manner and was labor intensive. This was because it included an estimate of the number of RPCVs who participated in Peace Corps Week activities. While a number of these individuals definitely contribute to this goal, the Peace Corps has decided to exclude this estimate of unregistered participants in future calculations.

Though the number of donors supporting Peace Corps Partnership Program projects did not meet the FY 2007 target, it is still an achievement over levels reported in FY 2006. The 5,684 donors in FY 2007 represented an increase of 24 percent over FY 2006 levels, which is attributable to efforts to develop materials that support internal and external marketing goals. These materials are increasing Volunteer awareness of the Peace Corps Partnership Program and raising the visibility of the program to potential and existing donors.

The Peace Corps is proud to have exceeded the target for the Coverdell World Wise Schools Correspondence Match program. The agency will continue to examine the work processes in this area and deploy target strategies to encourage increased participation in FY 2008. These will include revising match procedure to encourage Volunteers to select their own teachers; revamping the marketing brochure to include a detachable, pre-paid mail-in form; adding the form to the applicant kit received prior to staging; regularly reporting status to in-country contacts; and efforts to redesign the Correspondence Match database as an automatic Web sign up application.

The agency successfully achieved its target for the Peace Corps Fellows/USA participant service in communities. This success was due in significant part to effective improvements in reminding RPCVs of this benefit of service. Our performance in increasing the visits to the Coverdell World Wise Schools website is due to several special events like the innovative Global Issues Conference, more Web-based program content, a major web-site redesign, and cross linking with non-governmental organizations.



Agriculture Volunteer, Jamaica

STRATEGIC GOAL 4

Increase the retention level of Americans interested in the Peace Corps by better facilitating the process of obtaining information, applying, joining and completing their Volunteer service.

Outcome Goals:

- 4.1 Improve the responsiveness of the Volunteer application process by streamlining the application process and decreasing the Peace Corps’ response time to applicants by 7 percent from 156 days (aggregate of below indicators of timeliness) in FY 2005 to 146 days in FY 2008.
- 4.2 Maintain the overall 12-month Volunteer resignation rate (with resignation officially defined as a decision made by a Volunteer/trainee that he/she no longer wishes to continue in Peace Corps service) at 10 percent or less.

Performance Goal 4.1.1.

Decrease the Peace Corps’ response time to applicants by 2 percent from 154 days in FY 2005 to 150 days in FY 2007.

FY 2007 Goal 150 days or less	FY 2007 Actual 129.6 days
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Results			
FY 2003	FY 2004	FY 2005	FY 2006
N/A	N/A	N/A	138 days

This is a new performance goal as of FY 2006. No data from past fiscal years is available.

Results and Analysis:

There are numerous steps in the application process to become a Peace Corps Volunteer. This enables the agency to recruit and thoroughly screen applicants for skills and medical and suitability issues prior to approving and inviting them to serve as Volunteers. In FY 2007, this application process was broken down into the various stages for which the Peace Corps has processing responsibilities to best analyze its efficiencies. The agency is pleased to have exceeded its FY 2007 goal of response time to applicants by approximately 20 days. The agency remains committed to streamlining the processes that enable Americans to obtain information, apply, join, and complete service as Peace Corps Volunteers.

Performance Indicators 4.1	FY 2007 Target	FY 2007 Results
i. Number of days from receipt of application to nomination	65	58
ii. Number of days from nominee’s completed health status review to medical kit sent	8	6.6
iii. Number of days from receipt of completed medical kit to medical qualification	31	31
iv. Number of days from medical qualification to invitation	46	34
v. Percentage of applicants who submit their Volunteer applications over the Internet	85%	93%

Results and Analysis:

The agency created a steering committee to optimize the Volunteer Delivery and Support System by leveraging the full force of the agency’s organization, management, technology, and fiscal operations to improve and sustain the Volunteer delivery. As a result of the efforts of this steering committee, the agency is pleased to have exceeded the FY 2007 goal of response time to applicants. The agency remains committed to streamlining the processes that enable Americans to obtain information, apply, join, and complete service as Peace Corps Volunteers.

Upon receipt of notification that an applicant has been nominated, and based upon the completed health status review, medical kits containing documents pertinent to each applicant are created and sent. In FY 2007, the agency exceeded its target for the number of days from nomination until the medical kit is sent. Additionally, the Office of Volunteer Support is creating an online medical kit that will allow Volunteers to receive their medical kits even more quickly and return them to the Peace Corps for evaluation and review.

While the Peace Corps successfully met its FY 2007 target for Performance Indicator 4.1 (iii), the current methodology to calculate the number of days from receipt of completed medical kit to a decision on medical qualification does not adequately address extenuating circumstances that influence the time it takes to make a final decision. In FY 2008, the Office of Volunteer Support will test a new calculation method that will eliminate the days waiting for the return of information or test results from applicants or medical providers. This will more accurately represent the medical workload and timing until a medical decision is made.

The Peace Corps is pleased with its performance on Performance Indicator 4.1 (v), and attributes that success to the ease of applying online and submitting electronic references.

Performance Goal 4.2.1.

Maintain the overall 12-month Volunteer’s resignation rate at 10 percent or less in FY 2007.

FY 2007 Goal <10%	FY 2007 Actual 8.8%
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Results			
FY 2003	FY 2004	FY 2005	FY 2006
9.0%	8.0%	9.0%	8.9%

Results and Analysis:

Retaining Volunteers is an area the Peace Corps has carefully examined, and its target to keep resignations for FY 2007 below 10 percent was achieved. Offices throughout the agency benefited from a more thorough analysis of early terminations in general, with a focus on resignations (officially defined as a decision made by a Volunteer/trainee that he/she no longer wishes to continue in Peace Corps service). The agency continues to monitor early terminations and to use both quantitative and qualitative data to improve recruiting, training, programming, and all other aspects of the Volunteer experience.

Performance Indicators 4.2	FY 2007 Target*	FY 2007 Results*
i. Percentage of sites described “very well,” “well,” or “adequately” prepared as measured by the the biennial Volunteer survey	80%	N/A
ii. Percentage of Volunteer respondents reporting their pre-service training to manage cultural differences as “adequate,” “effective,” or “very effective” as measured by the biennial Volunteer survey	90%	93%
iii. Percentage of Peace Corps project and training programs reviewed annually to provide feedback for improvement to posts as reported via the prior year’s project status report/ training status report review process	96%	95%
iv. Percentage of Peace Volunteer respondents reporting their pre-service training as “adequate,” “effective,” or “very effective” in preparing them to maintain their mental/ emotional health, as measured by the biennial Volunteer survey	84%	91%

Notes: N/A No data available from either the biennial or the close-of-service Volunteer survey.

* The target level for performance indicators i, ii, and iv is interpolated between the target previously established for FY 2006 and the target for FY 2008. The close-of-service survey results for FY 2007 have been used to inform these performance indicators since the biennial Peace Corps Volunteer survey is targeted for implementation in FY 2008.

Results and Analysis:

The Peace Corps strives to retain Volunteers throughout their term of service by managing a quality program. However, life circumstances, such as family emergencies, sometimes cause Volunteers to resign early. These performance indicators were chosen in light of the difficulties Volunteers face that can lead to resignation, including challenges in adapting to the local culture, dealing with emotional or mental health issues, and struggling with the work environment.

The Peace Corps met its goal on training Volunteers to manage cultural differences. The most safe and secure Volunteers are those who are well-integrated into their communities. The Peace Corps provides extensive training on cross-cultural awareness, enabling Volunteers to function well in their new communities. Additionally, the agency provides Volunteers with extensive language training to help them adapt to their new environment and to communicate effectively with their host country community counterparts.

Cohesive projects enable Volunteers to have well-defined work at their sites, which fits into a larger project goal to address the identified needs of the host country. The Center for Field Assistance and Applied Research monitors the production and quality of programming and training (including the quality of materials provided to posts) through an annual project status report review. These evaluations provide feedback to posts on overall possible project improvements. The agency is proud to have completed review of 95 percent of the project plans in FY 2007 which is slightly below the target of 96 percent previously established. We expect this performance to improve in FY 2008.

The agency met its goal on preparing Volunteers to meet their mental/emotional health needs during their service. In FY 2007, the agency continued training efforts of staff and Volunteers that are essential to maintaining and enhancing mental health and Volunteer resiliency.



50+ Education Volunteer, Guyana



FINANCIAL SECTION



Message from the Chief Financial Officer

Fiscal year 2007 saw the results of the past years transition and maturation of the financial systems and our personnel culminating in an unqualified opinion on the agency's financial statements. For the first time since the financial audits began, there were no new material weaknesses or federal system non-compliances identified during the financial audit. Great credit needs to be given to the staff throughout the Peace Corps as sound financial management has been embraced across the organization. I give special thanks to the finance and administrative staff who have completely redefined their business practices to move from a disclaimer of an opinion to an unqualified audit opinion in two years. The production of the financial statements has moved from a project to a process and our internal controls have significantly improved.

The enterprise-wide federal system non-compliance (i.e., information systems control environment) from prior years was resolved by the successful certification and accreditation of the financial system earlier this fiscal year and by successfully testing the agency's disaster recovery strategy process and the contingency plan in February 2007. Certification and accreditation of the Odyssey financial system was in accordance with the Federal Information Security Management Act, Public Law 107-347. Other information technology issues at the overseas posts were resolved by completing the software refresh in all three regions and by rolling out monthly software patches.

Existing material weaknesses from past year audits in the financial management structure, accounting business processes, and the beginning balances were mitigated by the following:

- Implementing formalized and comprehensive reconciliation and quality control processes for material account balances and further documenting the basis for each fund classification and its treatment in the financial statements.
- Providing an obligation funds documentation matrix to the posts and reinforcing obligation and disbursement guidance in the *Overseas Financial Management Handbook*.
- Conducting internal control testing to strengthen the reliability of personal service contract payment processing for overseas contractors and to further substantiate financial statement balances.
- Implementing a standardized accrual matrix, accrual templates and procedures and changing how accounts payable accruals are estimated.
- Gaining better control of the property, plant, and equipment (PP&E) capital assets by publishing PP&E procedures, implementing an Oracle fixed asset module, and implementing an ongoing semiannual PP&E asset verification process with each post. The asset module streamlines PP&E tracking and depreciation and facilitates reconciliation with the financial statements.

Close, aggressive monitoring and completing corrective actions necessary to satisfy the agency's corrective action plan coupled with dedicated managerial and employee efforts throughout the fiscal year significantly reduced the number of outstanding audit findings and eliminated material weaknesses for the Peace Corps.

Notable among the financial management improvements this year to benefit the worldwide posts were enhanced training for new country directors and administrative officers; initiatives to better use electronic funds transfer capabilities; and cash improvements that allow immediate canceling and crediting of payments and reuse of funding. Other financial management improvement efforts implemented this fiscal year included:

- Implementing financial management performance metrics that measure critical activities to evaluate the agency's financial health.
- Monitoring closely the Inspector General's post and headquarters audits and reducing the outstanding financial oversight audit findings from 23 to one.
- Eliminating a \$1.2 million debit card backlog that spanned several fiscal years.
- Changing to a new debit card platform that will automatically unload unused amounts on debit cards based on expiration date preventing future debit card problems.
- Replacing the manual method of referring debts to Treasury for collection with the Treasury's automated method, the FedDebt System.
- Publishing updated financial policy and disseminating it rapidly throughout the agency.
- Clearing outstanding cashier accountability out-of-balance conditions with the State Department in January 2007, with that balance remaining at zero at year's end.
- Issuing 10 *Peace Corps Manual* Sections, 11 *CFO Bulletins*, two CFO Policy Statements; updating 35 of 52 Chapters in the *Overseas Financial Management Handbook*; and issuing *Travel* and *Fiscal Coding Handbooks*.
- Clearing 515 old travel advances from expired funds which totaled more than \$200,000.
- Developing a process to monitor outstanding collections at posts using the FOR-Post accounting system.

