




# Office of Inspector General

Office  
202.692.2900  
[peacecorps.gov/OIG](http://peacecorps.gov/OIG)  
[OIG Reports](#)

Hotline  
202.692.2915 800.233.5874  
[Online Contact Form](#)  
[OIG@peacecorps.gov](mailto:OIG@peacecorps.gov)

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**To:** Carrie Hessler-Radelet, Acting Director  
Daljit Bains, Chief Compliance Officer

**From:** Kathy A. Buller, Inspector General 

**Date:** October 25, 2012

**Subject:** Final Report on the Audit of the Peace Corps' 50<sup>th</sup> Anniversary Program  
(IG-13-01-A)

Transmitted for your information is our final report on the Audit of the Peace Corps' 50<sup>th</sup> Anniversary Program.

Management concurred with all eight recommendations. All eight recommendations will remain open pending confirmation from the chief compliance officer that the documentation identified in management's response has been received. In its response, management described actions it is taking or intends to take to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that the agency has taken these actions or that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities.

Our comments, which are in the report as Appendix F, address these matters. Please respond with documentation to close the remaining open recommendation within 90 days of receipt of this memorandum.

You may address questions regarding follow-up or documentation to Assistant Inspector General for Audit Bradley Grubb at 202.692.2914 or to Lead Auditor Hal Nanavati at 202.692.2929.

Please accept our thanks for your cooperation and assistance in our review.

Attachment

cc: Stacy Rhodes, Chief of Staff/Chief of Operations  
Elisa Montoya, White House Liaison/Senior Advisor to the Director  
Bill Rubin, General Counsel  
Esther Benjamin, Associate Director, Global Operations  
Lisa Bilder, Chief Acquisition Officer  
Joseph Hepp, Chief Financial Officer  
Charles Kemp, Deputy Chief Financial Officer  
Jennifer Chavez Rubio, Director, Office of Gifts and Grants Management  
Paul Shea, Director, Global Accounts Payable  
Samuel Taylor, Budget Officer, Office of Budget and Analysis

Nina Basiliko, Administrative Officer, Office of the Director  
Jennifer Parrish Taylor, Special Assistant to the Chief Compliance Officer



# Peace Corps Office of Inspector General

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**Final Audit Report:  
The Peace Corps' Management of  
the 50<sup>th</sup> Anniversary Program  
IG-13-01-A**

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October 2012

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## EXECUTIVE SUMMARY

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In 2011, the Peace Corps marked its 50<sup>th</sup> anniversary, commemorating fifty years of promoting peace and friendship around the world. Beginning in October 2010 and continuing through the end of 2011, the Peace Corps commemorated the anniversary with a variety of events and activities in the U.S. and around the world. The common purpose of these commemorations was to use the 50<sup>th</sup> Anniversary as a platform to support the agency's mission and legacy by honoring its past, demonstrating its effectiveness, and inspiring the next generation of Volunteers through education and engagement.

Our audit focused on whether the Peace Corps' 50<sup>th</sup> Anniversary project team (hereafter "the 50<sup>th</sup> team") was effective in formulating and executing an appropriate budget; complied with applicable federal laws, regulations, and Peace Corps policy; and had sufficient internal control over expenditures.

The Peace Corps' 50<sup>th</sup> