



Peace Corps
Office of Inspector General
Semiannual Report to Congress

October 1, 2011 – March 31, 2012

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PEACE CORPS

OFFICE OF INSPECTOR GENERAL

Vision:

Provide high impact work products that agency management acts upon to increase the Peace Corps' efficiency and effectiveness.

Mission:

Through audits, evaluations, and investigations, the Office of Inspector General (OIG) provides independent oversight of agency programs and operations in support of the goals set forth in the Peace Corps Act while making the best use of taxpayer dollars.

OIG:

- Promotes integrity, efficiency, effectiveness, and economy
- Prevents and detects waste, fraud, abuse, and mismanagement
- Identifies risks and vulnerabilities and offers expert assistance to improve the Peace Corps' programs and operations

Established in February 1989, OIG receives its legal authority from the Inspector General Act of 1978, as amended. The law requires that OIG fully and currently inform the Peace Corps Director and Congress about problems and deficiencies identified by OIG relating to the administration of agency programs and operations.

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Highlights from this Report

Message from the Inspector General



I am pleased to present the Peace Corps Office of Inspector General's (OIG) Semiannual Report to Congress (SARC) for the period of October 1, 2011 – March 31, 2012. This reporting period was an exciting time for OIG. Our products helped inform congressional oversight committees' work that resulted in the enactment of legislation that will significantly enhance Volunteer safety and security and the independence of OIG. In addition, OIG received a prestigious award for its work on Volunteer safety and security.

On October 6, 2011, I testified before the U.S. Senate Committee on Foreign Relations, Sub-Committee on Western Hemisphere, Peace Corps and Global Narcotics, at a hearing titled, "Peace Corps: The Next 50 Years." My testimony focused on management challenges confronting the agency and strategies and recommendations to address them. My complete testimony before the committee is included in Appendix C and also available on our [website](#).

On November 21, 2011, the President signed into law the Kate Puzey Peace Corps Volunteer Protection Act of 2011 (P.L. 112-57) (Kate Puzey Act), which enhances Volunteer safety and security and the Peace Corps' response to Volunteer victims of sexual assault. The legislation will necessitate numerous improvements or changes to existing agency policies, processes, and training, as well as office functions and responsibilities. Agency management has established an interagency working group with more than a dozen subgroups, composed of offices and individuals responsible for implementing the law. Although progress on implementation is being made, it is too early to assess the efficacy of agency actions. OIG will continue to monitor agency compliance with the Kate Puzey Act.

Of particular significance to our office, the new legislation also strengthens the independence of OIG by excluding OIG employees and my position from Peace Corps' statutory five-year employment limitation, referred to as the "five-year rule" (FYR). From the issuance of OIG's first SARC in October 1989, various Inspectors General have highlighted how the FYR has compromised OIG independence. Excluding OIG from this requirement bolsters its ability to conduct effective independent oversight.

In regards to Volunteer safety and security, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) recognized OIG for excellence for its Audit of the Peace Corps Volunteer Safety and Security Program. This multidisciplinary award, presented in October of 2011, recognized the efforts of auditors and evaluators who worked together to complete this important audit.

The Audit Unit issued reports on the agency's budget formulation process, as well as an audit of the Mid-Atlantic recruiting office. Post audits of Costa Rica and Mali were also completed. Work continues on a post audit of Lesotho, a review of the agency's management of external funds and grants for Volunteer projects, and a comprehensive review of funding expended to support the agency's 50th anniversary program. In addition, the Audit Unit oversaw the annual audit of the agency's financial statements and review of information system security performed by an independent public accountant (IPA).

The Evaluation Unit issued final reports on post evaluations of Fiji, the Kyrgyz Republic, and Peru. Preliminary post evaluation reports of China and Uganda were issued and post evaluations of Indonesia, Malawi, and Namibia were initiated. The Evaluation Unit continued work on a program evaluation of the FYR and a review of the agency's implementation of guidelines and protocols related to Volunteer victims of sexual assaults. Preliminary reports are being finalized for both evaluations and are anticipated to be issued in spring 2012.

Our investigative staff closed 11 investigations and 95 preliminary inquiries. One investigation resulted in an embezzlement conviction of a former Peace Corps staff member in Niger. The Investigation Unit also proactively partnered with the United States Postal Service Office of Inspector General (USPS OIG) to enhance our Federal Employee's Compensation Act (FECA) fraud detection and prevention techniques. In addition, OIG senior investigators briefed 212 Peace Corps staff and Volunteers, providing OIG reporting and fraud indicator training to improve efforts to detect, prevent, and report fraud.

Finally, in furtherance of the OIG strategic plan, and with the support of the Office of Communications, our OIG Outreach Committee developed an awareness campaign to ensure that applicants, Volunteers, and Peace Corps staff are educated on OIG resources and how to report allegations or other information to our office.



Kathy A. Buller
Inspector General

Management and Administration



The OIG outreach committee collaborated with the Office of Communications to develop a publicity and messaging campaign that included a new OIG seal.

Management and Administration

Agency Context

As of March 31, 2012, 8,376 Peace Corps Volunteers and trainees were serving in 76 countries at 70 posts.¹ This total includes 630 Volunteers and trainees funded by the President's Emergency Plan for AIDS Relief (PEPFAR) to work on HIV/AIDS projects in 19 countries at 17 posts and 156 Peace Corps Response Volunteers serving in short-term assignments in 37 countries at 32 posts.

The Volunteers and their programs are supported by 860 American direct-hire staff members, including 563 at headquarters, 191 overseas, and 106 in regional recruiting offices. Approximately 2,722 locally hired personnel complete post staffing. The Peace Corps also has corporate contracts domestically and overseas, principally for guard services and training, and hires expert consultants, primarily for training and financial management.

Congressional Testimonies

On October 6, 2011, Inspector General (IG) Kathy A. Buller testified before the U.S. Senate Committee on Foreign Relations, Sub-Committee on Western Hemisphere, Peace Corps and Global Narcotics, at a hearing titled "Peace Corps: The Next 50 Years." The testimony focused on management challenges facing the agency, outlined strategies to address the challenges, and recognized areas of agency progress. The full testimony is included in Appendix C and is also available on the OIG website:

http://multimedia.peacecorps.gov/multimedia/pdf/about/leadership/ig/buller_testimony_sfac_10_06_11.pdf

Policy Directives and Updates

The Peace Corps Manual constitutes the authoritative policies governing the operations of the Peace Corps in the United States and overseas. On January 26, 2012, OIG provided the agency with an update to its existing *Peace Corps Manual*, Section (MS) 861: "Office of Inspector General." MS 861 describes the functions and responsibilities of OIG, and the duties and obligations of all Peace Corps staff and others associated with the Peace Corps with respect to OIG. The update was necessitated by recent legislative action and organizational changes within OIG.

On February 9, 2012, policy directive 2012-01, *OIG Drug Free Workplace Program* (DFWP), was issued. The directive describes the DFWP, provides parameters for the program, and

¹ One post may include more than one country. For example, the Eastern Caribbean post includes the following countries: Antigua/Barbuda, Dominica, Grenada, St. Kitts/Nevis, St. Lucia, and St. Vincent and the Grenadines.

outlines responsibilities for its administration. The directive also revokes all prior OIG standard operating procedures, policy letters, and other directives on the subject.

Awards

In October 2011, the CIGIE² presented OIG with an award of excellence for its Audit of the Peace Corps Volunteer Safety and Security Program. Former Assistant Inspector General for Audit (AIG/A) Gerald Montoya, current AIG/A Bradley Grubb, Lead Evaluator Heather Robinson, and Senior Evaluator Susan Gasper received the Multiple Disciplines Award for Excellence in recognition of their outstanding contributions to enhance the effectiveness of the Volunteer safety and security program.



Pictured from left: AIG/A Bradley Grubb, Senior Evaluator Susan Gasper, and Lead Evaluator Heather Robinson

Staffing

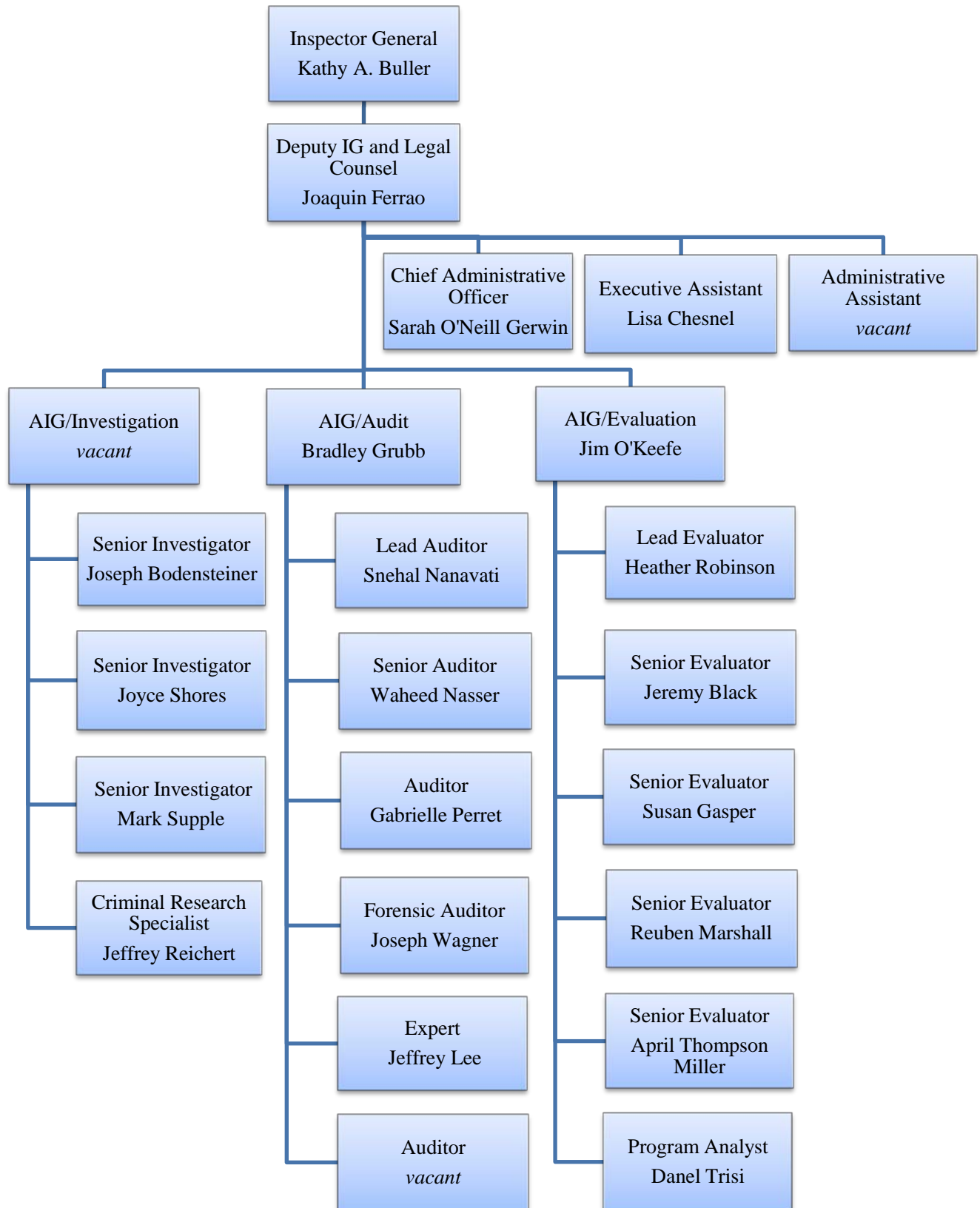
In November 2011, the Kate Puzey Act amended Section 7(a) of the Peace Corps Act, excluding IG and OIG employees from the agency's five-year term employment limitation. To comply with this amendment, all OIG employees' term appointments in the excepted service were converted to unlimited appointments consistent with the federal OIG community.