The Auditor's report identified no material weaknesses during this year's financial audit but did identify significant deficiencies in our internal controls for the accounting business processes and the information system security controls. Those deficiencies are identified in Appendix 1 and will be addressed and corrected during the next fiscal year. Additionally, there are a few remaining outstanding audit findings from prior-year audits not yet fully resolved but progressing in accordance with the structured corrective action plan. The status of the outstanding audit findings is shown in Appendix 1. Generally, resolving the outstanding audit findings is tied to future agency-wide events, such as conducting post IT audits or requires interaction with other federal agencies.

Looking forward to next year, internal control testing will be further expanded to include all key processes that impact financial reporting, further strengthening of the documentation for financial functions and processes, focus on financial management training for domestic and overseas staff, continued emphasis on hiring and retaining qualified staff, and continuing ongoing efforts to maintain and update Peace Corps manuals and handbooks.

We remain committed to excellence in financial management with a goal to refine the maturation level of Peace Corps financial systems and key agency-wide financial processes that maintain financial performance and to support all agency efforts to secure future unqualified opinions on the agency's financial statements.

The financial statements that follow were prepared in accordance with generally accepted accounting principles for federal government entities and by subjecting the statements to an independent audit. The Peace Corps' financial statements were prepared from its financial systems and processes using the most reliable and complete data available.



George A. Schutter III, CPA, CPCM
Chief Financial Officer
November 15, 2007



CFO George Schutter, Niger

Peace Corps
Balance Sheet
As of September 30, 2007 and 2006
(In Thousands)

	<u>2007</u>	<u>2006</u> (Restated)
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2 and 3)	\$ 125,652	\$ 134,516
Accounts Receivable (Note 5)	630	980
Total Intragovernmental	<u>126,282</u>	<u>135,496</u>
Cash and Other Monetary Assets (Note 4)	65	65
Accounts Receivable, Net (Note 5)	58	183
General Property, Plant, and Equipment, Net (Note 6)	32,657	32,980
Other		
Prepaid Volunteer Living Allowances (Note 7)	3,984	3,813
Other Assets (Note 8)	2,510	430
Subtotal Other	<u>6,494</u>	<u>4,243</u>
Total Assets	<u>\$ 165,556</u>	<u>\$ 172,967</u>
Liabilities		
Intragovernmental		
Accounts Payable	\$ 1,024	\$ 442
Other		
FECA Liability (Note 9)	24,236	24,157
Other Liabilities (Note 10)	2	2
Subtotal Other	<u>24,238</u>	<u>24,159</u>
Total Intragovernmental	<u>25,262</u>	<u>24,601</u>
Accounts Payable	8,313	11,767
Federal Employee and Veteran Benefits (Note 9)	116,450	116,451
Other		
Other Employment Related Liability (Note 9)	7,590	9,840
Non-Entity Funds	32,597	27,379
Accrued Funded Payroll and Leave	3,680	3,241
Annual Leave (Note 9)	7,310	6,673
Other Liability (Note 10)	750	500
Subtotal Other	<u>51,927</u>	<u>47,633</u>
Total Liabilities	<u>201,952</u>	<u>200,452</u>
Commitments and Contingencies (Note 12)		
Net Position		
Unexpended Appropriations - Other Funds	81,586	92,863
Cumulative Results of Operations - Other Funds	(117,982)	(120,348)
Total Net Position	<u>\$ (36,396)</u>	<u>\$ (27,485)</u>
Total Liabilities and Net Position	<u>\$ 165,556</u>	<u>\$ 172,967</u>

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Net Cost
For the Years Ended September 30, 2007 and 2006
(In Thousands)

	<u>2007</u>	<u>2006</u> (Restated) (Unaudited)
Program Costs:		
Gross Costs	\$ 335,688	\$ 314,734
Less: Earned Revenue (Note 14)	3,158	5,532
Net Program Costs	<u>332,530</u>	<u>309,202</u>
Costs Not Assigned to Programs	-	-
Less: Earned Revenues Not Attributed to Programs	<u>-</u>	<u>-</u>
Net Cost of Operations	<u><u>\$ 332,530</u></u>	<u><u>\$ 309,202</u></u>

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Changes in Net Position
For the Years Ended September 30, 2007 and 2006
(In Thousands)

	<u>2007</u>	<u>2006</u>
		(Restated) (Unaudited)
Cumulative Results of Operations		
Beginning Balances	\$ (120,348)	\$ (120,425)
Adjustments		
Corrections of Errors	(511)	(6,492)
Beginning Balances, As Adjusted	<u>(120,859)</u>	<u>(126,917)</u>
 Budgetary Financing Sources:		
Appropriations Used	330,685	310,377
 <i>Other Financing Sources (Non-Exchange):</i>		
Transfers-In/Out Reimbursement	(102)	702
Imputed Financing (Note 13)	4,824	4,692
Total Financing Sources	<u>335,407</u>	<u>315,771</u>
 Net Cost of Operations	<u>(332,530)</u>	<u>(309,202)</u>
Net Change	<u>2,877</u>	<u>6,569</u>
 Cumulative Results of Operations	<u>(117,982)</u>	<u>(120,348)</u>
 Unexpended Appropriations		
Beginning Balances	92,863	84,896
Adjustments		
Corrections of Errors	(135)	(2)
Beginning Balances, As Adjusted	<u>92,728</u>	<u>84,894</u>
 <i>Budgetary Financing Sources:</i>		
Appropriations Received	319,700	322,000
Appropriations Transferred In/Out	-	1,100
Other Adjustments	(157)	(4,753)
Appropriations Used	<u>(330,685)</u>	<u>(310,377)</u>
Total Budgetary Financing Sources	<u>(11,142)</u>	<u>7,970</u>
Total Unexpended Appropriations	<u>81,586</u>	<u>92,863</u>
 Net Position	<u>\$ (36,396)</u>	<u>\$ (27,485)</u>

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Budgetary Resources
For the Years Ended September 30, 2007 and 2006
(In Thousands)

	<u>2007</u>	<u>2006</u>
		(Restated) (Unaudited)
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	\$ 21,148	\$ 20,356
Budgetary Authority		
Appropriations	319,700	322,000
Spending Authority From Offsetting Collections (Gross)		
Earned		
Collected	4,789	6,802
Change in Receivables from Federal Sources	(334)	376
Change in Unfilled Customer Orders		
Advance Received	-	-
Without Advance from Federal Sources	(150)	(2,064)
Subtotal	324,005	327,114
Nonexpenditure Transfers, Net, Anticipated and Actual	-	1,100
Permanently Not Available	158	4,753
Total Budgetary Resources	<u>\$ 344,995</u>	<u>\$ 343,817</u>
Status of Budgetary Resources:		
Obligations Incurred		
Direct	\$ 320,848	\$ 319,146
Reimbursable	2,646	3,522
Subtotal	323,494	322,668
Unobligated Balance		
Apportioned	10,648	7,828
Unobligated Balance Not Available	10,853	13,321
Total Status of Budgetary Resources	<u>\$ 344,995</u>	<u>\$ 343,817</u>
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 87,860	\$ 82,624
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	438	2,126
Total Unpaid Obligated Balance, Net	87,422	80,498
Obligations Incurred, net	323,494	322,668
Gross Outlays	338,407	317,433
Obligated Balance Transferred, Net	-	-
Change in Uncollected Customer Payments from Federal Sources	(484)	(1,688)
Obligated Balance, Net, End of Period		
Unpaid Obligations	72,947	87,860
Uncollected Customer Payments from Federal Sources	(46)	438
Total Unpaid Obligated Balance, Net, End of Period	<u>\$ 72,993</u>	<u>\$ 87,422</u>
NET OUTLAYS		
Net Outlays		
Gross Outlays	\$ 338,407	\$ 317,433
Offsetting Collections	4,789	6,802
Net Outlays	<u>\$ 333,618</u>	<u>\$ 310,631</u>

The accompanying notes are an integral part of these statements

Note 1 Significant Accounting Policies

a) Reporting Entity

The Peace Corps was initially established by President John F. Kennedy pursuant to Executive Order 10924 on March 1, 1961, and was subsequently formalized by the Peace Corps Act of 1961. The Peace Corps is an independent agency within the executive branch of the United States government.

The core mission of the Peace Corps is to promote world peace and friendship by making available to interested, less developed countries men and women of the United States qualified for service abroad and willing to serve, even under conditions of hardship if necessary. The Peace Corps' goals are to help the people of interested countries in meeting their need for trained men and women; to help promote a better understanding of Americans on the part of the peoples served; and to help promote a better understanding of other peoples on the part of Americans.

b) Basis of Presentation

The financial statements present the financial position, the net cost of operations, and changes in net position along with budgetary resources activities of the agency pursuant to the requirements of 31 U.S.C. 3515 (b). They have been prepared using Peace Corps' books and records in accordance with agency accounting policies, the most significant of which are summarized in this note. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements are presented in accordance with the applicable form and content requirements of the OMB Circular A-136, "Financial Reporting Requirements," issued June 2007. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

The Peace Corps' accounting policies follow Federal Accounting Standards Advisory Board principles and other generally accepted accounting principles for the United States federal government.

The financial statements are subdivided in two categories: intragovernmental and public. The intragovernmental balances, revenues, and costs reflect financial transactions between the Peace Corps and other federal agencies. Public activities are those with non-governmental customers, including Volunteers, contributors, employees, contractors, and vendors.

Federal Financial Statements	
Statement	Federal Objective
Balance Sheet	Reflects the agency's financial position as of the statement date. The assets are the amount of future economic benefits owned or managed by the agency. The liabilities are amounts owed by the agency. The net position is the difference between the assets and liabilities.
Statement of Net Cost	Shows separately the components of the net cost of the agency's operations for the period. Net cost is equal to the gross cost incurred by the agency less any exchange revenue earned from its activities.
Statement of Changes in Net Position	Explains how the net cost for the agency's operations was funded, and reports other changes in equity that are not included in the Statement of Net Cost. It reflects the changes in both the proprietary and the budgetary activities through the respective components: Cumulative Results of Operations and Unexpended Appropriations.
Statement of Budgetary Resources	Provides information about how budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the agency's budgetary general ledger in accordance with budgetary accounting rules.

c) Basis of Accounting

Accounting principles encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Under the budgetary basis, however, fund availability is recorded based upon legal considerations and constraints. The agency receives financing sources through direct appropriations from the general fund of the U.S. Treasury to support its operations. This financing source—appropriations used—is recognized to the extent that appropriation authority has been applied against received goods and services.

d) Fund Accounting Structure

The agency's financial activities are accounted for by U. S. Treasury Appropriation Fund Symbol. They include accounts for appropriated funds and other fund groups described below for which the Peace Corps maintains financial records.

General Funds—These funds consist of the receipts and expenditures by the government that are not earmarked by law for a specific purpose and used to fund agency operations and capital expenditures.

Special or Trust Funds—These funds consist of receipts and expenditures by the government for carrying out specific purposes and programs in accordance with terms of the statute that designates the fund as a special fund or trust fund. The balances in the agency's trust funds are non-entity assets and are included in the financial statements.

Deposit Funds—These funds consist of monies held temporarily by the Peace Corps as an agent for others. These include allowance and allotment accounts for employees and Volunteers. The balances in these funds are non-entity assets and are included in the financial statements.

General Fund Receipt Accounts—These funds consist of monies collected by the Peace Corps that are returned to the U.S. Treasury and not available for Peace Corps' use.

e) Budget Authority

Congress annually passes multi-year appropriations that provide the agency with authority to obligate funds over a two-year period for necessary expenses to carry out operations. After the right to create new obligations has expired, this two-year budget authority is available for five additional years to complete the liquidation of open obligations, advances, and receivables. After the five-year period, all open transactions for the respective fiscal year will be closed and funds will be returned to the U.S. Treasury. Any valid claims associated with these funds after closure must be processed against current year funds.

In addition, Congress enacts no year appropriations that are available until expended. All appropriations are subject to OMB apportionment as well as Congressional restrictions. The agency places internal restrictions to ensure the efficient and proper use of all funds.

f) Revenues and Other Financing Sources

Peace Corps operations are financed through appropriations, proceeds from the sale of property, and interagency agreements. For financial statement purposes, appropriations are recorded as a financing source and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures.

g) Fund Balance with the U.S. Treasury

The fund balance with the U. S. Treasury consists of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, and special funds that periodically are direct-financing reimbursements to the appropriated funds.

The agency does not maintain cash in commercial bank accounts for the funds reported in the balance sheet. All cash receipts and disbursements are processed by the U.S. Treasury or the U.S. Department of State (DOS).

The funds that make up post cashiers' imprest funds belong to the U.S. Treasury through DOS's accountability. These funds are routinely used to pay for small-value purchases of goods and services and are also used to make an occasional emergency payment. Per agreement with the DOS, the Peace Corps is responsible to pay for any losses incurred by the cashiers that would normally fall on the account holder. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps appropriation unexpended balance in U.S. Treasury records. As of September 30, 2007, cashier imprest funds represented by cash on hand, checks on hand, interim advances, and cashier checking account balances totaled approximately \$1.8 million in U. S. dollar equivalents.

At any point in time, the posts have U. S. dollar equivalents and local currency checks in their possession that are awaiting delivery to the payees. These checks were recorded as disbursements on Peace Corps and U.S. Treasury records in the month the checks were issued. As of September 30, 2007, these checks totaled approximately \$4.9 million in U. S. dollar equivalents.

Fund balance with Treasury is carried forward until such time as goods or services are received and payment is made, or until the funds are returned to the U.S. Treasury.

h) Foreign Currency

Accounting records for the agency are maintained in U.S. dollars, while a significant amount of the overseas expenditures are in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollar equivalents based on the budgeted rate of exchange as of the date of the transaction. Foreign currency payments are made by the U.S. dis-

bursing officers located at the U.S. Department of State Financial Service Centers in Charleston, South Carolina; and Bangkok, Thailand.

i) Accounts Receivable

Accounts receivable includes amounts due from other federal entities and from current and former employees and Volunteers. Annually, a determination of the amount of the Allowance for Doubtful Accounts will be established for material amounts exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts are more likely than not to be totally uncollected. An exception to this write-off policy will be for accounts with approved payment plans in place and for which the debtor is meeting the terms of the plan.

j) Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances and recognized as expenses when the related goods and services are received. Advances are made principally to agency employees for official travel and prepayments to Volunteers for living allowances.

Pursuant to Section 5(b) of the Peace Corps Act, Peace Corps Volunteers are entitled to a living allowance in order that they may serve effectively and safely overseas. Living allowances are paid to Volunteers to provide support while in their country of assignment. Allowances, which are based on local living standards and costs, include food, clothing, household items, rent, utilities, and local transportation.

k) Property, Plant, and Equipment (PP&E)

The agency capitalizes all property, plant, and equipment, with the exception of general property, plant, and equipment, that has an acquisition cost of \$10,000 or greater, a useful life of two years or more, are not intended for sale in the ordinary course of business, and are intended to be used or available for use by the entity. For general property, plant, and equipment, purchases are capitalized at \$25,000 or greater for individual items and \$500,000 or greater for aggregate purchases. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method. The agency has established a policy that uses an estimated salvage value of 40 percent for the agency's vehicles based on their resale value in recent years.

The agency does not own any real property. Nonexpendable personal property is depreciated over 3 to 15 years. The agency operates land, buildings, and equipment that are provided by the General Services Administration. Rent for this property is expensed. Deferred maintenance amounts are immaterial with respect to the financial statements. Software purchased for \$10,000 or developed for internal use at a cost of \$25,000 or greater is capitalized and amortized over its expected life (currently 3 to 9 years).

l) Capital Leases

Leases are accounted for as a capital lease if they meet one of the following criteria: 1) the lease term is greater than 75 percent of the property's estimated economic life; 2) the lease contains an option to purchase the property for less than the fair market value; 3) ownership of the property is transferred to the lessee at the end of the lease term; or 4) the present value of the lease payments exceeds 90 percent of the fair market value of the property.

m) Accounts Payable and Other Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred. Liabilities classified as not covered by budgetary resources are liabilities for which appropriations have not been enacted.

n) Employee Benefits

- I. *Federal Employees Compensation Act (FECA) Accrued Claims*—The agency records the direct dollar costs of compensation and medical benefits paid on its behalf by the U.S. Department of Labor for employees under the agency's jurisdiction.
- II. *Future Workers Compensation Benefits*—FECA provides income and medical costs protection to federal employees injured on the job or who have incurred a work-related occupational disease, and to beneficiaries of employees whose death is attributable to job-related injury or occupational disease. The U.S. Department of Labor administers the FECA program and initially pays valid claims and bills the agency on an annual basis.

- III. *Accrued Leave*—A liability for annual leave is accrued as leave is earned and paid when leave is taken or employment terminates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.
- IV. *Employee Health Benefits and Life Insurance*—The agency’s employees are eligible to participate in the contributory Federal Employees Health Benefit Program (FEHBP) and the Federal Employees Group Life Insurance Program (FEGGLIP). The agency contributes to each program to pay for current benefits.
- V. *Post-Retirement Health Benefits and Life Insurance*—Agency employees who may be eligible to participate in the Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program could continue to do so during retirement. The Office of Personnel Management (OPM) has provided the agency with cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The agency recognizes a current cost for these and other retirement benefits (ORBs) at the time of employment with the agency. The ORB expense is financed by OPM and offset by the agency through the recognition of an imputed financing source on the Statement of Changes in Net Position.
- VI. *Employee Retirement Benefits*—Peace Corps direct hire employees participate in one of four retirement systems: Civil Service Retirement System (CSRS), Federal Employees’ Retirement System (FERS), or the Foreign Service Retirement and Disability System (FSRDS). Foreign Service National (FSN) employees at overseas posts who were hired prior to January 1, 1984, are covered under CSRS. FSNs hired after that date are covered under a variety of local government plans in compliance with the host country’s local laws and regulations.

The Peace Corps recognizes its share of the cost of providing future pension benefits to eligible employees throughout their period of employment. The pension expense not covered by budgetary resources is calculated using actuarial factors provided by OPM and is considered imputed cost to the agency.

- VII. *Valuation of Host Country Resident Personal Service Contractor Severance and Retirement Liability*—The Peace Corps is generally liable for separation or retirement payments to eligible host country resident personal service contractors (PSCs) in countries that require payments under local labor laws. Until systems are in place to track this liability in a timely manner, the estimate of the current and future costs of the severance and retirement liability is determined annually.

o) Commitments and Contingencies

The agency is involved in various administrative proceedings, legal actions, and claims arising in the ordinary course of business. Contingencies are recognized as a liability when a future outflow or other sacrifice of resources is probable and measurable.

p) Use of Estimates

The preparation of financial statements required management to make some estimates and assumptions that affect the reported amount of assets and liabilities, as well as the disclosure of contingent liabilities at the date of the financial statements and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

q) Interest on Late Payments

Occasionally, the agency incurs interest penalties on late payments. Such interest penalties are paid to the respective vendor in accordance with the guidelines mandated by the Prompt Payment Act, P.L. 97–177, as amended.

r) Intragovernmental Net Costs

The Statement of Net Cost is consolidated for the agency using a budget functional classification (BFC) code. BFC codes are used to classify budget resources presented in the budget of the United States government per OMB. The agency is categorized under BFC code number 150—International Affairs. Gross cost and earned revenues from other intragovernmental agencies (reimbursable agreements) fall under this code.

s) Adjustments to Maintain Inherent Account Relationship Integrity

In order to correct the relationships between the proprietary and budgetary accounts, a high-level analysis was performed. Cash balances were adjusted to align with the U.S. Treasury fund balance to permit the agency to pass edit checks and submit FACTS II reports to Treasury. All of the adjustments for fiscal year 2007 were immaterial.

t) Allocation Transfer

The Peace Corps (child) is a party to allocation transfers with the Department of State as a receiving entity. Allocation transfers are legal delegation by one agency of its authority to obligate budget authority and outlay funds to another agency. A separate fund account (allocation account) is created in the U. S. Treasury as a subset of the parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers (e.g., budget authority, obligations, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

Note 2 Non-Entity Assets

Non-entity assets are composed of trust and deposit funds. These funds are not available for Peace Corps' use and not part of Peace Corps resources. The Peace Corps has a fiduciary responsibility to monitor collections, status, and distribution. Below, as information, are the U.S. Treasury fund balances of non-entity, fiduciary assets. All the non-entity assets are non-governmental.

Non-Entity Assets	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i>
Trust Funds		
Gifts and Contributions (Cash)	\$ 0 *	\$ 603
Advances from Foreign Governments	0 *	3
FSN Separation Liability Trust Fund	7,849	8,817
Special Receipt Fund		
Host Country Residents Contractors Separation Liability Fund	5,157	0
Deposit Funds		
Volunteer Readjustment Allowance	17,978	16,849
Volunteer Payroll Allotment Account (Payroll Savings Bond Account)	17	(7)
Special Fund Accounts	1,596	1,114
Total Non-entity Assets	32,597	27,379
Total Entity Assets per Balance Sheet	132,959	145,588
Total Assets	\$ 165,556	\$ 172,967

Trust Fund Accounts— Consists of gifts and contributions, advances from foreign governments and the FSN Separation Liability Trust Fund. Gifts and contributions represent funds from public, non-governmental sources. Advances from foreign governments are U.S. dollar contributions supported by an agreement with the host country. The FSN Separation Liability Trust fund represents the estimated accrued liability for separation pay (based on local labor law) of FSN employees and personal service contractors.

Special Receipt Fund— Host Country Residents Contractor Separation Liability fund represents the estimated accrued liability for separation pay (based on local labor law) of FSN employees and personal service contractors.

Deposit Fund Accounts—The Volunteer readjustment allowance is an allowance earned by Volunteers for each month of satisfactory service and payable upon their return to the United States. The Volunteer payroll allotment account reflects the value of held U. S. government bonds purchased by the Volunteers through allotments from the readjustment allowance. The bonds allow the Volunteers to earn interest on their earnings while in service overseas.

Special Fund Accounts—The proceeds of sales funds represent cash received from the sale of assets, primarily vehicles, and available to be reinvested in a like-kind replacement purchase (e.g., proceeds from vehicle sales used to purchase replacement vehicles).

* These funds are no longer reported due to a change in OCFO reporting policy statement 07-01.

Note 3 Fund Balance with Treasury

Fund Balances	September 30, 2007 (in thousands)	September 30, 2006 (in thousands)
Appropriated Funds	\$ 93,055	\$ 107,137
Total Non-entity Assets (Note 2)	32,597	27,379
Total	\$ 125,652	\$ 134,516

Status of Fund Balance with Treasury	September 30, 2007 (in thousands)	September 30, 2006 (in thousands) -Restated-
(1) Unobligated Balance		
(a) Available	\$ 10,648	\$ 7,828
(b) Unavailable	10,853	13,321
(2) Obligated Balance Not Yet Disbursed	104,151	113,367
Total	\$ 125,652	\$ 134,516

The Fund Balance with Treasury is equal to the unobligated balance of funds plus the obligated balance not yet disbursed.

The Fund Balance with Treasury displayed above includes an adjustment of \$128 thousand.

Available Unobligated Balance—Composed of apportionments available for allotment plus allotments available for obligation or commitment.

Unavailable Unobligated Balance—Composed of unapportioned authority plus unobligated appropriation authority from prior years that is no longer available for new obligations. This latter authority is only available for adjustments to existing obligations.

Note 4 Cash and Other Monetary Assets

	September 30, 2007 (in thousands)	September 30, 2006 (in thousands)
Total Cash and Other Monetary Assets	\$ 65	\$ 65

The cash balances represent imprest funds at headquarters and at the East Timor post, both held in U.S. currency.