Gabrielle Perret joined OIG as an auditor in February 2012. Perret previously worked as a senior auditor with the Government Accountability Office. She has worked on performance audits that cover a broad range of government sectors, including veterans' health care, federal contracting, and flood insurance. A Southern California native, Perret holds a bachelor's degree from the California State University, Northridge.

Geoffrey Johnson, assistant inspector general for the Investigation Unit, retired at the end of October 2011, after a 15-year career in law enforcement and 28 years of working in the IG community. He worked for OIG for over five years.

² CIGIE is a statutorily established independent entity within the executive branch representing 73 Offices of Inspector General in the federal government. CIGIE's mission is to promote integrity, economy, and effectiveness in government agencies, as well as to increase the professionalism and effectiveness of personnel in the OIG community.

Organizational Chart



Advice and Assistance Provided to the Agency and Others

Peace Corps
Office of Inspector General

Director of Management and Operations
(and Country Desk Officers)
Best Practices



The title slide of an Overseas Staff Training presentation OIG developed for country directors, directors of programs and training, directors of management operations, and financial assistants.

Advice and Assistance Provided to the Agency and Others

Outreach Committee

In August 2010, OIG formed an outreach committee (OC) to increase staff and Volunteer awareness of OIG functions and responsibilities and to encourage the reporting of wrongdoing, fraud, waste, and abuse. In the past, OC has developed informational posters, hosted an OIG open house, and supported the development of the agency's training for MS 271 "Handling of Volunteer/Trainee Allegations." During this reporting period, the OC collaborated with the Office of Communications to develop a publicity and messaging campaign that includes a new OIG seal and standard templates for communications. Additionally, the OC also revised OIG's contact brochures and its Intranet page. The OC also submitted OIG information for inclusion in *Peace Corps Update* newsletters and initiated efforts to provide trainees with OIG contact information at pre-service staging, in compliance with the Kate Puzey Act.

Investigative Outreach Initiative

During this reporting period, OIG senior investigators launched an outreach initiative, which reached 212 Peace Corps staff members and Volunteers. This outreach educated participants about the role of OIG investigators, the mission of OIG, the types of allegations typically referred, and OIG's readiness to respond to allegations. Additionally, discussions included ways to detect potential fraud, waste, and abuse of Peace Corps resources. Briefings were followed by an open forum to address any concerns and/or answer questions.

Desk Officer Training

OIG developed and delivered training for headquarters staff members who play a coordinating role for the agency in OIG audit and evaluation processes. The training module informed participants about OIG audit and evaluation processes and discussed the role of a country desk officer (CDO) during an audit or evaluation. CDOs are OIG's primary liaisons with the agency's three overseas regions. They are responsible for gathering documents necessary for OIG post audits and country program evaluations. CDOs play a pivotal role in coordinating the agency's response to OIG audit and evaluation reports and helping the post and region submit documentation to close open recommendations. The training also covered TeamCentral, OIG's recommendation, workflow, and tracking software. The training was held on January 25, 2012.

Overseas Staff Training Presentations

OIG staff members participated in overseas trainings where they briefed 33 Peace Corps staff members on best practices and common deficiencies noted by OIG. Participants included directors of programs and training, directors of management operations, and financial assistants. An OIG overview presentation was also delivered to three country directors (CD).

Policies and Procedures

OIG continues to provide advice and assistance to the Peace Corps Senior Policy Committee (SPC) by commenting on drafts of new or updated policies and procedures. The agency has been engaged in a robust effort to update and develop new policies and procedures when deemed appropriate. During this reporting period, the SPC has reviewed 30 manual sections, corresponding procedures, and interim policy statements. OIG's proactive engagement is intended to help support efforts to improve the effectiveness and efficiency of Peace Corps programs and operations. Some of the proposed revisions to policies are in response to earlier OIG recommendations.

Review of Legislation and Regulations

The Kate Puzey Act focuses on enhancing Volunteer safety and security and the agency's response to Volunteer sexual assault. Additional elements addressed include agency hiring practices, management oversight, performance reporting, country portfolio reviews, and strengthening of OIG independence. Under the new legislation, OIG is required to issue to Congress: (1) a report no later than November 21, 2013, and November 21, 2016, respectively, which evaluates the effectiveness and implementation of the agency's sexual assault risk-reduction and response training and policy; (2) a report no later than November 21, 2013, regarding how the agency hires/terminates its CD, including an assessment of the implementation of CD performance plans, and how CDs hire post staff; and (3) a report on allegations received from Volunteers relating to misconduct, mismanagement, or policy violations of Peace Corps staff, any breaches of the confidentiality of Volunteers, and any actions taken to assure the safety of Volunteers who provide such reports. This report is due no later than November 21, 2012, and every two years through September 30, 2018. Another provision of the legislation strengthens OIG independence by excluding the IG and OIG employees from the agency's five-year term employment limitation.

The majority of the provisions in the Kate Puzey Act affect agency programs and operations. The legislation includes requirements to:

- Develop and implement a comprehensive sexual assault policy and a policy on stalking
- Develop and implement sexual assault risk reduction and response training for Volunteers and staff
- Develop a restricted reporting process for sexual assault victims
- Establish an Office of Victims Advocacy and a Sexual Assault Advisory Council
- Establish a 24-hour sexual assault hotline

-
- Provide Volunteer applicants with crime risk information and contact information for OIG and the Victim Advocate
 - Establish a confidentiality policy applicable to both staff and Volunteers, with penalties for breaches of the policy
 - Establish goals, metrics, monitoring, and evaluation standards for all agency programs
 - Conduct an annual Volunteer survey
 - Establish performance plans with performance elements for CDs, which must incorporate feedback from the all-Volunteer survey
 - Conduct portfolio reviews (once every three years) for all countries where Volunteers serve
 - Establish a process for removal of Volunteers from alleged unsafe sites
 - Establish a Memorandum of Understanding (MOU) with the United States Department of State (DOS) outlining duties and obligations for protection of Volunteers and staff
 - Submit an annual report to Congress that includes summarized information on sexual assaults, other crimes against Volunteers, numbers of arrests, prosecutions, incarcerations, and early terminations
 - Authorize the agency to retain counsel for Volunteers involved as parties, victims, or witnesses to crimes
 - Revise limitations on personal services contractors (PSC)

The agency reports considerable progress toward implementation of the Kate Puzey Act requirements. The agency has established an interagency working group, which includes more than a dozen sub-groups that are responsible for implementing the new legislation. The agency has established the Office of Victim Advocacy and is hiring two support staff members to assist the victim advocate. During this reporting period, over 200 overseas staff members were trained on how to deliver to Volunteers newly developed standardized training on sexual assault awareness, risk reduction strategies, Peace Corps reporting and response protocols, and bystander intervention. The agency hired a sexual assault nurse examiner to coordinate care for victims of sexual assault and has established a medical support program that assists Volunteers who are medically evacuated as a result of sexual crimes. In collaboration with the Department of Justice (DOJ) National Institute of Justice, the agency reports it created a framework, performance measures, and timeline to launch its sexual assault risk reduction and response program. The agency also indicates it has started tracking, within its existing reporting system, arrests, prosecutions, and incarcerations involving Volunteers.

It is too early to assess the efficacy of agency actions to date or whether these measures comply with the requirements under the Kate Puzey Act. While OIG has not been invited to serve on the working groups, it has been provided the opportunity to comment on policy revisions related to implementation of the Kate Puzey legislation through the SPC review process. OIG comments have addressed various issues. Examples include:

- Implementation of revised PSC authority: OIG suggested the agency fully evaluate the potential impact of allowing PSCs to engage in inherently governmental activities. This would include reviewing best practices from agencies with similar authorities. Additionally, OIG suggested the agency consider whether PSCs are subject to employee ethics laws and regulations, whether certain activities are more appropriately carried out by U.S. direct hires, and that it ensures appropriate training is in place before PSCs engage in supervision or similar management activities.

- Counsel for Volunteers: OIG suggested the agency revise existing policy by prohibiting the use of appropriated dollars to fund an attorney for a Volunteer accused of engaging in wrongdoing against another Volunteer or the U.S. government.
- OIG has provided recommendations and suggestions to the agency regarding the development and execution of an MOU with DOS Bureau of Diplomatic Security (DS), addressing the protection of overseas Volunteers and staff members. This should include investigations of safety and security incidents and crimes committed against Volunteers and staff members. The establishment of an MOU was recommended in the OIG audit of the Peace Corps Volunteer Safety and Security Program (VSSP). Since passage of the Kate Puzey legislation, which mandated such a MOU, OIG has directly participated in negotiations with DS on this matter. Volunteers are not under chief of mission authority and are not considered employees; therefore, OIG recommendations have focused on ensuring the MOU addresses Volunteer safety and security so the Peace Corps is able to support a Volunteer should a serious crime or other incident take place. Throughout negotiations, OIG has suggested the MOU define roles and responsibilities to the greatest extent possible when responding to serious crimes or incidents against Volunteers and staff members.

At this time, OIG remains optimistic that the agency is positioned to execute the MOU by May 19, 2012, as established by the legislation.

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Audits



PC/Costa Rica Volunteer Lindsey Hazel worked with her community to start a library.

Audits

Overview

The Audit Unit conducts audits of agency programs and operations that support the Peace Corps' mission. These include overseas posts, regional recruitment offices, and headquarters functions. Audits are conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. In addition, the Unit oversees the annual audit of the agency's financial statements and review of information system security performed by an IPA.

The objective of OIG audits is to independently examine the financial and administrative operations of the Peace Corps, promote economy and efficiency, and ensure compliance with federal law, regulations, and Peace Corps policy. Audits are wide ranging, covering agency activities carried out at overseas posts, as well as agency-wide operations that affect multiple offices. Auditors report their conclusions and recommendations based on document and data analysis, interviews, and direct observation.

Along with the final reports described on the following pages, during this SARC period the Audit Unit initiated work on a post audit of Lesotho and is continuing to review the Peace Corps' management of external funds and grants for Volunteer projects. A comprehensive review of funding supporting the 50th anniversary program is also under way.

In addition, the Audit Unit has initiated a risk-based assessment of 15 overseas posts through analytical review of information available at Peace Corps headquarters. A risk-based assessment is used to select overseas posts to review for operational efficiency and effectiveness, financial stewardship, and compliance with agency policies and federal regulations. At the conclusion of the assessment, OIG will select "high-risk" posts for more comprehensive audit work on site and will issue limited scope reports for the posts not visited. At overseas posts, auditors review key operations, including imprest fund management and cashiering, acquisitions and contracts, personal property³ management, medical supply control, and personnel management.