Note 5 Accounts Receivable, Net

	September 30, 2007 (in thousands)	September 30, 2006 (in thousands)
Accounts Receivable—Intragovernmental	\$ 630	\$ 980
Other Accounts Receivable	58	183
Total Accounts Receivable, Net	\$ 688	\$ 1,163

Intragovernmental receivables are due from other federal agencies for services provided per reimbursable agreements.

Other accounts receivable are due from nonfederal entities, consisting primarily of receivables from employees.

Annually, a determination of the amount of the Allowance for Doubtful Accounts will be established for material amounts exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts are more likely than not to be totally uncollected. An allowance was not established as of September 30, 2007.

Note 6 General Property, Plant, and Equipment (PP&E), Net

Components of Fixed Assets as of September 30, 2007: <i>(in thousands)</i>	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
General Property, Plant, and Equipment	5–10	\$ 2,949	\$ 2,404	\$ 545
Vehicles	5	15,625	5,715	9,910
IT Hardware	3–15	9,580	3,871	5,709
Leasehold Improvements	10	402	60	342
Internal-Use Software	3–9	27,684	11,533	16,151
Total		\$ 56,240	\$ 23,583	\$ 32,657

Components of Fixed Assets as of September 30, 2006: <i>(in thousands)</i>	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
General Property, Plant, and Equipment	5–10	\$ 2,864	\$ 2,103	\$ 761
Vehicles	5	15,519	5,578	9,941
IT Hardware	3–15	8,266	4,336	3,930
Leasehold Improvements	10	180	31	149
Internal-Use Software	3–9	26,881	8,682	18,199
Total		\$ 53,710	\$ 20,730	\$ 32,980

For the year ending September 30, 2007, Peace Corps fixed assets include internally developed software and those assets that are reflected as active in the property management databases. These assets are located at headquarters in Washington, D.C., the eleven regional offices, and the overseas posts.

Values for all assets other than internally developed software were obtained from data extracted from the databases. Values for internally developed software were derived from the most reliable available data for each system. There are no restrictions on the use or convertibility of General Property, Plant and Equipment owned by Peace Corps.

Note 7 Prepaid Volunteer Living Allowances

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i>
Prepaid Volunteer Living Allowances	\$ 3,984	\$ 3,813

Prepaid Volunteer Living Allowances—Payments of Volunteer living allowances are made prior to the entitlement month so the posts can ensure timely payments of the allowances.

Note 8 Other Assets

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i>
Travel Advances to Employees	\$ 97	\$ 347
Relocation Advances to Employees	40	78
Prepayments to Foreign National Personal Service Contractors (FNPSCs)	0	5
Prepaid Property, Plant and Equipment	555	0
Prepaid Rent	1,818	0
Total Other Assets	\$ 2,510	\$ 430

Relocation Advances to Employees—Direct-hire employees are provided a relocation advance when appropriate.

Prepayments to Foreign National Personal Service Contractors—Payments of the foreign national personal service contractors' biweekly payrolls are made prior to the end of the pay period so that the direct deposits or checks are received by the last day of the pay period.

Travel Advances to Employees—Travel advances are provided to employees when appropriate. Advances remain in the financial records until they are offset against travel entitlements or collected.

Note 9 Liabilities Not Covered by Budgetary Resources

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i>
Intragovernmental Liabilities		
Unfunded FECA Liability	\$ 24,236	\$ 24,157
Liabilities		
Unfunded Annual Leave	7,310	6,673
Unfunded Employment-Related Liability	7,590	9,840
Federal Employee and Veterans Benefits	116,450	116,451
Total Liabilities Not Covered by Budgetary Resources	\$ 155,586	\$ 157,121

Unfunded FECA Liability—A liability for the direct dollar costs of compensation and medical benefits paid on the agency's behalf by the U.S. Department of Labor. Since the agency is dependent on annual appropriation, it will include the amount billed for the direct costs in its budget request two years later.

Unfunded Annual Leave (U.S. Employees)—A liability for annual leave is accrued as leave is earned and paid when leave is taken or when the individual terminates. The balance represents the estimated value of annual leave for U.S.-hired employees earned but not used on September 30, 2007. Payments are charged to the appropriation current at the time of payment.

Unfunded Annual Leave—The valuation of the accrued annual leave for foreign service national employees and the foreign national PSCs has been estimated for this financial statement. There are approximately 200 foreign service nationals and a range of 1,500 to 2,000 foreign national PSCs working for the Peace Corps at fiscal year end. Annual leave earned is based on local labor law requirements. Annual leave is paid out of current appropriations when taken.

Unfunded Employment Related Liability—A liability for the FNPSC estimated severance. Lump-sum payments are generally made to eligible international long-term personal service contractors based on local labor law requirements for separation. These payments are made when the individual terminates and are paid for out of current appropriations.

Federal Employee and Veterans Benefits—Liability for the actuarial value of future payments for FECA as estimated by the U.S. Department of Labor for the agency.

Note 10 Other Liabilities

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i>
Intragovernmental		
Advances from Others	\$ 2	\$ 2
Other Liabilities		
Contingent Liability	750	500
Total Other Liabilities	\$ 752	\$ 502

Advances from Others—The balance of amounts advanced by other federal entities for goods and services to be furnished (e.g., money advance for small project assistance grants).

Contingent Liability—See Note 12.

Note 11 Leases

Peace Corps has reviewed all leases and determined that no future payments are due and that the agency does not have noncancelable leases with terms longer than one year.

Note 12 Commitments and Contingencies

In the opinion of the management and legal counsel, the agency is liable for contingent liabilities related to administrative proceedings, legal actions, or claims that are probable and measurable in the amount of \$750,000 as of September 30, 2007.

Disclosure is required if there is a reasonable possibility that a loss may be incurred. The likelihood of a reasonable possibility of a loss related to administrative proceedings, legal actions, or claims is estimated to be \$1,300,000 as of September 30, 2007. As of September 30, 2007 the likelihood of potential losses from overseas cashiers is estimated to be \$33,000.

Note 13 Imputed Financing

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i>
Federal Employees Health Benefit Program (FEHBP)	\$ 3,811	\$ 3,645
Federal Employees Group Life Insurance Program (FEGILIP)	12	12
Civil Service Retirement System (CSRS)	811	834
Federal Employees Retirement System (FERS)	(4)	0
Foreign Service Retirement and Disability System (FSRDS)	194	201
Total Imputed Costs	\$ 4,824	\$ 4,692

Imputed financing recognizes actual costs of future benefits which include the Federal Employees Health Benefit Program, Federal Employees Group Life Insurance Program, and pension benefits that are paid by other federal entities. The agency is not required to reimburse other entities for these costs.

Note 14 Exchange Revenues

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i> -Unaudited-
Intragovernmental Earned Revenues	\$ 2,784	\$ 4,853
Earned Revenues from the Public	374	679
Total Exchange Revenues	\$ 3,158	\$ 5,532

Exchange revenues represent revenue from services provided. This includes reimbursable agreements from other government agencies such as U.S. Agency for International Development (USAID)-sponsored HIV/AIDS education, prevention, and mitigation activities; and umbrella programs covering environment, health, youth, microenterprise and Small Project Assistance technical assistance.

Note 15 Reconciliation of Net Cost of Operations to Budget

	September 30, 2007 <i>(in thousands)</i>	September 30, 2006 <i>(in thousands)</i> (Restated) (Unaudited)
Resources Used to Finance Activities		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 323,494	\$ 322,668
Less: Spending Authority from Offsetting Collections and Recoveries	4,305	5,114
Obligations Net of Offsetting Collections and Recoveries	319,189	317,554
Less: Offsetting Receipts	-	-
Net Obligations	319,189	317,554
Other Resources		
Transfers In/Out Without Reimbursement	(102)	702
Imputed Financing from Costs Absorbed by Others	4,824	4,692
Net Other Resources Used to Finance Activities	4,722	5,394
Total Resources Used to Finance Activities	323,911	322,948
Resources Used to Finance Items Not Part of Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services and Benefits but Not Yet Provided	(9,681)	9,165
Resources that Fund Expenses Recognized in Prior Periods	2,156	10,650
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	(1,660)	
Resources that Finance the Acquisition of Assets	8,558	4,801
Other Resources or adjustments to Net Obligated Resources that do not affect Net Costs of Operations	(102)	-
Total Resources Used to Finance Items Not part of the Net Cost of Operations	(729)	24,616
Total Resources Used to Finance the Net Cost of Operations	324,640	298,332
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	637	139
Other (+/-)	329	3,419
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	966	3,558
Components Not Requiring or Generating Resources		
Depreciation and Amortization	7,027	6,658
Revaluation of Assets or Liabilities (+/-)	(104)	527
Other (+/-)	-	127
Total Components Not Requiring or Generating Resources	6,923	7,312
Total Components of the Net Cost of Operations that Will Not Require or Generate Resources in the Current Period	7,890	10,870
Net Cost of Operations	\$ 332,530	\$ 309,202

Note 16 Restatement

In connection with efforts to correct the prior year control deficiency regarding obligated balances and the related accruals, certain prior year balances in the accompanying financial statements have been restated. The Accounts Payable balance as of September 30, 2006 increased by \$2.2 million, Unexpended Appropriations decreased by \$2.2 million and the unobligated portion of Unexpended Appropriations increased by \$111 thousand. This adjustment also resulted in an increase in the FY 2006 Net Cost of Operations of \$2.2 million with a corresponding adjustment to the Appropriations Expended balance on the Statement of Changes in Net Position. On the Statement of Budgetary Resources, the Obligations Incurred balance decreased by \$111 thousand and the Unobligated Balance - Apportioned increased by \$111 thousand.

Note 17 Disclosure on Contributions to the Peace Corps

1. Media Contributions Received—The agency received \$14.7 million in print, radio, and television media contributions through public service announcements in the first 11 months of FY 2007.
2. Host Country Contributions—The agency received cash and in-kind contributions from host countries. In-kind contributions estimated at \$4.9 million in fair market value were received at posts through the end of FY 2007 for services, supplies, equipment, and facilities. The end of FY 2007 host country cash balance is \$1,333,000.

Note 18 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

	September 30, 2007 (in thousands)		September 30, 2006 (in thousands) -Unaudited-	
	Direct	Reimbursable	Direct	Reimbursable
Category A	\$ 320,848	\$ 2,646	\$ 319,146	\$ 3,522
Category B	0	0	0	0
Category C	0	0	0	0
Total Obligations Incurred	\$ 320,848	\$ 2,646	\$ 319,146	\$ 3,522

All obligations incurred are Category A. US Peace Corps does not have any Category B or C apportionments.


Note 19 Undelivered Orders at the End of the Period

	September 30, 2007 (in thousands)	September 30, 2006 (in thousands) -Unaudited-
Undelivered Orders – End of Period	\$ 66,462	\$ 75,707

The undelivered obligations with and without advances/prepayments at the end of each fiscal year.



Since 1961.

To: Ron Tschetter, Director
From: H. David Kotz, Inspector General 
Date: November 13, 2007
Subject: Audit of Peace Corps' Fiscal Year 2007 Financial Statements

This letter transmits the reports of Urbach Kahn and Werlin LLP (UKW) on its financial statement audit of the Peace Corps' Fiscal Year (FY) 2007 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and subjected them to audit.

Audit Reports on Financial Statements, Internal Control, and Compliance with Laws and Regulations

We contracted with UKW, an independent certified public accounting firm to audit the financial statements as of September 30, 2007 as well as of 2006, and for the years then ended. The contract required that the audit be done in accordance with generally accepted government auditing standards; the OMB's Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual.

UKW's audit report for FY 2007 includes: (1) an opinion on the financial statements, (2) a report on internal control, and (3) a report on compliance with laws and regulations. In the audit of the Peace Corps, UKW found:

- The financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles for the year-ended September 30, 2007.
- There were no material weaknesses in the internal controls. OMB Bulletin 07-04 defines a material weakness as a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected.
- However, UKW's report on internal control did identify some significant deficiencies:
 - Certain controls associated with property, plant, and equipment were inadequate and need to be improved.
 - Internal controls over the business processes relating to undelivered orders and accounts payable need to be enhanced.
 - Accounting for Host Country Contributions is not always consistent with generally accepted accounting principles related to preparation of financial statements, presentation, and disclosure.
 - Certain weaknesses related to the Peace Corps' information technology control environment require corrective actions.

OMB Bulletin 07-04 defines a significant deficiency as a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

- UKW found no reportable noncompliance with laws and regulations it tested.

OIG Evaluation of UKW's Audit Performance

In connection with the audit contract, the Office of Inspector General reviewed UKW's report and related documentation and made inquiries of its representatives regarding the audit. To fulfill our responsibilities under the Chief Financial Officers Act for ensuring the quality of the audit work performed, we monitored UKW's audit of the Peace Corps' FY 2007 Financial Statements in accordance with generally accepted auditing standards. Specifically, we:

- reviewed UKW's audit approach and planning;
- evaluated the qualifications and independence of its auditors;
- monitored the progress of the audit at key points;
- examined UKW's working papers related to audit planning, testing, and assessing internal control over the financial reporting process;
- reviewed the audit reports to ensure compliance with generally accepted government auditing standards;
- coordinated issuance of the audit reports; and
- performed other procedures we deemed necessary.

UKW is responsible for the attached auditor's reports dated October 31, 2007, and the conclusions expressed in the report. The Office of Inspector General does not express opinions on Peace Corps' financial statements, internal control, or compliance with laws and regulations.

We would like to extend our thanks to the Peace Corps staff involved in issuing the financial statements prior to the November 15 due date. Their professionalism, courtesy, and cooperation allowed us to overcome the many challenges associated with performance of the audit and our oversight of the audit process. If you or a member of the Peace Corps staff has any questions about UKW's audit or our oversight, please contact me or Gerald Montoya, Assistant Inspector General for Audit, at 202-692-2907.

Attachments

cc: Jody Olsen, Deputy Director
David Liner, Chief of Staff
George Schutter, Chief Financial Officer

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Director and Inspector General
Peace Corps

We have audited the accompanying Balance Sheets of Peace Corps, an independent executive branch agency of the United States federal government, as of September 30, 2007 and 2006, and the related Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the year ended September 30, 2007 and were engaged to audit the Statements of Net Cost, Changes in Net Position and Budgetary Resources for the year ended September 30, 2006. These financial statements are the responsibility of the management of Peace Corps. Our responsibility is to express an opinion on these financial statements based on our audits.

Except as discussed in the following paragraph relating to the fiscal year 2006 audit, we conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting (internal control) as a basis for designing our audit procedures that are appropriate in the circumstances and to comply with OMB audit guidance, but not for the purpose of expressing an opinion on the effectiveness of Peace Corps' internal control. Accordingly, we do not express an opinion on Peace Corps' internal control. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Because Peace Corps had not maintained adequate accounting records and sufficient supporting documentation for material balances presented in the Balance Sheet as of September 30, 2005, we were unable to sufficiently extend our auditing procedures to determine the extent to which the Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the year ended September 30, 2006 may have been affected by this condition. Accordingly, we do not express an opinion on the Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the year ended September 30, 2006.

In our report dated November 10, 2006, we expressed an opinion that the Balance Sheet as of September 30, 2006 did not fairly present the financial position of Peace Corps in accordance with generally accepted accounting principles because Peace Corps had not maintained adequate accounting records and sufficient supporting documentation to determine

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS, CONTINUED

the proper classification of certain obligations recorded during the year ended September 30, 2006. As described in Note 16, Peace Corps has restated its September 30, 2006 Balance Sheet and the Statements of Net Cost, Changes in Net Position and Budgetary Resources for the year then ended. Accordingly, our present opinion on the September 30, 2006 Balance Sheet, as presented herein, is different from that expressed in our previous report.

In our opinion, the Balance Sheets as of September 30, 2007 and 2006 referred to above, present fairly, in all material respects, the financial position of Peace Corps as of September 30, 2007 and 2006 in conformity with accounting principles generally accepted in the United States of America. Further, in our opinion, the Statements of Net Cost, Changes in Net Position, and Budgetary Resources for the year ended September 30, 2007 present fairly, in all material respects, the Peace Corps' net cost, changes in net position, and budgetary resources for the year then ended in conformity with those same accounting principles.

The information in Management's Discussion and Analysis is not a required part of the financial statements, but is supplementary information required by the Federal Accounting Standards Advisory Board and OMB Circular No. A-136, *Financial Reporting Requirements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and express no opinion on it.

The Other Accompanying Information is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audits of the financial statements, and, in our opinion, is presented fairly, in all material respects, in relation to the financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued reports dated October 31, 2007 on our consideration of Peace Corps' internal control, and on our tests of its compliance with certain provisions of applicable laws and regulations. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and, in considering the results of the audit, should be read in conjunction with this report.

Urbach Kahn & Werlim LLP

Arlington, Virginia
October 31, 2007



**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL**

Director and Inspector General
Peace Corps

We have audited the financial statements of Peace Corps, an independent executive branch agency of the United States federal government, as of and for the year ended September 30, 2007, and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

In planning and performing our audit, we considered Peace Corps' internal control over financial reporting (internal control) by obtaining an understanding of Peace Corps' internal control, determined whether internal controls had been placed in operation, assessed control risk, and performed tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in OMB Bulletin No. 07-04 and *Government Auditing Standards*. We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982, such as those controls relevant to ensuring efficient operations. The objective of our audit was not to express an opinion on the effectiveness of Peace Corps' internal control. Consequently, we do not provide an opinion on the effectiveness of Peace Corps' internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Peace Corps' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Peace Corps' financial statements that is more than inconsequential will not be prevented or detected by Peace Corps' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in a more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Peace Corps' internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in Peace Corps' internal control that we consider to be significant deficiencies.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

These conditions, detailed on the following pages, are summarized as follows:

1. Accounting business processes need enhancement.
2. Information systems security controls need improvement.

With respect to the internal control objective relating to the performance measures included in the Management's Discussion and Analysis, we obtained an understanding of the design of internal controls relating to the existence and completeness assertions and determined whether they have been placed in operation, as required by OMB Bulletin No. 07-04. Our procedures were not designed to provide an opinion on the effectiveness of Peace Corps' internal control over reported performance measures, and, accordingly, we do not provide an opinion on the effectiveness of Peace Corps' internal control over these reported performance measures.

We also noted other less significant matters involving Peace Corps' internal control, which we have reported to the management of Peace Corps in a separate letter, dated October 31, 2007.

This report is intended solely for the information and use of the management of Peace Corps, the Peace Corps' Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Arlington, Virginia
October 31, 2007



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 1

ACCOUNTING BUSINESS PROCESSES NEED ENHANCEMENT

Property, Plant and Equipment

Peace Corps has made significant improvement during FY 2007 in accounting for its capitalized assets. Internal business policies were updated and issued in FY 2007. Fixed assets data was also converted from a manual environment into an integrated subsidiary module of its core financial management system. However, UKW identified the following issues through our FY 2007 internal control and substantive testing:

Additions:

- There was no clear audit trail to verify software developers' hours spent for software development. Records were not properly maintained because management was not able to demonstrate the original calculation of the capitalized labor cost related to the software. Immaterial adjustments were subsequently made to the recorded balance of capitalized software costs as a result of audit testing.
- Certain capitalized asset additions were recorded in the system or asset listing incorrectly due to key stroke error and the use of incorrect invoice amounts. We noted that capitalized assets were recorded using budgeted costs rather than actual amounts. As a result, certain capitalized balances included travel or shipping costs that were not incurred, resulting in an immaterial overstatement of the asset cost.
- Certain records at posts visited were inconsistent with those provided by headquarters. Some vehicles in-service-dates per the Vehicle Status Report did not match the dates recorded in the PP&E Verification Report used at HQ for preparing the asset listings.

Disposals:

- Incorrect asset in-service-dates were used to calculate accumulated depreciation and net book value which affected the related gain or loss computation when asset disposals were recorded.
- Sufficient supporting documentation for initial capitalized balances could not be provided for certain assets disposed of in the current year. One of those items was due to the closing of a post site that resulted in supporting documentation not being retained by Peace Corps after it was closed in FY 2007.

Adjustments:

- We identified one instance where the Office of the Chief Financial Officer (OCFO) wrote off one capitalized IT hardware component when the Office of the Chief Information Officer (OCIO) was unable to provide supporting documentation for the asset cost. OCIO subsequently located and provided OCFO with the invoice applicable to the asset which met the capitalization threshold. Therefore, this item was not properly recorded in the Fixed Assets Module and financial statements as of 9/30/07.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 1, CONTINUED

Peace Corps, MS 711, *Accounting for Property, Plant and Equipment*, outlines specific roles and responsibilities for OCFO, the Peace Corps posts and the Office of Management for ensuring the propriety of the recorded fixed asset balances and the related supporting documentation.

Recommendations

We recommend the Peace Corps Director:

- 1a. Establish more detailed criteria to ensure that a detail and clear audit trail for calculations of capitalized software developers' labor costs are maintained and readily available.
- 1b. Conduct expanded internal reviews to ensure that Property, Plant & Equipment records are being updated and reconciled to interim financial statements on a regular basis. Proper and timely reconciliation procedures should be coordinated between HQ and posts as well as between OCFO and OCIO offices. Formal training should be provided on a regular basis to Post General Services Officer (GSO) to ensure adequate controls over assets and record retention at posts.
- 1c. Develop and implement detailed procedures for recording and documenting capitalized property additions and disposals on an on-going basis within the new Fixed Assets Module. Changes to capitalized amounts, in-service-dates or other relevant information should be communicated timely to OCFO to be updated to the system's records. Peace Corps management should ensure that when an item is added to or deleted off of the assets listing, the date or accounting period (different from in-service-date) is being tracked and available in the system.
- 1d. Ensure that roles and responsibilities outlined on Peace Corps Standard Operating Procedures (SOP) are carried out by posts and HQ for property accounting and financial reporting personnel that perform accuracy, verification, and completeness checks on the capitalized property listings. HQ should perform periodic reviews to ensure records retention policies and procedures are properly followed by the posts and HQ.

Undelivered Orders / Accounts Payable

Peace Corps continues to make tremendous progress in improving its accounting controls over the recording of obligations, deobligations, accounts payable, and accruals. In FY 2006, Peace Corps implemented a process to review all obligation documents containing an obligating transaction greater than \$250,000, all purchase card obligations, and all State Department-processed Voucher Audit Detail Report transactions for potentially unrecorded liabilities (accruals). In FY 2007, Peace Corps made further improvements by reducing the obligation review threshold to \$100,000. In addition, Peace Corps applied an estimated accrual rate to all open obligation documents less than \$100,000 for financial reporting purposes. They also issued a twelve-page desktop procedure outlining the detail processes for determining and estimating various accrued liabilities.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 1, CONTINUED

However, we noted the following exceptions during our year-end testing procedures:

- Two duplicate obligations for relocation allowances.
- One estimated accrual not properly allocated to all available funds.
- September services not properly accrued for certain obligations.
- Gains or losses from foreign currency exchange rates were not considered when recording accruals for unapproved year end invoices.
- Certain accruals were improperly reversed or correcting entries were not processed properly.

Recommendations

We recommend the Peace Corps Director:

- 1e. Enhance the policies and procedures for accounting for relocation allowances and ensure management review procedures are conducted to identify duplicate obligations. Further, Peace Corps management should conduct internal review of posts' procedures in following the Peace Corps Obligation SOP. Additionally, Peace Corps' OCFO/Office of Budget and Analysis and Office of Acquisitions and Contract Management should have open and timely communication to update the status of open obligations for deobligation consideration.
- 1f. Expand the level of testing conducted in connection with the OMB Circular A-123 management assurance review to specifically examine the reliability of the controls over the accounts payable and accrual accounting processes.
- 1g. Establish a management check list or review for final accruals to ensure completeness. Management should also consider high value open foreign currency obligations gains/losses impact from exchange rates when processing accruals at year-end. Further, Management should incorporate the accrual desktop procedures in formal OCFO policies.
- 1h. Provide effective formal training to ensure staff is sufficiently knowledgeable in performing correction and reversal entries.