OIG's overseas post audits identify recurring issues and trends. The reports frequently contain recommendations to headquarters for strengthening controls to prevent and detect systemic weaknesses. In response to OIG's work, the Peace Corps has revised and strengthened policies and procedures on property management, vehicle fleet management, and PSC security certification. OIG continues to review the implementation of policy and procedural revisions, in addition to other areas of concerns noted in previous audits. It also monitors the agency's progress in correcting systemic weaknesses.

³ Personal property is tangible, Peace Corps-owned, moveable property located in the U.S. and overseas.

Agency-wide Audits

The Peace Corps' Fiscal Year 2011 Financial Statement Audit

The Accountability of Tax Dollars Act of 2002 mandates an annual audit of Peace Corps' financial statements. OIG contracted with Clifton Gunderson LLP (CG), an IPA firm, to audit the Peace Corps' financial statements. The contract required the audit be done in accordance with U.S. Generally Accepted Government Auditing standards, Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, and the Government Accountability Office/*President's Council on Integrity and Efficiency Financial Audit Manual*. CG's independent auditor's report for fiscal year (FY) 2011 included an opinion on financial statements, along with a discussion on internal control and compliance with laws and regulations related to its audit work.

In the audit of the Peace Corps, CG found that FY 2011 financial statements presented fairly, in all material respects, the financial position of the agency as of September 30, 2011, and its net costs, changes in net position, and budgetary resources conformed with U.S. generally accepted accounting principles. In addition, the firm reported there were no material weaknesses related to internal control. However, CG's report on internal control did identify two significant deficiencies:

- Controls related to property, plant, and equipment accountability need to be improved. Improvements are needed for recording, tracking, and verifying existence of certain assets.
- Information system security controls need improvement. The auditor cited security management, contingency planning, access controls, and configuration management as areas needing improvement.

CG found no instances of reportable noncompliance with the laws and regulations it tested or other matters that are required to be reported under government auditing standards or OMB guidance.

In connection with the contract, OIG reviewed CG's report and related documentation and disclosed no instances where CG did not comply, in all material respects, with U.S. generally accepted government auditing standards. As required by OMB Circular A-136, *Financial Reporting Requirements*, the auditor's reports were included in the Peace Corps FY 2011 *Performance and Accountability Report*. In addition, a separate letter describing internal control weaknesses considered less severe than a significant deficiency was issued to Peace Corps' management.

Review of the Peace Corps' FY 2011 Information Security Program

The Federal Information Security Management Act (FISMA) mandates that federal agencies establish effective information security protections and a program to secure its information systems from unauthorized access, use, disclosure, modification, and other harmful impacts. These requirements must be met through adherence to specific guidelines established by the National Institute of Standards and Technology. FISMA also requires OIGs to annually review agency information security programs.

OIG contracted with CG to perform the annual review of the Peace Corps' information security program. CG assisted OIG in preparing responses to the OMB regarding FISMA compliance and provided reports associated with reviewing a representative sample of Peace Corps' major information systems. Overall, the review concluded that Peace Corps has made progress over the last few years in addressing its information security weaknesses and becoming fully compliant with FISMA. The Office of the Chief Information Officer (OCIO) has strengthened information technology (IT) management by significantly improving its investment review board process, developing an IT strategic plan, and updating its systems development life cycle process. However, the Peace Corps still faces some important challenges in becoming fully FISMA compliant. Although some progress was made during FY 2011, it was noted that several security issues from previous FISMA reviews had not been fully remediated. Some of the more significant issues include:

- Processes for configuration management were inadequate.
- Contingency planning was deficient and testing was not consistently performed.
- Authorizations to operate needed to be completed for two major systems.
- Risk assessments for all major IT systems had not been completed.
- Agency policies on IT security needed to be brought up to date.
- System security plans were incomplete or lacking.
- Segregation of duties for the development and production environments was inadequate.
- Implementation of configuration management procedures was insufficient.
- Internal control over portable and mobile devices was not effective.

Achieving full FISMA compliance will require the agency to focus on improving IT security by efficiently using its available technical resources to find solutions and remediate issues. However, progress may be slowed by resourcing constraints. OIG indicated in its FY 2011 IG's Statement on the Peace Corps Management and Performance Challenges that OCIO has experienced high personnel turnover in key technical areas and budget limitations have impacted its ability to expediently fill vacancies.

Regional Recruitment Office

IG-12-01-A

OIG issued its audit report of the Peace Corps Mid-Atlantic Regional Recruiting Office (RRO) in October 2011. The Mid-Atlantic RRO recruits applicants from Delaware, the District of Columbia, Maryland, North Carolina, Virginia, and West Virginia.

In general, the Mid-Atlantic RRO's financial and administrative operations were functioning satisfactorily and complied with agency policies and federal regulations. However, the Mid-Atlantic RRO did not have a formal diversity plan as part of its overall recruiting strategy, as discussed in the Peace Corps strategic plan for 2009-2014. In addition, several administrative operations were not in compliance with agency policy and guidance. OIG noted that the administrative specialists issued call orders for a blanket purchase agreement without proper appointment and training. Also, contract solicitations inappropriately included a U.S. Department of Labor Service Contract Act Wage Determination for recruiter positions and property inventory records were not kept current.

Management concurred with all eight recommendations. At the end of the reporting period all eight recommendations are closed.

The Peace Corps' Budget Formulation Process

IG-12-02-A

The audit report issued in February 2012 focused on whether the Peace Corps' budget process was effective in formulating the agency's overall budget and if it complied with applicable federal laws, regulations, and Peace Corps policy. This audit found that the Peace Corps' budget formulation process did not fully comply with applicable federal laws and regulations, lacked sufficient transparency, and did not have fully documented controls.

The Peace Corps had not fully implemented federal laws and regulations requiring the use of performance data to inform budget decision-making and resource allocation. The Government Results and Performance Act (GPR), as amended by the GPR Modernization Act of 2010 and OMB Circular No. A-11, requires federal agencies to describe the relationship between performance goals and the resources for achieving targeted levels of performance. OIG determined that the agency did not sufficiently identify resources related to projected costs of human and capital investments, and did not report the associated costs of such resources used to achieve the Peace Corps' performance goals. The absence of a clear link between performance reporting and the budget inhibits the use of performance data as an effective tool for justifying and prioritizing budget decisions, allocating resources, formulating future budget estimates, and determining performance goals. OIG also found that the agency did not comply with GPR and OMB Circular No. A-11 regarding timely reporting and making certain performance reports publicly available.

The Request for Agency Resources (RAR) approval and budget reduction decision processes within the Peace Corps were not sufficiently transparent and a clear line of communication regarding certain budgeting decisions was lacking. RARs are used to justify funding of proposed

requirements that were not anticipated in the agency's original budget submission. OIG found agency processes lacked a full and open review by the senior managers who represent the various functional and program component offices. Management did not document the basis for decisions made on RARs and budget reductions and had not established criteria for decision-making. As a result, the Peace Corps' highest priorities may not be adequately funded, scarce agency resources might not necessarily be put to the best use, and executives were not fully informed of key budget decisions.

The Peace Corps Office of Budget and Analysis had not sufficiently documented and assessed its internal control over the budget process. A weak internal control structure impacts the agency's ability to adequately assess risks, determine if effective internal control activities are in place, and efficiently locate and retrieve supporting documentation that validates and authorizes transactions. Procedures related to preparing detailed line item budgets, reviewing and analyzing RARs, processing budget transactions, and performing mid-year reviews of the agency's budget were not fully documented. The overall internal control structure related to these procedures lacked adequate detail for ensuring that data supporting budget transactions, and inputs for budgetary reporting, was complete and accurate.

Management concurred with 11 recommendations and did not concur with one recommendation. At the end of the reporting period all 12 recommendations remain open.

Contract Audits

Contract Closeout Audit

As requested by the Peace Corps' Office of Acquisitions and Contract Management, OIG conducted an audit of Entrena, S.A. The audit included the evaluation of recorded direct and indirect costs to determine final contract costs for its performance from January 16, 2002, to December 31, 2006, under contract number PC-02-2-001. OIG reviewed the contractor's accounting procedures and practices, internal controls, and compliance with contract provisions, applicable cost accounting standards, and Federal Acquisition Regulations. It was determined that the contractor had taken significant steps to improve its internal controls and no current significant internal control weaknesses were identified. However, OIG found that the contractor overbilled the Peace Corps \$39,133 for fixed fee payments. The audit results were provided to the contracting officer for resolution.

Questioned Costs

Overbilled for Fixed Fee Payments -- \$39,133

Overseas Audits

PC/Costa Rica: Audit

IG-12-03-A

OIG issued its audit report of PC/Costa Rica in March 2012. At the time of the audit the post had three U.S. direct hires (USDH), three foreign service nationals (FSN), and 29 PSCs. The post had an FY 2011 budget of approximately \$3.3 million⁴ to support 105 Volunteers working in the project sectors of child, family, and youth development; community economic development; rural community development; and teaching English as a foreign language (TEFL).

The post's financial and administrative operations were effective and in overall compliance with agency policies and federal regulations. Supporting documentation was easily retrievable. The post had an efficient process for maintaining financial documentation in electronic format, including payment vouchers and bills of collections.

However, the post's FY 2012 budget was not sufficient to support the needs of the anticipated number of Volunteers and trainees. In addition, OIG identified control weaknesses over imprest fund operations, medical supplies, property management, and grant management. For example, the post did not review all accountable documents when conducting the monthly imprest funds reconciliation, had not fully implemented the necessary controls over medical supplies, and did not have adequate separation of duties regarding personal property.

Management concurred with all 16 recommendations. At the end of the reporting period, seven recommendations remain open.

PC/Mali: Audit

IG-12-04-A

OIG conducted an audit of PC/Mali from September 26, 2011, to October 7, 2011, and the report was issued in March 2012. At the time of the audit, the post had four USDHs, three FSNs, and 57 PSCs. The post had an FY 2011 budget of approximately \$4.6 million to support 165 Volunteers working in the project sectors of TEFL, community environmental conservation, sustainable agriculture systems, environmental health, and community economic development.

The post's financial and administrative operations were effective and in overall compliance with agency policies and federal regulations. However, the post did not have an adequate process in place to control medical supplies, did not have adequate controls over monitoring consumption and replenishment over pre-paid fuel cards, and lacked an effective process to monitor and track grant projects. Further, the post did not use adequate descriptions of the payees' names in cash disbursements of approximately \$90,000 to Volunteers and \$150,000 to third parties. Amounts disbursed without recording the names of the payees' respective invoice numbers or dates in the

⁴ The budget figures listed in this SARC for all post audit and program evaluation reports do not include the salaries, benefits, and related costs of U.S. Direct Hires assigned to posts and other costs the agency has determined should be centrally-budgeted.

financial systems can lead to improper payments and fraud. OIG identified additional areas of improvement in property management, imprest fund management, and the bills of collection process.

Management concurred with 19 recommendations and did not concur with one recommendation. At the end of the reporting period, 12 recommendations remain open.

Questioned Costs

Recommendation Number 13: Unused Grant Funds not Returned -- \$13,000

Funds to be Put to Better Use

Recommendation Number 6: Prepaid Balance on Fuel Cards -- \$31,000

Evaluations



PC/Peru Volunteer Libby Salerno and her Peruvian host family

Evaluations

Overview

The Evaluation Unit provides the agency with independent evaluations of Peace Corps programs, operations, and management at overseas posts and domestic offices and programs. It promotes greater efficiency and effectiveness by identifying best management practices, recommending program improvements, and means by which to comply with Peace Corps policies and federal regulations.

During this reporting period, OIG continued to provide management with comprehensive assessments of how effectively overseas country programs and headquarters operations are functioning. Along with the final reports described on the following pages, the Evaluation Unit issued preliminary country program evaluations reports for China and Uganda. Country program evaluations have been initiated for Indonesia, Malawi, and Namibia. OIG is also continuing to work on an evaluation regarding the impact of the FYR that limits staff tenure and a review of the agency's implementation of protocols and guidelines in response to Volunteer survivors of rape and sexual assault.

Evaluations are conducted under the direction and guidance of the assistant inspector general for evaluations and in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*. Country program evaluations include interviews, reviews of relevant documents and data, physical observations, and analyses by evaluators. OIG evaluators interview Volunteers, headquarters and post staff, and key host country and U.S. government officials. In effecting their interviews, the evaluators select a representative sample of currently serving Volunteers based on their length of service, site location, project focus, gender, age, marital status, and ethnicity. Evaluators conduct most of the Volunteer interviews at the Volunteers' homes and worksites. They inspect housing and assess Volunteer safety and health care using post and agency-defined criteria. The period of review for a country program evaluation is one full Volunteer cycle, which is typically 27 months.

For country program evaluations, OIG uses the following researchable questions to guide its work:

- Has the post developed and implemented programs intended to increase the capacity of host country communities?
- Does training prepare Volunteers for Peace Corps service?
- Has the post provided Volunteers with adequate support and oversight, including health care and personal safety?
- Are post resources and agency support effectively aligned with the post's mission and agency priorities?
- Is the post able to adequately administer the PEPFAR program, support Volunteers, and meet its PEPFAR objectives? (For posts receiving PEPFAR funding.)

Country Program Evaluations

PC/Fiji: Country Program Evaluation

IG-12-01-E

OIG issued its final country program evaluation report of PC/Fiji in November 2011. Over 2,200 Volunteers have served in Fiji since the program began in 1968. Volunteers served the country for 30 straight years until operations were suspended in 1998. In 2002, the Fijian government requested Peace Corps' return and in late 2003, the program reopened. At the time of OIG's visit, 19 staff members supported 61 Volunteers in two project sectors: integrated environmental resource management and community health promotion. The post's FY 2011 operating budget was \$1.3 million.

The evaluation determined that while the post's programming was broad and included many partners with varying interests, it had not maintained close working relationships with government stakeholders. OIG's report recommended increased collaboration with project partners and the development of an MOU to define and guide working relationships. The country agreement, which was signed in 1968 to establish provisions and agreements between U.S. and host governments, required a review to determine if it remains adequate to the Peace Corps' needs.

It was determined that training programs were generally sufficient, though small business Volunteers required additional technical skills to perform their work. OIG also found that the post had improved training systems and communication between the programming and training teams.

The post had not managed Volunteer worksite, housing, or other administrative issues effectively. Senior staff was perceived by Volunteers to take inconsistent actions, which created confusion among Volunteers, who also raised concerns about timeliness and transparency in the decision-making process. For instance, Volunteers raised concerns that inappropriate behavior among fellow Volunteers had not been addressed by the post. Volunteers expressed the need for additional emotional or mental health support and staff wanted additional training to meet Volunteers' support needs.

OIG identified a number of weaknesses in Volunteer safety and security. Volunteers felt safe and supported where they live and work but did not feel sufficiently prepared for weather-related emergencies. Volunteer housing did not meet all post-defined criteria and site locator forms did not contain key information. It was determined that medical officers were not sufficiently engaged in Volunteer site development, which reduced the quality of Volunteer support.

Management concurred with all 17 recommendations. At the end of the reporting period, two recommendations remain open.

PC/Kyrgyz Republic: Country Program Evaluation

IG-12-02-E

OIG issued its final country program evaluation report of PC/Kyrgyz Republic in December 2011. Over 900 Volunteers have served in the Kyrgyz Republic since the program began in 1993. At the time of OIG's visit, 44 staff members supported 78 Volunteers in three project sectors: TEFL, health education (HE), and sustainable organizational and community development (SOCD). The post's FY 2011 operating budget was \$1.2 million.

During 2010, the Kyrgyz Republic experienced a violent revolution that ousted the president, and ethnic violence caused hundreds of deaths and displaced hundreds of thousands. From April to October 2010, the post repeatedly and successfully activated its emergency action plan (EAP) in response to emergency situations. As part of the 2011 evaluation, OIG found a consensus among Peace Corps and U.S. Embassy staff and Volunteers that the post's response had been effective.

OIG's evaluation determined that a few areas of emergency preparedness required attention. Programming staff members were not trained on their EAP roles and responsibilities and did not participate in revisions of the EAP. Some Volunteers did not have a copy of the EAP at their sites. Volunteers were not prepared for potential emergency situations that interrupt telephone communications. Additionally, the post's practice of introducing Volunteers to local police and civic leaders, which facilitates and supports the agency's Volunteer integration strategy, had become inconsistent.

Overall, it was determined that Volunteers in the Kyrgyz Republic received good staff support and were satisfied with their worksites and project counterpart relationships. However, while SOCD and HE Volunteers reported sufficient support from program managers, they faced challenges identifying viable work partners due to unstable staffing and poorly funded local health and community-based organizations.

During FY 2010, the post failed to conduct effective budgeting and resource planning, which impacted training programs, safety and security operations, staff pay increases, and in-country travel. Additionally, the post had not carried out a planned review of staff statements of work and pay grades, which impacted staff morale. Grant management was also identified as an area that needed improvement. An experienced director of management and operations, who arrived in 2011, had begun to address deficiencies and strengthen budgeting and planning activities.

Management concurred with all 12 recommendations. At the end of the reporting period, five recommendations remain open.

PC/Peru: Country Program Evaluation

IG-12-03-E

OIG issued its final country program evaluation report of PC/Peru in March 2012. More than 3,300 Volunteers have served in Peru. At the time of OIG's visit, 45 staff members supported 235 Volunteers and 64 trainees in five project sectors: community health and HIV/AIDs, environmental management, small business development, water and sanitation, and youth development. The post's FY 2012 operating budget was \$4.8 million.

The post has experienced steady growth in recent years. While there have been some challenges associated with managing growth, the evaluation uncovered a generally well-run post with satisfied Volunteers, low resignation rates, and an effective support structure. Five regionally-based employees carried out a wide range of Volunteer support functions and were able to provide on-the-ground support more quickly than staff in Lima, Peru's capital. The quality of Volunteer support also benefitted from third-year Volunteer leaders.

The post's medical team members had established very positive, trusting relationships with trainees and Volunteers, which allowed them to provide an exceptional level of health care. In addition, the post has implemented effective practices, such as lodging Volunteers with host families for the full tour of service, that have enhanced their counterpart relationships, community integration, and safety.

The evaluation revealed areas of post operations in need of improvement. A lack of well-defined criteria for selecting appropriate sites for Volunteers had led to some Volunteers being placed in sites where it was difficult for them to achieve their primary assignment goals. The timing of Volunteer site assignments also constricted the post's ability to deliver effective technical and language training. The following safety and security weaknesses need to be addressed: poor awareness among Volunteers concerning their consolidation points, inaccurate and incomplete site locator forms, lack of Volunteer compliance with the post's whereabouts policy, and lack of adherence to the post's housing criteria.

Furthermore, the post had not sufficiently considered travel-related risks for Volunteers during the site selection process. To ensure the post addressed this safety concern immediately, OIG issued a memorandum prior to the release of its evaluation report that outlined the need to assess travel to Volunteer sites and make necessary changes.

Management concurred with all 16 recommendations. At the end of the reporting period, eight recommendations remain open.

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Investigations



Traveling by bull to the Zinder market in Niger

Investigations

Overview

OIG is authorized to conduct investigations on waste, fraud, abuse, and mismanagement in Peace Corps programs and operations both domestically and overseas. OIG investigators have full law enforcement authority. They investigate both criminal and administrative misconduct allegations involving Peace Corps staff, contractors, and Volunteers, including violations of Peace Corps and U.S. government standards of conduct. Allegations are forwarded to OIG through multiple means, including OIG audits and evaluations, hotline complaints, and by Peace Corps stakeholders, such as Volunteers, trainees, staff, contractors, and other federal entities, as well as the general public.

In the preceding six months, OIG experienced an increase in allegations and complaints submitted to its office. OIG's assessment is that a combination of factors are largely responsible for the increase. These include OIG outreach efforts, enhanced agency training of staff and Volunteers, media reporting on the agency's response to sexual assault cases, two Congressional oversight hearings, and the passage of the Kate Puzey Act. The summaries in this report are a snapshot of the work OIG has conducted this reporting period.

During this period, a former Peace Corps/Niger (PC/Niger) cashier was found guilty of charges related to fraud and embezzlement of Peace Corps funds by a magistrate court in Niger. He was sentenced to one year imprisonment, a fine, and ordered to pay full restitution, plus interest, of the embezzled funds.

As part of a proactive initiative, the Investigation Unit launched an effort to uncover instances of inappropriate use of government computers and other equipment by agency staff. During the reporting period, OIG initiated two investigations of computer misuse, leading to the resignation of one employee and the termination of another.

In October 2011, an OIG senior investigator was detailed to the Inspector General Criminal Investigator Academy at the Federal Law Enforcement Training Center (FLETC) in Glynco, Georgia, for two weeks. While at FLETC, the investigator served as a facilitator/instructor in the training of non-criminal-investigator IG professionals for several agencies and departments, including GAO, Energy, Nuclear Regulatory Commission, and several OIGs within the Department of Defense.

In another proactive effort, the Investigation Unit continues to investigate fraud associated with FECA. The Investigation Unit partnered with the USPS OIG to enhance fraud detection and prevention techniques. Based on best practices gathered through collaboration with USPS OIG, the Investigation and Audit Units are cooperating to develop a tool which would help OIG better analyze FECA data for fraud indicators. The system has the potential to greatly enhance efforts to proactively detect and highlight potential FECA fraud.

Legacy Cases

Homicide Investigation at a Post in Central Africa

The investigation of a 1998 Volunteer homicide remains open and ongoing. OIG continues to work with the regional security officer, the FBI, and a local attorney in support of efforts to properly secure additional evidence in the case. In March of 2012, the Inspector General met with the United States ambassador to the country in Central Africa to discuss the case. The ambassador reaffirmed his commitment to bring justice to the family and friends of the deceased Volunteer.