Host Country Contributions

Posts receive two types of Host Country Contributions (HCC): in-kind and cash. In-kind contributions are any non-cash items such as housing for volunteers, utilities, and donated supplies. Cash HCCs are used for payment to local contractors, allowances for volunteers and Peace Corps programs. Currently, about twenty-four posts had cash contributions balances in local currency or in USD totaling about \$1.3 million as of September 30, 2007 for which the donor country may have earmarked the funds for specific purposes. Cash donations are recorded in FOR Post and recognized as an HCC receipt. Posts are required to deposit HCC receipts and submit a deposit slip to Headquarters.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 1, CONTINUED

The current Peace Corps CFO Policy Statement 07-01, *Accounting for Funds and Miscellaneous Items*, is inconsistent with generally accepted accounting principles used to prepare financial statements and for the appropriate presentation and disclosure of HCCs in the Peace Corps financial statements. In-kind and cash HCCs were not presented properly in the financial statements as assets, deferred revenue, other financing sources, and non-exchange revenues. Management included these amounts in a disclosure related to HCCs in the footnotes section of the financial statements.

Management has expressed concern that certain HCCs contain restrictions on the use of the funds, and that recognizing revenue upon receipt would not be proper. Such donations could be recorded as cash and deferred revenue until the conditions for earning such donations are met. In FY 2007 Peace Corps began working with legal counsel to determine the nature of the cash contributions and whether the cash received from host countries meet the definition as gifts or donations and whether the balance should be reported by Peace Corps on its principal financial statements in addition to footnote disclosure.

Statements of Federal Financial Accounting Standard No. 7, *Accounting for Revenue and Other Financing Sources* states:

5. Nonexchange revenues include income taxes, excise taxes, duties, fines, penalties, and other inflows of resources arising from the Government's power to demand payments, as well as voluntary donations.

36 d. When services are rendered continuously over time or the right to use an asset extends continuously over time, such as the use of borrowed money or the rental of space in a building, the revenue should be recognized in proportion to the passage of time or the use of the asset.

Donations

62. Donations are contributions to the government, i.e., voluntary gifts of resources to a government entity by a nonfederal entity. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings. Revenue arising from donations should be recognized for those inflows of resources which meet recognition criteria for assets and should be measured at the estimated fair value of the contribution.

STATEMENT OF FINANCING

97. Nonbudgetary resources represent the net amount of resources received by the entity that are not included in budgetary resources. These items could include donations of assets, transfers of assets from (to) other federal entities, and financing imputed for cost subsidies. This amount would also include decreases (increases) in receivables related to revenue accrued from the public because, while the cash collected for exchange revenue is a budgetary resource, the accrual amount is not.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 1, CONTINUED

The Budgetary Process and Its Linkage to Accounting

222. Donations are not included as receipts in the budget, except for cash and near-cash items. However, some other kinds of donations are also recognized as revenue. Such revenues are permanent differences between the budget and the financial statements. Donation revenue will increase net results of operations under these standards. Under the standard, accounting for donations is consistent with current practice in the private sector where contributions are recognized as revenue.

Recommendations

We recommend the Peace Corps Director:

- 1i. Reexamine its current CFO Policy 07-01 regarding HCCs to ensure that recognition, recording, monitoring and reporting its HCCs is consistent with generally accepted accounting principles for Federal entities, and modify the policy accordingly, which should include references to applicable standards.
- 1j. Continue to work with legal counsel to determine the nature of these assets and any restrictions that may impact their reporting or classification. Peace Corps management should ensure the policy is updated to reflect the legal counsel and Peace Corps' determination on how to report these assets. Further, they should implement the updated policy in FY 2008 to address the proper reporting of HCC in the financial statements in accordance with the generally accepted accounting principles.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 2

INFORMATION SYSTEM SECURITY CONTROLS NEED IMPROVEMENT

Peace Corps significantly improved its information systems control environment during FY 2007, most notably with the certification and accreditation of its core financial management system, Odyssey. However, we found that certain internal control weaknesses related to the Odyssey system and Peace Corps' overall Information Technology (IT) environment continued to exist at September 30, 2007.

Control Weaknesses

- Peace Corps is sharing and exchanging information maintained in Odyssey with external entities without a Memorandum of Understanding (MOU) which states the terms and conditions as to how the data may be used by each entity. Without written memorandums of understanding or authorization agreements, there is no formal acceptance and agreement on roles, responsibilities, and expectations with respect to the exchange of data. This may result in a lack of accountability in the event that the interface fails to meet the expectations and requirements of the parties involved. System owners may have a reduced level of assurance regarding the integrity, completeness, and authorization of data and transactions that are transmitted among their respective systems.
- Peace Corps had not developed adequate test plan standards and expectations for test results for all levels of testing proposed Odyssey system changes. Peace Corps currently has three separate documents governing the change and configuration management procedures. The proper development of standardized test plans for each level of testing (i.e., unit test, module test, integration test, alpha test, and regression test) helps ensure all the general controls and necessary application processing requirements of the system have been successfully tested. Management can not ensure the reliability of its system processes without adequately documented change and configuration test plans.
- Developers for the FOR HQ application had access to the production environment of the FOR HQ application. In addition, multiple accounts for the same individuals were present on all three servers. Furthermore, one individual maintained an administrator account on all three servers, yet no longer required access.

Inadequate segregation between development and production environments increases the risk of inadvertent or intentional unauthorized software modifications being placed in the production environment. Unauthorized software modifications, or modifications that have not been independently reviewed, may go undetected. As a result, the ability to investigate and address any identified issues in a timely manner is diminished. Multiple unnecessary accounts for the same individuals also increase the risk that an account may be used improperly.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 2, CONTINUED

- We noted multiple weaknesses relating to the Odyssey UNIX environment. System accounts existed on the Odyssey UNIX production environment servers that were not required in the production environment. In addition, management-approved access request forms were not on file for all individuals with access to the production environment servers. Without proper control and reconciliation of user accounts, Peace Corps cannot ensure that unauthorized users are unable to access the system and perform unauthorized actions.
- We noted multiple weaknesses relating to the posts' logical and physical access controls, backup procedures and environmental controls during the site visits to a sample of Posts. Critical procedures were not being performed at the posts which increases the risk and vulnerabilities to Peace Corps' overseas information technology systems and the data they contain.

The Peace Corps MS 542, *Peace Corps IT Security Policies and Procedures*, states that "No Peace Corps computer or network shall be connected to, or have the capacity to be directly connected to, any non-Peace Corps organization, unless the organization has the following security measures in place: a memorandum of understanding (MOU) that sets out the terms, configurations, and dates when the connections and the security safeguards will be in place."

The Peace Corps MS 542, states: "System designers/developers shall provide test procedures for the installations of new software or configurations."

NIST SP 800-53, *Recommended Security Controls for Federal Information Systems*, Configuration Management – 1 states: "The organization develops, disseminates, and periodically reviews/updates: (i) a formal, documented, configuration management policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and (ii) formal, documented procedures to facilitate the implementation of the configuration management policy and associated configuration management controls."

NIST SP 800-53, states, "The organization establishes appropriate divisions of responsibility and separates duties as needed to eliminate conflicts of interest in the responsibilities and duties of individuals. There is access control software on the information system that prevents users from having all of the necessary authority or information access to perform fraudulent activity without collusion."

The Peace Corps MS 542, states: "overseas posts are subject to the policies and requirements of this manual section to the extent they have been provided with the appropriate equipment and have the technical capacity to do so. Posts that are still transitioning to a new electronic system shall confer with regional directors and the IT security program manager for guidance on methods for securing their systems."



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

SIGNIFICANT DEFICIENCY 2, CONTINUED

Recommendations

We recommend the Peace Corps Director ensure that:

- 2a. Memorandums of understandings/written authorizations are established and maintained for each entity/agency system that shares information with Odyssey. The MOU should be signed and authorized by appropriate management officials and document the roles, responsibilities, requirements, and terms agreed to by all parties involved in the exchange of data.
- 2b. A comprehensive configuration management plan is developed and implemented for the Odyssey system that describes the entire process for making changes to the system, including roles and responsibilities associated with initiating, authorizing, developing, testing, and implementing system changes.
- 2c. Logical access controls are implemented to restrict a developer from having access to the production environment of the FOR HQ application. If resources prohibit complete segregation of access, then compensating controls should be implemented to reduce the risk associated with access that is not segregated among conflicting environments. Compensating controls such as updating the FOR HQ change control procedures to include reviews of privileged user activity and management approvals of all changes prior to migration should be implemented.
- 2d. System administrator access to the FOR HQ SQL Server is reviewed periodically and unused and unnecessary accounts are removed.
- 2e. Procedures are developed and implemented for periodically reviewing the Odyssey UNIX user accounts. In addition, ensure that user access request forms are completed and kept updated according to individual system access rights for each individual with system access.
- 2f. Posts are provided with a copy of the overseas information technology systems (1) risk assessment; (2) system security plan; and (3) an explanation of how to use and apply these documents to ensure Posts are adhering to the security plan.
- 2g. Posts are reviewed on yearly basis for compliance with policies and procedures established for information technology at the Posts in accordance with the agency's internal control program. In addition, the Post self assessment should be developed and implemented for testing of all Post specific security controls.



**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH LAWS AND REGULATIONS**

Director and Inspector General
Peace Corps

We have audited the financial statements of Peace Corps, an independent executive branch agency of the United States federal government, as of and for the year ended September 30, 2007, and have issued our report thereon dated October 31, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*.

The management of Peace Corps is responsible for complying with laws and regulations applicable to Peace Corps. As part of obtaining reasonable assurance about whether Peace Corps' financial statements as of September 30, 2007 are free of material misstatement, we performed tests of Peace Corps' compliance with certain provisions of laws and regulations which could have a direct and material effect on the determination of financial statement amounts, and certain other laws and regulations specified in OMB Bulletin No. 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to Peace Corps.

The results of our tests of compliance with the laws and regulations described in the preceding paragraph disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 07-04.

Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of the management of Peace Corps, the Peace Corps' Office of Inspector General, OMB, and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Arlington, Virginia
October 31, 2007



OTHER ACCOMPANYING INFORMATION



The Inspector General's Statement on the Peace Corps' Management and Performance Challenges

As required by the Reports Consolidation Act of 2000 and Office of Management and Budget guidance, I am pleased to submit the following summarizing what I consider to be the most serious management challenges facing the Peace Corps. This statement has been compiled based on Office of Inspector General (OIG) audits, investigations, evaluations, and the general knowledge of the agency's operations.

Sincerely,

H. David Kotz, Inspector General
September 28, 2007

Challenge **Safety and Security of Peace Corps Volunteers**

Violent crime against Volunteers continues to be a management challenge. We are preparing a comprehensive report on our evaluation of the major components of Peace Corps' safety and security strategy. The report will discuss the agency's progress in ensuring that the Volunteers are working and living in a safe and secure environment and make recommendations for improving safety and security. Our work in this area has disclosed that the agency's crime statistics have an unacceptably high error rate and that the agency's safety and security training for Volunteers is based upon these inaccurate figures. In addition, all Country Welcome Books that are sent to prospective Volunteers reviewed by the OIG included outdated and incorrect data and information. Finally, we have some concerns about the efficacy of the posts' Emergency Action Plan tests.

Challenge **Peace Corps' Medical Clearance System**

Several aspects of the agency's Medical Clearance System (MCS), including the length of the process, the lack of transparency and communication, and insufficient reimbursement costs present significant management challenges to the Peace Corps. Furthermore, the Director's initiative to recruit a greater number of Volunteers in the 50+ age range will place an increased burden on the capacity of the Volunteer Delivery System (VDS) in general and the MCS in particular.