Criminal and Misconduct Related Investigations

Former Peace Corps/Niger Cashier Found Guilty of Fraud and Embezzlement

On February 7, 2012, former Peace Corps/Niger Cashier Koffi “Seth” Fiayowife Ametefe was found guilty of charges related to fraud and embezzlement of Peace Corps funds by a magistrate court in Niamey, Niger. Ametefe was sentenced to one year imprisonment, a fine, and ordered to pay full restitution, plus interest, of the embezzled funds. The ruling capped a long-running investigation stemming from a 2007 OIG audit, which documented that the cashier had embezzled or stolen approximately \$41,000 from Peace Corps operations.

Collaboration with Law Enforcement on a Child Pornography Case

OIG worked with the post, the Federal Bureau of Investigation, and DOS to coordinate the departure of former Peace Corps Volunteer Joseph Tierney from Honduras. Tierney was arrested upon his arrival in the United States. On February 13, 2012, Tierney was sentenced by a U.S. District Judge in the Central District of California to 60 months in federal prison, followed by 20 years of supervised release, for conspiracy to distribute child pornography. Tierney pleaded guilty in August 2011 to one count of conspiracy to distribute child pornography. The underlying criminal activity occurred prior to his Peace Corps service.

PROTECT Act Allegation at a Post in Central America

OIG received a PROTECT Act⁵ allegation that a female Volunteer maintained a consensual sexual relationship with a 15-year-old host country national (HCN) who resided at her site. OIG interviewed the Volunteer, who admitted to having a romantic relationship with the 15-year-old HCN, but denied any sexual activity or sexual contact. OIG developed no evidence to the contrary. The Volunteer resigned in lieu of administrative separation.

⁵ Prosecutorial Remedies and Other Tools to end the Exploitation of Children Today - [PL. 108-21](#), 117 Stat. 650, S. 151, enacted April 30, 2003

PROTECT Act Allegation at a Post in West Africa

OIG received an allegation that a Volunteer was sleeping in the same bed and showering with a HCN minor. With the support of the DOS assistant regional security officer, OIG interviewed the Volunteer. The allegation was not substantiated. The CD provided the Volunteer with guidance on establishing firm boundaries with HCN children and avoiding any appearance of impropriety.

PROTECT Act Allegation at a Post in West Africa

OIG received a PROTECT Act allegation that a Volunteer was having a sexual relationship with a HCN minor. OIG coordinated the investigation with the DOS's regional security officer and post staff to conduct interviews of the subject of the allegation and other witnesses. The allegation was not substantiated and no further investigative action was deemed necessary.

Rape at a Post in Central Africa

OIG initially received an allegation that a male Volunteer had inappropriately touched a female Volunteer who was sleeping. OIG's investigation uncovered that the male Volunteer engaged in conduct that qualified as rape under Peace Corps definitions. The rape occurred outside U.S. jurisdiction and the victim did not wish to pursue charges in the host country. The male Volunteer resigned in lieu of termination.

Sexual Assault at a Post in South America

OIG received a report that a male Volunteer had sexually assaulted two female Volunteers. OIG's investigation disclosed that the male Volunteer had inappropriately touched one of the female Volunteers after she had asked him to stop. The male Volunteer also sexually fondled a second female Volunteer while she was asleep. The male Volunteer resigned shortly after the allegations were reported to OIG. This case is under prosecutorial consideration by the U.S. Attorney's Office.

Sexual Assault at a Post in East Africa

OIG received information indicating that a HCN female alleged that a Peace Corps training manager (TM) had sexually assaulted her. Although the TM denied any sexual contact with the woman, other post staff members said they had seen the TM solicit sex from other women on several occasions in the past. The agency terminated its contractual employment relationship with the TM. OIG referred investigative findings to the agency's suspension/debarment official for possible action.

Sexual Assault Mismanagement at a Post in Central America

OIG received an allegation that the CD continually failed to adequately report sexual assaults. OIG initiated an investigation into the CD's compliance with sexual assault reporting requirements. It was discovered that although the CD had previously been counseled by management regarding the failure to adequately report two assaults, there were three additional incidents of sexual assaults not appropriately reported within the reporting requirements. The results of the investigation were forwarded to the agency for administrative action as appropriate. The CD was verbally counseled by agency management.

Allegation of Mismanagement of an Assault at a Post in North Africa

OIG received an allegation that the Peace Corps duty officer and safety and security coordinator (SSC) failed to immediately respond to calls for assistance from a Volunteer victim of an assault. Further, the allegation indicated that Peace Corps medical officers (PCMOs) failed to provide an adequate medical assessment of the Volunteer's injuries prior to allowing the Volunteer to return to his/her site. OIG interviewed post staff and reviewed the post's documents and procedures. While the duty officer and SSC did not answer their telephones when the Volunteer made the initial phone calls, the investigation discovered that the duty officer returned the Volunteer's call within four minutes. In response to the complaint; however, post medical staff reassessed the Volunteer's medical status and ordered additional treatment for his/her injuries. With participation from Volunteers, the CD established policies at the post to enhance responsiveness to Volunteers and ensure medical evaluations of Volunteer victims of crime prior to allowing them to return to their sites.

Inappropriate Physical Exam Allegation at a Post in Southern Africa

OIG received an allegation related to a close-of-service (COS) medical examination performed by a PCMO. The Volunteer alleged that the PCMO used improper medical techniques to perform a breast examination and reflex tests, and that the PCMO made inappropriate comments to the Volunteer. OIG conducted interviews and reviewed the PCMO's personnel file. OIG was unable to substantiate criminal or administrative wrongdoing.

Misuse of Government Vehicles at a Post in Southern Africa

OIG received an allegation that a general services assistant (GSA) misused government-owned vehicles (GOVs) assigned to the Peace Corps and may have been responsible for the loss of Peace Corps property. During an OIG interview, the GSA admitted to his occasional use of GOVs to transport building materials to his home, which was under construction. He also acknowledged that he occasionally made detours in a GOV during official trips to pick up lunch or to meet with non-Peace Corps personnel at a restaurant. Post management orally admonished the GSA for his conduct.

Mishandling of Property Disposal Auctions Allegation at a Post in Asia

OIG received allegations about a post's handling of property disposal auctions. Staff members involved with auction proceedings were permitted to place bids on auctioned items, and items apparently unsold were not made available for government use. No violation of law, regulation, or policy was identified. The results of OIG's investigation were provided to the CD for action, as appropriate.

Drug Use and Illegal Business Operation Allegations at a Post in Central Africa

OIG received several allegations that a Volunteer was operating a bar, using marijuana, and had local children rolling marijuana cigarettes. OIG's investigation substantiated some of the allegations. The Volunteer resigned shortly after OIG's investigation.

Fraudulent Travel Voucher at a Post in the South Pacific

OIG received an allegation regarding a fraudulent travel voucher submitted by an SSC related to official travel with the Peace Corps. The investigation was able to substantiate that the travel voucher was knowingly false, and when questioned by management, the SSC provided the supervisor with statements that were false in order to conceal the attempted fraud. The claim was not paid. The SSC resigned in lieu of termination.

Theft at a Post in Asia

OIG received an allegation of a theft of personal property from the Peace Corps Information Resource Center (IRC) by a visiting returned Peace Corps Volunteer (RPCV). The RPCV entered the IRC to retrieve personal items left there following his recent COS and stole camera equipment, valued at approximately \$1,500, which was owned by a Volunteer. The RPCV admitted to the theft and returned the equipment. DOJ declined to prosecute the matter.

Misuse of a Government Computer at Headquarters

OIG received an allegation that a Peace Corps headquarters employee had accessed pornographic material using a government computer. The investigation substantiated the allegation. The agency separated the employee from service. The employee's termination is currently before the Foreign Service Grievance Board.

Misuse of a Government Computer at Headquarters

OIG began monitoring computer usage of headquarters personnel and discovered that an employee was accessing pornographic websites. The investigation determined that the employee knowingly violated MS 643 "Limited Personal Use of Government Office Equipment." The employee resigned from the Peace Corps.

Phishing Attempt for Confidential Information at Headquarters

OIG received an allegation that an individual had been telephonically contacting Peace Corps headquarter offices in an attempt to obtain personally identifiable information (PII). The individual posed as a former, prospective, or current Peace Corps employee and attempted to obtain Notices of Personnel Actions (SF 50s), resumes, or performance appraisals related to specific personnel. OIG discussed the matter with the DOJ, which declined to prosecute the offense. The information was referred to the U.S. Secret Service's Electronic Crimes Task Force.

Mishandling of Government Documents Allegation at Headquarters

The Peace Corps IG met with representatives from U.S. Office of Government Ethics (OGE) regarding OGE's review of the agency's ethics program. The OGE representative reported to the IG that during the week prior to commencing the OGE review, the designated agency ethics official (DEAO) had informed him that some of the records OGE was scheduled to review were inadvertently placed into long-term storage, including confidential files. The OGE representative later received an email message from the DEAO stating that the files were, in fact, missing. OIG conducted an investigation into the matter. Despite concerns over the lack of internal controls, the investigation did not identify criminal or administrative wrongdoing.

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Tables



Tian Shan Mountains, Kyrgyz Republic

Tables

1: List of Reports: Audits and Program Evaluations

Headquarter Audits
Audit of the Mid-Atlantic Regional Recruitment Office (IG-12-01-A)
Audit of the Peace Corps' Budget Formulation Process (IG-12-02-A)
Entrena S.A. Contract Closeout Audit
Post Audits
PC/Costa Rica: Audit (IG-12-03-A)
PC/Mali: Audit (IG-12-04-A)
Country Program Evaluations
PC/Fiji: Country Program Evaluation (IG-12-01-E)
PC/Kyrgyz Republic: Country Program Evaluation (IG-12-02-E)
PC/Peru: Country Program Evaluation (IG-12-03-E)

2: Reports with Questioned Costs, Unsupported Costs, and Funds Put to Better Use

Report and Recommendation	Questioned Costs⁶	Unsupported Costs⁷	Funds Put to Better Use⁸
PC/Mali: Audit (IG-12-04-A)			
6: Prepaid Balance on Fuel Cards	-	-	\$31,000
13. Unused Grant Funds not Returned	\$13,000	-	-
Entrena S.A. Contract Closeout Audit			
Overbilled for fixed fee payments	\$39,133	-	-
Total		\$83,133	

⁶ Questioned Costs – a cost that is an alleged violation of government or Peace Corps regulations. For example: prohibited purchases and expenditure of funds for purposes that do not relate to the Peace Corps mission.

⁷ Unsupported Costs – a cost that is not supported by adequate documentation.

⁸ Funds Put to Better Use – a cost that could be used more efficiently, such as costs for unnecessary goods or services.

3: Status of Reports Issued by OIG with Questioned and Unsupported Costs

	Number of Reports	Questioned Costs	Unsupported Costs
A. Reports issued prior to this period			
For which no management decision has been made on any issue	-	-	-
For which some decisions had been made on some issues			
B. Reports issued during this period			
	2	\$52,133	-
Totals of Categories A and B			
	2	\$52,133	-
C. For which final management decisions were made during this period			
Dollar value of disallowed costs	2	\$52,133	-
Dollar value of costs not disallowed	-	-	-
D. For which no management decisions were made during this period			
	-	-	-
E. For which management decisions were made on some issues during this period			
	-	-	-
Totals of Categories C, D, and E			
	2	\$52,133	-
Total questioned costs and unsupported costs			
	2	\$52,133	

4: Status of Reports Issued by OIG with Funds to be Put to Better Use

	Number of Reports	Funds Put to Better Use
A. Reports issued prior to this period		
For which no management decision has been made on any issue	-	-
For which some decisions had been made on some issues	-	-
B. Reports issued during this period		
	1	\$31,000
Totals of Categories A and B	1	\$31,000
C. For which final management decisions were made during this period		
Dollar value of recommendations agreed to by management	1	\$31,000
Dollar value of recommendations not agreed to by management	-	-
D. For which no management decisions were made during this period		
	-	-
E. For which management decisions were made on some issues during this period		
	-	-
Totals of Categories C, D, and E	1	\$31,000

5: Recommendations on which Corrective Action has not been Completed

Audits and Evaluations

Open Recommendations 60 to 119 Days					
Report	Date Issued	Total Open Recommendations	Agency Concurrence ⁹		
			Concur	Non	Partial
Evaluation of PC/Kyrgyz Republic (IG-12-02-E)	12/6/2011	5	5	-	-
	Total	5	5	-	-
Open Recommendations 120 to 179 Days					
Report	Date Issued	Total Open Recommendations			
Evaluation of PC/Fiji (IG-12-01-E)	11/30/2011	2	2	-	-
	Total	2	2	-	-
Open Recommendations More than 180 Days					
Report	Date Issued	Total Open Recommendations			
PC/HQ Medical Clearance System: Evaluation (IG-08-08-E)	3/31/2008	5	5	-	-
PC/Guinea: Audit (IG-09-09-A)	3/31/2009	2	2	-	-
PC/Paraguay: Audit (IG-10-10-A)	8/3/2010	1	1	-	-
PC/Kenya: Audit (IG-10-12- A)	9/28/2010	1	-	1	-
PC/HQ Office of Chief Information Officer: Budget Formulation and Management Audit (IG-10-05-A)	1/11/2010	8	8	-	-
PC/HQ Office of Safety and Security: Audit (IG-10-08-A)	4/1/2010	2	2	-	-
PC/HQ Volunteer Delivery System: Evaluation (IG-11-01-E)	11/6/2010	18	18	-	-
PC/Ethiopia: Evaluation (IG-11-02-E)	1/14/2011	3	2	-	1
PC/Ethiopia: Audit (IG-11-02-A)	2/15/2011	2	2	-	-
PC/Mozambique: Audit (IG-11-05-A)	3/31/2011	1	1	-	-
PC/Ukraine: Audit (IG-11-06-A)	3/31/2011	6	5	1	-
Evaluation of PC/Swaziland (IG-11-06-E)	8/19/2011	2	2	-	-
Evaluation of PC/Liberia (IG-11-07-E)	9/8/2011	13	13	-	-
Audit of PC/Rwanda (IG-11-08-A)	9/12/2011	2	2	-	-
Audit of PC/Panama (IG-11-09-A)	9/15/2011	1	1	-	-
	Total	67	64	2	1

⁹ The sum of open recommendations in the *Agency Concurrence* columns equals the number in the *Total Open Recommendations* column.

Special Reviews

Open Recommendations More than 180 Days					
			Agency Concurrence		
Report	Date Issued	Total Open Recommendations	Concur	Non	Partial
PC/Ecuador: Special Review (IG-10-05-SR)	9/2/2010	4	4	-	-
	Total	4	4	-	-

Financial Statement and FISMA¹⁰

		Agency Concurrence		
Fiscal Year Issued	Open Recommendations	Concur	Non	Partial
PC/HQ FY 2010 Financial Statement Audit (IG-11-00-A)				
FY 2011	4	3	1	-
FY 2010	2	2	-	-
FY 2009	2	2	-	-
FY 2007	1	1	-	-
FY 2005	1	1	-	-
FY 2004	1	1	-	-
Total	11	10	1	-
PC/HQ FY 2010 Information Security Program Audit (IG-11-99-A)				
FY 2011	2	2	-	-
FY 2010	1	1	-	-
FY 2009	3	3	-	-
FY 2008	4	4	-	-
FY 2007	4	4	-	-
Total	14	14	-	-

¹⁰ All recommendations issued in conjunction with these two reports are part of a normal 12-month audit cycle. As a result, recommendations made during a given fiscal year will remain in an open status during the entire subsequent fiscal year. At the beginning of each new fiscal year, the auditors will notify management of whether sufficient corrective actions have been taken regarding the prior year's recommendations and issue their current notification of findings and recommendations. Prior year findings and recommendations may be reissued if management has not taken sufficient corrective actions.

6: Summary of Investigative Activities and Outcomes¹¹

Investigative Activities

	Preliminary Inquiries¹²	Cases
Opened as of 10/1/2011	43	15
Opened during 10/1/2011-3/31/2012	84	8
Closed during 10/1/2011-3/31/2012	95	10
Total Open as of 4/1/2012	32	13
Referrals to Department of Justice	1	2
Referrals to Agency for Administrative Action	11	1
Other Referrals to Agency Management	10	1
Referrals to Other Agencies	4	-

Court Actions

Ongoing Prosecution ¹³	3
Convictions	1
Judgments	-
Fines/Restitution	\$ 38,768

Administrative Actions

Employees (Resignations and Terminations) ¹⁴	9
Other Employee Actions	6
Other Persons/Businesses	-
Suspension/Debarment Referrals	2

Monetary Results

Annual Savings	-
Recoveries/Restitution	-
Cost Avoidance	-

¹¹ Volunteers/trainees are included as Peace Corps staff for the purpose of reporting investigative activity.

¹² Preliminary inquiries are initiated for complaints which either (1) are received from a Peace Corps source (e.g., staff, Volunteer, contractor) or (2) relate to a matter within the jurisdiction of OIG. A preliminary inquiry is limited in scope to the verification of information in a complaint or allegation and to confirm that it falls within the jurisdiction of OIG.

¹³ Includes arrests, indictments, information, and overseas criminal proceedings.

¹⁴ Includes all Peace Corps staff.

7: Summary of Hotline and Other complaints

Hotline Complaints Received	80
Non Hotline Complaints received ¹⁵	35
Total Complaints from all Sources ¹⁶	115
Resulted in Investigations	7
Resulted in Preliminary Inquiries	72
Resulted in Audits or Evaluations	-
Referred to Agency Management	9
Referred to Other Agency	3
No Action Needed	7

¹⁵ These complaints are largely a result of outreach by OIG staff and were received by email, phone calls, and conversations.

¹⁶ In some instances, OIG received multiple complaints for the same issue, which resulted in fewer actions (investigations, preliminary inquiries, audits, evaluations, referrals, or no action) than complaints received.

8: References to Reporting Requirements of the Inspector General Act

Act Reference	Reporting Requirements	Page
Section 4(a)(2)	Review of legislation and regulations	9-11
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Section 5(a)(13)	Information under Federal Financial Management Improvement Act of 1996	n/a

Appendixes



A traditional Fijian bure on Caqalai Island, Fiji

Appendixes

A: Reporting of Peer Reviews

Pursuant to Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203),¹⁷ the Peace Corps OIG reports the following peer review information:

During the reporting period, there were no peer reviews conducted of the Peace Corps OIG. The Audit and Investigation Units are required to conduct peer reviews and be subject of a peer review every three years.

Audit Unit

In June of 2011, The U.S. Government Printing Office OIG conducted a peer review of the Audit Unit of the Peace Corps OIG in effect for the year ending September 30, 2010. In its comment letter, the U.S. Government Printing Office OIG issued findings that were not considered to be of sufficient significance to affect the opinion expressed in that report. Peace Corps OIG initiated action to update its audit policies and procedures, enhance working paper documentation, and formalize the process for overseeing independent public auditors.

Investigation Unit

The Investigation Unit is expected to undergo a peer review in early 2013. The Investigation Unit was recently included in the CIGIE peer review schedule after having been granted authority from the Attorney General to exercise statutory law enforcement powers.

B: Contract Audit Reports

Pursuant to Section 845A of the National Defense Authorization Act for Fiscal Year 2008 (Public Law No. 110-181), the Peace Corps OIG reports final contract audit reports with significant audit findings: During this reporting period, OIG did not issue any contract audit reports with significant audit findings.

¹⁷ Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act amends Section 5(a) of the Inspector General Act of 1978 (5 U.S.C. App.)

C: IG Congressional Testimony

U.S. SENATE COMMITTEE ON FOREIGN RELATIONS

SENATE SUB-COMMITTEE ON WESTERN HEMISPHERE, PEACE CORPS, AND
GLOBAL NARCOTICS

OCTOBER 6, 2011 10:30 A.M. – Peace Corps: The Next 50 Years

TESTIMONY OF KATHY A. BULLER

THE PEACE CORPS INSPECTOR GENERAL

Chairman Menendez, Ranking Member Rubio, and distinguished members of the Committee, I thank you for inviting me to appear before you today. My testimony will outline the management challenges facing the Peace Corps as it celebrates its 50th anniversary this year, including findings and recommendations that my office has made to support Peace Corps reform efforts, the agency's recent progress, and my perspectives on the challenges ahead. I hope my testimony will support your efforts to ensure the Peace Corps remains a relevant, vibrant, and effective agency.

The Peace Corps Office of Inspector General (OIG) was established in 1989 after Congress amended the Inspector General Act of 1978 to include smaller agencies. I became the Inspector General (IG) on May 25th, 2008 and in my role as the IG, I direct a small office of 21 employees comprised of auditors, evaluators, criminal investigators, legal counsel and support staff. I am fortunate to work with individuals who have a broad range of skills and experience, including seven returned Peace Corps Volunteers, and three former Government Accountability Office (GAO) employees. All of them have extensive private and/or public sector experience. Last year, our criminal investigators were granted full statutory law enforcement powers by the Attorney General including the authority to seek and execute search and arrest warrants, seize evidence, make arrests without a warrant while engaged in official duties, and carry firearms. Our mission is to prevent and detect fraud, waste, abuse, and other wrongdoing in agency operations and programs as well as promote economy, efficiency and effectiveness. My office serves as an independent oversight entity and my duty is to keep the Congress and the Director fully and currently informed about problems within the Peace Corps, the need for corrective action, and the progress being made to address our recommendations.

The Peace Corps at its Best

In its 2010 "Comprehensive Agency Assessment," a report to the Committee on Appropriations, the agency identified four critical elements that define the success of its programs over the past 50 years, which correlate closely to our audit and evaluation findings. These four elements are discussed below:

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- The Peace Corps’ **niche** is that our Volunteers live and work for extended periods in communities where other service organizations tend not to go and stay. Volunteers learn the local language and culture, and form respectful relationships with their hosts. In our 2010 evaluation of Peace Corps/Cambodia for example, we reported that as a newly opened post, program staff had successfully identified a niche – teaching English at the secondary school level in rural communities, which other nongovernmental organizations (NGOs) or service organizations were not addressing. In PC/Ethiopia, our program evaluation found that Volunteers support HIV/AIDS programs in communities where few other NGOs operate.
 - The Peace Corps thrives when it **partners** with and compliments the efforts of others. In the field, Volunteers support locally-identified development priorities and coordinate their work with host government agencies, local, national or international organizations, and the host community. In a 2007 OIG study of effective country programs we documented best practices at nine high-performing posts: Volunteer work assignments were clear, host country counterparts were identified, and the host communities and organizations understood their roles and the role of the Volunteer.
 - The agency is successful when it is able to provide the Volunteer **meaningful work**. This has been well understood in principle since the earliest days of Peace Corps, and we continue to focus our evaluations on how effectively our overseas programs ensure that Volunteers have meaningful work to do at their sites. In our 2011 evaluations of PC/Swaziland and PC/Romania we found well developed project plans and solid processes for identifying and preparing Volunteer work sites.
 - Fundamental to Peace Corps’ success is the commitment to service displayed by **Volunteers** who are willing to serve, often under very challenging conditions. The agency has a new training approach to support Volunteers called, “Focus In/Train Up” intended to zero in on programming and training in areas where the Peace Corps can have maximum impact.