The OIG is currently conducting an evaluation of the Medical Clearance System. The MCS evaluation will make recommendations on the following specific areas: screening review systems and procedures; the screening review timeframe and costs; medical screening guidelines, communicated guidance, system transparency, interoffice communication and customer service; staff training; and the reimbursement fee schedule. In the next fiscal year it will be critical for the agency to allocate the financial and technical resources that enable its Office of Medical Services to implement recommendations for needed improvements that are key to ensuring the success of the 50+ initiative and the overall VDS program.

Challenge **Information Technology Management**

Management has made improvements in strengthening the Peace Corps' information technology architecture and security management. However, several issues related to information security and risk management of system architecture remain a management challenge. The most significant issues follow:

- Eleven of 12 of the agency's information systems have not received final certifications and accreditations indicating that they are acceptable to use.
- Processes for systems development life cycle and change management have not been fully or consistently implemented.
- Although significant progress has been made, some systems' contingency plans need to be further tested and refined to ensure full recovery following a major disruption of service.

In addition, the agency is planning to deploy two on-line collaboration tools without the appropriate and necessary internal controls in place to limit the agency's vulnerabilities.

Challenge **Performance Management and Disciplinary Actions**

A broad management challenge that exists within the agency involves the reluctance of management to undertake the necessary disciplinary actions against employees where there is evidence of unsatisfactory performance and/or inappropriate conduct.

In the past fiscal year, the OIG investigative unit brought five cases of criminal conflict-of-interest on the part of Peace Corps staff members, including country directors, and additional cases involving allegations of improper transfer of Government property, falsification of official Government forms and violations of Peace Corps rules and regulations on the part of both staff members and Volunteers to management's attention. Notwithstanding these findings, agency management has been often unwilling to impose disciplinary actions, deciding in these cases to take either no action or engage in a settlement with the offending party in which the agency agrees to expunge any adverse documentation from the employee's personnel file. 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.

The Office of Inspector General has engaged in discussions with senior-level officials at the Peace Corps, including the Director and Chief of Staff about the above, and Peace Corps management has stated that it is committed to taking the appropriate steps to rectify this challenge in the future.

Challenge **Financial Management**

Financial management and compilation of accurate and complete financial statements in accordance with generally accepted accounting principles continues to be a management challenge. A qualified opinion was received on the balance sheet for FY 2006 and further improvements in financial reporting have been achieved this year.

Challenge **Post Imprest Fund Management and Other Cashier Operations**

Peace Corps manages cash accounts maintained as imprest funds in 68 posts in the countries served by the Peace Corps. The value of funds flowing through the imprest fund was approximately \$21 million during FY 2007. The fund's purpose is to manage the numerous day-to-day business activities carried on at Peace Corps posts. Incidents of imprest fund-related embezzlement and theft leading to cash losses continue to be a man-

agement challenge. Significant losses have resulted from ineffective oversight and internal control over the imprest fund and other cashier operations. We are currently investigating two cases involving an armed robbery and embezzlement of money associated with the imprest fund and other cashier operations. Resulting estimated losses were over \$85,000. Our auditors have also noted problems involving management of the imprest fund in nearly every audit of a Peace Corps post that they have conducted within the past fiscal year. This area requires increased management focus in improving policies, procedures, supervisory oversight, and internal control at the overseas posts.

Challenge **Managing Resources from Other Agencies:
The President's Emergency Plan for AIDS Relief**

Accountability for Federal funds provided to the Peace Corps through the President's Emergency Plan for AIDS Relief (PEPFAR) is a significant management challenge. This funding is managed by the State Department Global AIDS Coordinator and is specifically limited to support AIDS-related programs. Greater emphasis on program guidance is critical to effectively managing the funds and ensuring the funds are delivered as legislatively intended.

The OIG intends to conduct a comprehensive combined audit and evaluation of the agency's PEPFAR program in the coming fiscal year to assess how the agency is dealing with this challenge.

Challenge **Support for Volunteers Working in HIV/AIDS Projects**

While the agency has begun to take steps to increase the amount and quality of support to Volunteers working in HIV-prevalent countries, the challenge to management remains to mobilize resources sufficient to the task. To date, the burden of responding to Volunteers' mental health needs has fallen largely on the Peace Corps Medical Officers at post and the staff in the Office of Special Services, who provide mental health counseling to Volunteers. The Office of Special Services, in conjunction with the Center for Field Assistance and Applied Research, has also provided training to staff and Volunteers on special issues. However, the effort to support Volunteers' mental health needs should be multi-faceted and agency-wide. According to the 2006 Peace Corps Volunteer survey, when asked to rate factors that create stress or emotional health issues, 24 percent of the Volunteers rated their primary work assignments as considerably to exceptionally problematic and 30 percent rated their work assignments as moderately stressful.



Agency Response to the Inspector General's Statement
on the Peace Corps' Management and Performance Challenges

To: H. David Kotz, Inspector General

From: Ron Tschetter, Director

Date: October 29, 2007

Subject: Agency Response to the Inspector General's Statement on Management and Performance Challenges

Thank you for your statement of September 28, addressing the management and performance challenges faced by the Peace Corps, as required by the Reports Consolidation Act of 2000 and OMB guidance.

As the Office of the Inspector General (OIG) carries out its work through audits, investigations, and evaluations in order to prevent and detect fraud, waste, abuse, and mismanagement, and promote economy, effectiveness, and efficiency in government, the agency is pleased to support that work.

I would like to address the areas of challenge identified in your statement. The agency continues to strive for constant improvement as it carries out its worldwide mission.

Safety and Security of Peace Corps Volunteers

The safety and security of Peace Corps Volunteers is always the agency's highest priority. The agency has dedicated safety and security personnel at post and headquarters who are a part of an extensive safety and security support network that works fulltime to ensure the safety and security of our Volunteers. In support of this, the Office of Safety and Security completed a top to bottom review in FY 2007 and is working on identified issues.

The agency appreciates the OIG review this year of specific aspects of the safety and security support network. Of concerns identified in the OIG's letter, the OIG specifically cited challenges with the agency's crime statistics. The errors identified by the OIG have been noted and, where appropriate, corrected. The Office of Safety and Security transitioned from a paper based manual reporting system to a state-of-the-art, internet-accessible crime incident reporting system to capture statistical data from the field. The OIG submitted a list of errors encountered in reviewing all crime incident reporting form (CIRF) reports from 10 out of 68 posts. Each report had over 40 data points required to be filled out by the preparer. The OIG found inconsistencies between information provided in some data points and the narrative report of incident. Few of these errors were substantive and some of the errors are not agreed to by the Office of Safety and Security. Based on the OIG input, the office ceased normal operations and reviewed over 1,300 cases completed in 2006. Minor errors were identified and immediately corrected. Since the implementation of the CIRF, the Office of Safety and Security instituted an annual reconciliation process and an ad-hoc review and correction of 19 posts due to unusually low reporting of incidents. These reviews were instituted before the OIG review. The Office of Safety and Security has submitted corrected data to the OIG, and instituted a stricter quality assurance process. The identified effort does not affect the validity of the data provided in other venues, including Welcome Books or training. Volunteer training is based primarily on identified trends and those primary risks that Volunteers face at a specific post. Strategies to manage these risks are infused with culturally-specific training. In general, the crime trends and risk factors do not fluctuate significantly from one year to the next; therefore, minor errors in incident reporting are not likely to negatively impact the overall safety and security training at any given post.

The agency requires that posts test their emergency action plans (EAP) annually, so that posts can analyze their EAP tests and make adjustments to their EAP tests in response to identified shortcomings. In many instances, the safety and security officers assist in the design and execution of emergency action plan tests and provide observations and feedback once tests have been completed. Additionally, the safety and security officers provide EAP training to the staff and wardens upon request from the country directors during their post visits. The Office of Safety and Security has been working with the regions since March 2007 to develop additional EAP testing guidance.

Peace Corps' Medical Clearance System

The medical clearance process is a key checkpoint in the application process as it helps ensure the agency fields Volunteers who, from a health and well-being standpoint, are able to meet the rigors of two years of overseas service. The Office of Medical Services looks forward to the final OIG report on the medical clearance process. In relation to the items raised by the IG in the management challenges letter regarding improvements in the agency's medical clearance system (MCS), the medical pre-service team is taking the following steps:

- Review of systems and procedures (in progress);
- Review of all forms and written communication sent to applicants (completed);
- Establish and transmit forms and written communications online to shorten processing time (continuing project);
- Staff education regarding customer service (completed);
- Review of medical screening guidelines (continuing project);
- Reimbursement fee schedule constrained by FY 2008 budget (continuing project);
- 50+ Initiative—established a clinical and support staff team to medically evaluate applicants (completed).

The team is working closely with other offices within the Peace Corps to accomplish its work and to meet the time lines established to bring about improvements.

Information Technology Management

Certifications and Accreditations

In FY 2007 the Office of the Chief Information Officer (OCIO) created up-to-date information technology (IT) security requirements, published a certification and accreditation (C&A) process guide, provided C&A and tool training to multiple agency staff, and began the process of preparing several systems for accreditation.

Consistent with the plan to conduct at least three certification and accreditation efforts each year beginning in FY 2007, Odyssey; IGCMS, the Inspector General Case Management System; and .Net Aquifer completed the initiation, certification, and accreditation phases of the agency's National Institute of Standards and Technology-based C&A process in FY 2007. The authorizing official issued an authorization to operate for Odyssey

and the authorizing officials for the IGCMS and .Net Aquifer issued an interim authorization to operate. Two systems and one application will complete the initiation, certification, and accreditation phases of the C&A process in FY 2008. Additionally, two other systems and one application started the initiation phase of C&A in FY 2007.

Systems Development Life Cycle and Change Management

In FY 2007, the agency took an important step when the Peace Corps' *Systems Development Life Cycle Handbook* (SDLC) was approved by the OCIO Enterprise Architecture Advisory Board in December 2006. The *SDLC Handbook* is the definitive statement of the policies, standards, and life cycle that govern information technology (IT) systems—including infrastructure—that are built by or for the Peace Corps. This SDLC is based on the standard SDLC used throughout industry, and has been tailored, where necessary, to meet the needs of the Peace Corps. The SDLC represents the agency-wide guideline. Senior staff will be educated on the value of the SDLC to all stakeholders and the SDLC will be presented for approval at the agency level during FY 2008.

The change management plan was not formally approved but has been followed by most of the agency since October 2005. Change management provides a process for managing and controlling the way changes are initiated, assessed, planned for, scheduled, and implemented. The change management plan will be presented for approval at the agency level during FY 2008.

Contingency Planning

The purpose of disaster recovery is to resume Peace Corps operations in the event of a significant service interruption or a continuity of operations plan (COOP) is declared. The OCIO and the Office of Safety and Security have determined that the OCIO disaster recovery planning is part of the agency's overall COOP effort.

As part of that program, the OCIO conducts a disaster recovery exercise to test significant subsets of the overall COOP. In FY 2007, the exercise focused on the recovery of the agency's most critical services—account management, messaging (including e-mail messages), and the basic database functions.

In FY 2008 the office intends to expand testing to address fundamental changes that have occurred in the agency's financial systems and address existing and new major applications, broad-based upgrades to the hardware platforms, software systems, and configurations.

Online Collaboration Tools

The agency is currently exploring several online collaboration tools in order to determine which ones will best meet the agency's knowledge management objectives. After the results of the exploration process have been analyzed and documented, a review board will oversee online collaboration efforts prior to full deployment of the tools.

Performance Management and Disciplinary Actions

The agency takes unsatisfactory performance and inappropriate conduct issues very seriously and has processes in place to ensure that such challenges are promptly addressed. When management receives cases from the Inspector General, they are thoroughly reviewed and acted upon.

Management believes that there is no instance in which the Inspector General has provided complete and irrefutable evidence that the agency has not taken action that serves justice and is in the best interests of the agency, the taxpayer, and the efficiency of the federal service.