In addition to these elements our audits and program evaluations have found that these high performing posts have systematized processes, clear policies, and procedures. In our 2011 audit of PC/Ukraine, currently the agency’s largest program, we found solid administrative systems in place and a clear organizational structure. The post’s size allowed for economies of scale and specialized support for financial and administrative programs, such as vehicle management, contracting, and grants programs. Unfortunately consistent application of policies and procedures remains a challenge for the Peace Corps.

The Peace Corps’ Management Challenges

The Peace Corps, like other international organizations, faces a range of challenges – everything from safety and security incidents to currency fluctuations that impact posts’ operating funds. Volunteers serve in 76 countries and operate at the grass roots level, usually in rural communities, often in remote areas far from the capital city and the Peace Corps office. Volunteers live and work with people of diverse cultural backgrounds and languages, and their projects and assignments are carried out with host partner agencies, without direct supervision by Peace Corps program managers. In short, the model of volunteerism that makes the Peace Corps such a unique and compelling experience can at the same time makes the agency’s efforts to support and ensure the safety of Volunteers a challenge.

The Peace Corps operates 70 overseas posts, spread throughout five continents. Each post is managed by a CD. The Peace Corps is a highly decentralized agency with headquarters staff

primarily relying on the CDs and their staff to run the programs in the field. This model is only successful when there are clear lines of communication, well-established policies and procedures, and adequate oversight functions. Our audit, evaluations, and investigations demonstrate that one or more of these key elements are not always present in agency programs and operations.

We have found that the agency is challenged in providing strong management oversight and accountability to ensure the agency's mission is carried out consistently throughout the world. The agency is constrained by limited resources, inadequate planning, and shifting priorities. President Obama, like his predecessor, committed to increasing the number of Volunteers in the field and at the end of this fiscal year, the number of Volunteers serving surpassed 9,100, the most since 1971, a 40 year high. Regardless of prospects for growth, currently serving Volunteers must be effectively supported.

During my tenure, OIG's oversight work has been focused on two broad issues: critical Volunteer support and agency business processes. Critical Volunteer support systems such as safety and security and healthcare form the pillars of the Volunteer program. Without efficient and effective support services Volunteers may be put in jeopardy and precious resources could be misdirected. Peace Corps business processes, broadly defined, are the tools and systems the agency utilizes to accomplish its mission. Some of the key management challenges my office has identified follow.

A. Critical Volunteer Support

Volunteer service is central to the mission of the Peace Corps. The success of the Volunteer depends in part on how effectively the Peace Corps supports Volunteer health, safety and security needs. In recent years, my office has conducted two major reviews of the Volunteer safety and security program and several reviews of Volunteer health and safety.¹⁸ Every time we conduct a post audit or evaluation we focus on these Volunteer support areas. This year we also began a review of how the agency responds to incidents of Volunteer rape and sexual assaults. The testimony of these survivors during the Peace Corps hearing before the House Foreign Affairs Committee in May and our own work suggest that responding to incidents of rape and sexual assaults requires a well-conceived and comprehensive Volunteer safety and security program, as well as providing necessary compassionate care and support to Volunteer survivors of these crimes.

1. Volunteer Safety and Security

The Peace Corps Office of Safety and Security was created in response to a 2002 GAO report that identified weaknesses in the agency's safety and security program. Our 2010 audit of Volunteer safety and security found that, although the Peace Corps established the Office of Safety and Security to provide oversight and management of all agency safety and security, the office has acted in a consultative fashion, not as an oversight office. It has relied on Peace

¹⁸ The OIG's 2008 evaluation focused on the agency's implementation of five key tenets of its safety and security program - responding to crimes and reporting and analyzing crime statistics; monitoring, assessing, and disseminating information on the security environment; providing safety and security training to Volunteers; developing, monitoring, and inspecting Volunteer sites; and planning for emergencies. The 2010 OIG audit of safety and security focused on the organization and implementation of the agency's safety and security function.

Corps' overseas posts to request its assistance and implement its suggestions. Our review found that without a clear management structure, no office accepted complete ownership of the safety and security program, and the agency's security program lacked essential elements. As a result, Volunteers were placed at greater risk because the agency did not ensure posts fully implemented required safety and security policies.

In a review of data available since 2004, OIG has found that 44 percent of posts we audited were not in compliance with the requirement to obtain a background check of post staff. After the policy was revised in September 2009 to include short term contractors, OIG found that 73 percent of posts audited were not compliant. Our 2008 evaluation of Volunteer safety and security revealed that 40 percent of Volunteers' houses did not meet the posts' own criteria for safe housing. Also, 37 percent of the Volunteer Site Locator Forms did not contain sufficient information to locate Volunteers' sites in emergency situations.

Our 2010 audit also found deficiencies in the qualifications and training of overseas safety and security personnel. Peace Corps overseas safety and security staff were not consistently qualified to support Volunteers. The agency had not defined the skills and experience needed for security positions, nor provided consistent training or development opportunities to match the position responsibilities. Our audit reported the agency had not tracked and ensured corrective action on safety and security recommendations made to overseas posts.

Further, dealing with serious safety and security incidents against Volunteers—such as murder, rape, sexual assault, kidnapping, terrorism, or finding missing Volunteers—requires strong coordination between the Peace Corps and the Department of State. In our 2010 audit we recommended that the Peace Corps establish a MOU with the Department of State that would define each agency's roles and responsibilities for Volunteer safety and security as a critical step in improving the agency's capacity to effectively respond to security incidents. This recommendation remains open pending the MOU being finalized.

To date the agency has provided sufficient information to close 25 of 28 recommendations from our 2010 safety and security audit and 18 of 20 recommendations from our 2008 safety and security evaluation. We continue to collaborate closely with agency management by providing needed clarifications and comments to its proposed actions as well as general advice with the aim of closing all remaining open safety and security recommendations. Taking the necessary corrective action to response to our recommendations is an important step to improving its Volunteer safety and security program but the agency will need to continuously monitor the program to ensure the changes take hold and new issues that surface receive timely and effective resolution. I maintain that the successful implementation of these recommendations depends in large part on whether the Office of Safety and Security functions as the management and oversight office it was intended to be, rather than as a consultative office for overseas posts that responds to requests for assistance and offers suggestions. In late FY12, we plan to conduct a follow-up audit on the program's effectiveness and the implementation of OIG recommendations.

2. Medical Care of Volunteers

The provision of high quality medical care is a critical Volunteer support area and essential agency function. Our post audits and evaluations review and assess whether Volunteer health care needs are being met. Additionally, our office also responds to agency special requests for advice and assistance in this area. Following the death of a Volunteer in Morocco, the Peace Corps Director requested that OIG conduct an assessment of the provision of health services to Volunteers in Morocco. The report, issued in 2010, determined that the way in which PC/Morocco organized its medical services and provided health care to Volunteers had an impact on the deceased Volunteer's medical care.

The report had agency wide implications because it identified weaknesses in core agency-wide medical operations such as the hiring of Peace Corps Medical Officers (PCMOs) and their scope of practice, oversight of health units, and quality assurance.¹⁹ It determined that there was minimal clinical oversight of the Morocco PCMOs by the agency, which is responsible for developing and managing the Volunteer health care program. The report also concluded that the way the agency measured and monitored the quality of health care services provided to Morocco Volunteers was insufficient. The Peace Corps Director concurred with all the recommendations and made a firm commitment to implement them not only in PC/Morocco, but throughout all of Peace Corps' posts as appropriate.

In response to our report, the agency stated that it was going to take substantial measures to increase its oversight of medical care provided to PC/Morocco and Volunteers throughout the world. The agency took the following actions:

- Realigned the PCMOs' reporting chain to ensure qualified medical staff, not only the CD, oversee the medical support provided to Volunteers.
- Adopted a "Quality Improvement Plan" for enhancing clinical oversight and medical care of all Volunteers.
- Drafted a policy to ensure effective transfer of patient information between PC/Morocco medical unit personnel.
- Issued a series of technical guidelines for PCMOs intended to raise the standards of care for Volunteers.
- Implemented a more rigorous process for hiring and credentialing of overseas medical staff.
- Reformed the agency's scope of practice policies defining the levels of work to be performed by PCMOs, based on their credentials and experience.
- Defined situations when the agency must be notified of a significant illness of a Volunteer. An initiative to develop a process for the immediate investigation of medical events is underway.

Nonetheless, certain planned initiatives have been delayed or not implemented due to resource constraints. For instance:

- The agency did not fully increase the number of medical staff required at headquarters to perform oversight and quality assurance functions in FY11.
- The agency failed to procure systems that could provide more effective medical screening or better track pharmaceutical supply inventory.

¹⁹ PCMOs are staffed at each Peace Corps post to support Volunteers' health needs.

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- A medical chart review process intended to increase clinical oversight was made more rigorous. However, only a small fraction of charts are being submitted by the posts and reviewed by clinical staff at headquarters.
 - Implementation of an electronic health record system, which would facilitate clinical oversight and case management by headquarters clinical staff and provide data to inform management decisions and policies, has not occurred due to resource constraints. However, the agency is looking for feasible options.

3. Sexual Assaults

In response to a 20/20 broadcast earlier this year and a previous Congressional hearing, OIG has initiated a review of the agency's guidelines for responding to rape and major sexual assault, which is ongoing. For the purpose of this review, sexual assaults include incidents in three categories: rape (including attempted rape), major sexual assault, and other sexual assault. Our review is assessing:

- Agency guidelines and protocols for responding to a Volunteer sexual assault, including the support provided to Volunteer survivors.
- Staff training, roles, and responsibilities for responding to Volunteer sexual assault.
- Best practices in responding to sexual assaults that would improve the way Peace Corps responds to Volunteer sexual assaults and supports victims.

The agency has initiated the following:

- Hired a victim's advocate, who serves as the central point of contact to coordinate support of Volunteer survivors. The victim's advocate functions as a liaison between the Volunteer, the post, and other offices within the Peace Corps responsible for Volunteer sexual assault incident management.
- Issued new staff guidelines for responding to rape and sexual assault in February 2011. The guidelines define and clarify staff roles and responsibilities and the required steps to respond to an incident to ensure that a coordinated, compassionate response is provided to every Volunteer survivor.
- Provided standardized training on new guidelines for Peace Corps staff involved in supporting sexual assault victims in February of 2011.
- Provided response training on rape and sexual assault to current PCMOs in continuing education sessions.

We have conducted field work and interviewed staff responsible for the response and care of rape and sexual assault victims worldwide, including at eight Peace Corps posts. We will complete field work in three additional posts as part of this review and hope to issue a preliminary report at the end of next month.

And in this context Mr. Chairman, I would be remiss if I did not mention the Kate Puzey Peace Corps Volunteer Protection Act of 2011, which the Senate adopted by unanimous consent. The legislation institutionalizes comprehensive sexual assault risk reduction training within the Peace Corps, and supports our office's ongoing efforts to reach out to Volunteers early in their service so they understand how to report instances of wrongdoing or misconduct. We support a strong confidentiality policy, including authorizing penalties in cases of inappropriate disclosure - for example disciplinary action and ineligibility for re-employment with the agency.

We also appreciate your efforts to strengthen the independence of the Peace Corps Office of Inspector General. Our credibility is enhanced when OIG is free from any perception of partiality.

B. The Need for Enhanced Business Processes and Modernization

As part of the comprehensive assessment process the agency identified strengthening "...the Peace Corps' management and operations by using modern technology, innovative approaches and improved business processes..." as one of its six key strategies for guiding the agency in the coming decade. In our statement on the Peace Corps' Management and Performance Challenges published in the agency's 2010 *Performance and Accountability Report* (PAR) we identified the need to improve the agency's business processes in order to accommodate growth and expansion. While Volunteer growth has not matched expectations, there is still a need for the agency to modernize and enhance its business tools and processes.

Throughout our audit, evaluation, and investigative work we have noted an absence of updated, clear policies and procedures and a lack of consistency in how the agency functions. Frequent turnover of the workforce, a result of the "Five-year Rule" (FYR) that limits staff appointments to five-years, in most cases, contributes to a lack of institutional knowledge and exacerbates other management challenges, such as putting in place more modern administrative processes. In addition to the challenges already outlined, below are some of the more significant areas that OIG has identified.

1. The Volunteer Delivery System

The Volunteer Delivery System (VDS) is the agency's most important process for meeting its Volunteer recruitment and placement needs. The VDS is the continuous cycle of activities intended to enable the Peace Corps to attain its goals by delivering qualified and suitable Volunteers to interested countries. The VDS cycle begins when overseas Peace Corps staff, together with host country partners, decides on the number and qualifications of Volunteers that are needed to fulfill project goals. This information forms the basis of the agency's annual Volunteer trainee input goals, including the total number of Volunteers needed, the specific technical and language skills needed, and when Volunteers are expected to begin service. After the trainee requests are received, assessed, and approved, the agency aligns its recruitment and applicant process to recruit and screen applicants, and invite them to Volunteer service. Without significant modernization and improvements to the VDS, the agency will risk not meeting its performance and strategic goals.

In 2010 our office evaluated the VDS. The evaluation served as a follow-up to a 2003 OIG program evaluation report that identified several weaknesses in the VDS, including the areas of leadership and organizational change; information flow; information technology; medical screening; customer service; and staffing and staff training. The 2003 evaluation report determined that VDS lacked effective business processes and was poorly supported by technology. Many systems were paper-based or done manually, and the system could not easily match applicants' skills with host country needs. It was also difficult to process applicants with complex medical histories. The 2003 report included 24 recommendations and our follow-up report, issued in December 2010, found that most of the corrective actions agreed to by the agency in response to the 2003 report were either not initiated or were not fully carried out, and

many of the same issues remained. As a result the 2010 evaluation report made 13 recommendations in an attempt to address these long-standing concerns.

In addition to following up on the progress the Peace Corps has made since the 2003 report, the evaluation also assessed whether the agency was positioned to support growth and expansion of Volunteers serving without decreasing Volunteer quality. We were unable to conclusively determine whether the agency is maintaining Volunteer quality while increasing the number of Volunteers in the field. Notably, the agency does not have a formalized definition of Volunteer quality and does not systematically track Volunteer quality levels. We also found that the agency does not accurately track and measure its ability to recruit and place Volunteers whose skills meet host country needs and, because of difficulty in recruiting applicants with technical experience, posts were encouraged to request lower-skilled trainees.

The agency is currently implementing a new Volunteer lifecycle management system under the name Database of Volunteer Experience or “DOVE.” The agency anticipates that this new information technology system will drive the Volunteer delivery process and help the agency better match posts’ program needs with Volunteer applicant profiles, resulting in better Volunteer placement. The new system will also provide the agency with enhanced reporting capabilities that will provide important information to managers and agency leadership. The new system has the capability to accommodate evolving agency needs and priorities. Through the implementation of DOVE, the agency will be able to eliminate some of the inefficient paper processes and address some of the long-standing recommendations made by OIG. The agency’s commitment to implementing DOVE, modernizing the VDS, and implementing other long-term projects that require resources will determine whether it can achieve its goals. Also critical is the agency’s commitment to maintaining Volunteer quality and putting in place processes and data measurement systems to ensure Peace Corps is selecting and placing Volunteers who can help the people of interested countries in meeting their need for trained men and women.

2. Accessibility of Data Related to Peace Corps Operations

In conducting audits, evaluations and investigations, OIG continues to encounter problems obtaining significant data related to Peace Corps’ key business processes. For example OIG has had difficulty accessing summary data related to employee retention and turnover, cost and cumulative impact of Volunteer medical accommodations, acceptance rate for Volunteer applicants and the number of Volunteer applicants who do not fully match the skills requested by host countries. Access to timely and accurate data related to headquarters and international operations is essential to establishing efficient agency business processes and systems. This data should inform management’s strategic and performance planning; program development and management strategy; and budget formulation and execution. Further the availability of accurate and complete data allows Peace Corps management to assess program effectiveness, efficiency, and ways to eliminate waste.

We found that some of the databases and IT systems used by the agency do not effectively capture and distribute useful data to decision makers. Gathering data often requires access to numerous systems and databases and staff must manually assemble it to develop needed reports and information. For example, up until late FY 2010, the Peace Corps did not have a central database to capture formal unfunded resource requests submitted by its component offices to management for review and approval. In addition, prior year data was not readily available for

review and analysis, and as a result any data assembled may be potentially incomplete or inaccurate, which could impact important business decisions.

In addition, document management systems and certain key functions, including travel authorizations, vouchering, contract management, and leave requests, remain largely paper-based. Streamlining and integrating these functions through an IT solution would reduce data entry error, improve efficiency, reduce paper dependency, and provide greater storage and retrieval capabilities. These reforms would improve the agency's efficiency and effectiveness and support allow managers to make more informed choices.

3. The Protection of Personally Identifiable Information

The Peace Corps routinely receives, processes, and maintains significant amounts of Personally Identifiable Information (PII)²⁰, and OIG continues to identify problems with the agency's ability to protect this information. Since FY 2009 we identified the protection of PII as a management challenge that requires enhanced management and internal controls. In June 2009, this matter came to the forefront, as OIG investigated and issued two reports related to the breach of more than 495 medical files that included applicant names, Social Security Numbers, addresses, birthdates, dental records, lab reports, and medical questionnaires. In October 2010 the agency has identified nine breaches that compromised over 180 individuals' information. Unfortunately, the trend in human errors that are usually attributed to the cause of these breaches continues to persist

The agency has stated that the implementation of DOVE and an electronic health records system are measures that would significantly reduce the risk of PII security breaches. However, until these proposed system improvements are made protection of PII will continue to be a management challenge. As previously mentioned, the agency's plan to implement an electronic health record system has not occurred due to resource constraints.

C. Ongoing Related Reviews

Currently, we are engaged in two important reviews which impact Peace Corps management challenges and support reform and enhancement of key agency business processes and tools.

1. Five-year Rule

In February of 2011 we began an evaluation, which is ongoing, of the impact of the FYR on Peace Corps operations. The FYR became law in 1965²¹ when an amendment to the Peace Corps Act brought all employees, foreign and domestic, under the same personnel system and limited all direct hire appointments to a maximum of five years. In passing the FYR the Congress intended to "permit a constant inflow of new blood and ideas."²² Congress amended the FYR in 1985 to allow for a third tour of two and one half years and again in 2003 to exempt

²⁰ PII includes information that can be used to distinguish or trace an individual's identity, such as name, Social Security Number, or biometric records. Such information can be used to link to other data such as bank accounts and other financial or personal information that can assist perpetrators in committing crimes associated with identity theft.

²¹ To Amend Further the Peace Corps Act, Public Law 89-134, section 2054, 75 Stat. 612 (Aug. 24, 1965).

²² *Congressional Record*, 89th Cong., 2d. sess., 1965. 111, pt. 2768

certain safety and security personnel from the rule. Because the FYR has an impact on Peace Corps management challenges I would like to share some preliminary observations:

- Over 50 percent of the agency's American staff from 2000 to 2010 were Returned Peace Corps Volunteers, including almost 80 percent of overseas staff. However, the average time between Volunteer service and staff membership is eight years.
- Short staff tenures at the Peace Corps (2.5 years in 2010) are more than 3 times shorter than the rest of the federal government (7.9 years) and even shorter than the median tenure of private sector employees (4 years).
- The agency's annual turnover rate has exceeded 20 percent historically and is more than three times the government-wide average (5.9 percent).

Our final report will include data on staff tenure and attrition rates for each Peace Corps office covering the past decade. We intend to issue a preliminary report by the end of next month.

2. Agency Budget Formulation

We are currently conducting an audit of the agency's budget process. We expect to issue a preliminary report in the coming weeks. Our findings will focus on the following areas:

- **Government Performance Reporting Act (GPRA):** GPRA requires that federal agencies link performance reporting and the budget. Such linkage is essential to using performance reporting data as an effective tool for justifying and prioritizing budget decisions, allocating resources, and formulating future budget estimates.
- **Unfunded Resource Requests:** The processes for these requests and budget reduction decisions need to be sufficiently transparent and a clear line of communication regarding budgeting decisions needs to be in place so that the highest priorities are adequately funded and that scarce agency resources are put to the best use.
- **Documenting the Internal Control Structure over the Budget Process:** Without an adequately documented internal control structure over the budget process it is not possible to confirm the level of risk assessed by management, or to determine if proper internal controls are established and operating effectively.

Conclusion

The Peace Corps faces a range of management and performance challenges as it looks forward to another 50 years. Today, the Peace Corps remains unique in its mission, but unlike 1961 there are other private and public sector entities working internationally. Peace Corps' niche is still relevant, but in this difficult budget environment its future success will depend on its ability to concretely demonstrate its value and manage operations more effectively and efficiently.

The agency is making progress in confronting some of its challenges and has worked to streamline operations and improve the technology that supports key business processes and critical Volunteers support areas. The agency is taking important steps to modernize and become more efficient. The implementation of DOVE promises to substantially improve the ability of the agency to match posts' program needs with Volunteer applicant profiles, resulting in better Volunteer placement. Increased management oversight over Volunteer safety and security and Volunteer medical care will support greater consistency of quality over these critical support services. The agency must continue to evolve and ensure its business processes reflect the activities of today's Peace Corps, not the agency that was founded fifty years ago.

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

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

Contact OIG

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