The Inspector General also disagrees in some instances with the level of discipline taken. The authority and discretion to set that level is entrusted solely to management. While the Inspector General may have an opinion, management has many factors—in addition to the OIG report—which it must weigh in applying appropriate discipline. Almost without exception, the problem staff members identified in OIG investigations are no longer employed at the Peace Corps. The severing of the employer-employee relationship is a significant action in the employment context and will always be part of the individual's employment history and required to be reported in future applications for federal employment.

The agency endeavors to have a work environment that is marked by excellence and full performance of all employees and looks forward to working with the Inspector General to address any concerns raised.

Financial Management

Financial management is our fiduciary responsibility and is of paramount importance throughout the Peace Corps. Over the past few years we have made monumental improvements in systems, process, personnel, and governance over financial transactions. The era of 2006 and 2007 has been a time of maturation of financial management for the Peace Corps. Existing material weaknesses from past year financial audits were mitigated during this fiscal year and no material weaknesses were identified in the risk assessments nor in the current financial audit. System and process changes implemented in FY 2007 and in prior years were tested and validated during this year's successful certification and accreditation of the financial system in accordance with the Federal Information Security Management Act, Public Law 107-347. Further, internal control testing and standardized reconciliations were implemented this fiscal year and will be expanded and institutionalized in the coming years. We have hired and retained financial professionals with current staff, including the Chief Financial Officer, holding Certified Professional Accountant certifications. These actions over the past few years have led to the production of accurate and timely financial statements for FY 2007. While we do and will continue to take financial management very seriously in the Peace Corps, it is no longer considered a management weakness for the Peace Corps.

Post Imprest Fund Management and Other Cashier Operations

The post imprest fund cash for the year, spread among the 68 Peace Corps posts, totaled \$21.4 million used to manage numerous day-to-day business activities in cash based economies of the developing countries we serve. The Peace Corps' internal risk review of 2006 found that post imprest fund cash was an inherently high financial risk. The Office of the Chief Financial Officer in conjunction with region staff methodically took significant actions to tighten internal controls by reducing cash, internal reviews, automating post reconciliation of cash, surprise cash counts, and training. Cash on hand was proactively reduced in 2006. By FY 2007, cash had been reduced by 25 percent. We continue to pursue further reductions in the imprest fund cash accountability. To further improve post cash management controls, additional sub-regional cashier training has taken place to further improve the post-level understanding of cashiering procedures. Every cashier will have taken the new interactive, internet based training by the end of calendar year 2007. The *Overseas Financial Management Handbook* was updated this fiscal year and the applicable *Peace Corps Manual* section is currently under review, both of which will continue to assist posts in better management of the imprest fund. Peace Corps

management is aware of \$40,977 in losses at one post due to embezzlement of imprest funds. The loss was discovered by Peace Corps post staff following regular internal control protocol. Peace Corps management is also aware of an armed robbery of \$44,660 due to staff not following Peace Corps procedures; however, the funds were not stolen from the imprest fund but from post staff after cashing a check at the bank. These two losses resulted from ineffective oversight at the post level and failure to follow established internal control procedures. In FY 2008 after the cashier training is complete, an interactive training session will be provided to cashier supervisors as well. The Peace Corps will continue strengthening controls and oversight to manage the inherent risk of providing cash through imprest funds to the posts.

Managing Resources from Other Agencies: The President's Emergency Plan for AIDS Relief

The agency recognizes its responsibility to effectively manage the PEPFAR program and the PEPFAR funds. PEPFAR funds are provided to the State Department and are properly managed by the Peace Corps as non-entity resources not reflected on the face of the financial statements. PEPFAR funding is managed by the State Department Global AIDS Coordinator. Odyssey, the Peace Corps financial system, now tracks PEPFAR funds by program in the areas of prevention, care and treatment. The Peace Corps continues to meet State Department reporting requirements, providing obligation and outlays reports on a quarterly basis.

During FY 2007, the Peace Corps' Office of AIDS Relief (OAR) hired an administrative officer to support overseas and headquarters offices with PEPFAR funds. This enables OAR to be more responsive to financial inquiries and to provide financial management tools to the posts, while also strengthening guidance. OAR also has a program and training advisor on staff who assists posts with PEPFAR programming and training issues. All posts started including their PEPFAR plans in their strategic and post operating plans last year, and submit their implementation plans to OAR for a multi-office review that includes programming and training specialists from the Center for Field Assistance and Applied Research and the regions. The agency looks forward to the upcoming OIG audit of Peace Corps' involvement in PEPFAR to determine ways to continue to strengthen necessary support.

Support for Volunteers Working in Projects Dedicated to Assisting HIV/AIDS Victims

The agency agrees that Volunteers need support as they cope with emotional health issues related to their work in HIV/AIDS. At the request of the Peace Corps Director in FY 2007, the Office of AIDS Relief (OAR) established a cross-office task force to review these issues and make recommendations. From this effort, the Peace Corps Director approved a set of recommendations and OAR is working with the task force to prepare an action plan to improve this support, which will also identify any need for additional resources. Further, the Center for Field Assistance and Applied Research and OAR joined forces to finalize a HIV/AIDS resource toolkit that includes eight training modules—one of which focuses on resiliency. During these efforts, it has become increasingly evident that Volunteers are indeed coping with emotional health issues relating to HIV/AIDS; however, it is also evident that these issues are part of a larger spectrum of Volunteer resiliency issues. The work being completed on the HIV/AIDS issues has increased awareness for the importance of broader support as well.



Summary of Financial Statement Audit and Management Assurances Tables

Table 1: Summary of Financial Statement Audit

Audit Opinion	Unqualified				
Restatement	Yes				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Mgt. Structure	1		✓		0
Accounting Business Processes	1		✓		0
Beginning Balances	1		✓		0
Information Systems Control Environment	1		✓		0
<i>Total Material Weaknesses</i>	4		4		0

Table 2: Summary of Management Assurances

Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Management Structure	1		✓			0
Accounting Business Processes	1		✓			0
Beginning Balances	1		✓			0
<i>Total Material Weaknesses</i>	3		3			0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>						
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform to Financial Management System Requirements					
Non-conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Information Systems Control Environment	1		✓			0
<i>Total Non-conformances</i>	1		1			0
Compliance with Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
Overall Substantial Compliance						
1. System Requirements						
2. Accounting Standards						
3. USSGL at Transaction Level						





Appendix 1

Audit Follow-Up Actions

Status of Financial Notice of Findings – All Fiscal Years Audits

Description	Number/Severity	Status
FSN Payroll Reconciliation	02-FIN-MED-2006	Closed
Property, Plant and Equipment (PP&E)	02-FIN-MED-2007	Issued
Overseas Accounting & Reporting Functions	03-FIN-MED-2006	Closed
Undelivered Orders/Accounts Payable	03-FIN-MED-2007	Issued
Procedures	04-FIN-MED-2006	Closed
Advances/Receivables	07-FIN-MED-2004	Closed
Medical Services	11-FIN-MED-2004	Closed
Host Country Contributions	14-FIN-MED-2004	In Progress
Medical Supply	01-FIN-LOW-2007	Issued
Purchase Cards	05-FIN-LOW-2006	Closed

Status of Non-Financial Notice of Findings – All Fiscal Years Audits

Description	Number/Severity	Status
Odyssey UNIX Access	04-IT-MED-2007	Issued
Odyssey Memorandum of Understanding	07-IT-MED-2005	In Progress
FOR Post/HQ Segregation of Duties	12-IT-MED-2003	Closed
FOR HQ Segregation of Duties	12-IT-MED-2003	Issued
Odyssey Audit Logs	16-IT-MED-2003	Closed
Odyssey Test Plans	16-IT-MED-2005	Closed
Odyssey Test Results/Plans and Change Management	16/17-IT-MED-2005	Issued
Odyssey Account Review	24-IT-MED-2004	Closed
Odyssey Segregation of Duties	26-IT-MED-2004	Closed
Post IT Issues	29-IT-MED-2004	In Progress
Overseas Posts–Overseas Architecture Changes	30-IT-MED-2004	Closed
Odyssey Security Plan System Owner	01-IT-LOW-2005	Closed
Odyssey User Access	01-IT-LOW-2006	Closed
Odyssey Account Reviews	01-IT-LOW-2007	Issued
User Access	02-IT-LOW-2006	In Progress
Odyssey Segregation of Duties	02-IT-LOW-2007	Issued
Professional Development Training	03-IT-LOW-2005	Closed
Odyssey Data Retention Policy	03-IT-LOW-2006	Closed
Lack of Audit Log Review Evidence	03-IT-LOW-2007	Issued
Data and Resource Classification Rankings	04-IT-LOW-2005	Closed
Odyssey Approval Limits	04-IT-LOW-2006	Closed
No Formal Policy and Procedures for Odyssey Access	05-IT-LOW-2005	Closed
No Individual Accountability for System Administrators or DBAs	05-IT-LOW-2006	Closed
Data Center Physical Access	05-IT-LOW-2007	Issued
Odyssey Archiving and Deleting	06-IT-LOW-2005	In Progress
FOR Post Change Control	06-IT-LOW-2007	Issued

Audit Follow-Up Actions, Continued

FOR Post Access	07-IT-LOW-2003	Closed
Odyssey-UNIX Audit Logs	07-IT-LOW-2007	Issued
Network and Data Center Diagram	08-IT-LOW-2007	Issued
Inventory of System/Application Documentation	10-IT-LOW-2005	Closed
Testing of Environmental Controls	11-IT-LOW-2005	Closed
Data Center Emergency Procedures	12-IT-LOW-2005	Closed
Odyssey System Change Test Results	17-IT-LOW-2005	Closed

Status Key

Closed: Completed by Peace Corps and closed by the auditors

In Progress: Completed portions of the corrective action plan while other portions remain to be completed

Issued: Issued during FY 2007 audit

Appendix 2

Glossary of Acronyms

BFC	Budget Functional Classification	IPBS	Integrated Planning and Budget System
C&A	Certification and Accreditation	IT	Information Technology
CBJ	<i>Congressional Budget Justification</i>	MCS	Medical Clearance System
CIRF	Crime Incident Reporting Form	MOU	Memorandum of Understanding
COOP	Continuity of Operations Plan	MS	Manual Section
CSRS	Civil Service Retirement System	NIST	National Institute of Standards and Technology
DOS	Department of State	OAR	Office of AIDS Relief
EAP	Emergency Action Plan	OCFO	Office of the Chief Financial Officer
FECA	Federal Employees' Compensation Act	OCIO	Office of the Chief Information Officer
FEGLIP	Federal Employees' Group Life Insurance Program	OIG	Office of Inspector General
FEHBP	Federal Employees' Health Benefit Program	OMB	Office of Management and Budget
FERS	Federal Employees' Retirement System	OPM	Office of Personnel and Management
FISMA	Federal Information Security Management Act	ORB	Other Retirement Benefits
FMFIA	Federal Managers' Financial Integrity Act	OSIRP	Office of Strategic Information, Research, and Planning
FNPSA	Foreign National Personal Service Contractor	PART	Program Assessment Rating Tool
FSN	Foreign Service National	PEPFAR	President's Emergency Plan for AIDS Relief
FSRDS	Foreign Service Retirement and Disability System	PMA	President's Management Agenda
FY	Fiscal Year	PP&E	Property, Plant, and Equipment
GSO	General Services Officer	PSA	Public Service Announcement
HACU	Hispanic Association of Colleges and Universities	PSC	Personal Service Contractor
HBCU	Historically Black Colleges and Universities	RPCV	Returned Peace Corps Volunteer
HCC	Host Country Contributions	SDLC	Systems Development Life Cycle
HQ	Headquarters	SOP	Standard Operating Procedures
HRM	Human Resource Management	SQL	Structured Query Language
IG	Inspector General	UKW	Urbach Kahn and Werlin LLP
IGCMS	Inspector General Case Management System	VDS	Volunteer Delivery System
IMA	Internal Management Assessment	VIDA	Volunteer Information Database Application
		VOIP	Voice-Over-Internet Protocol



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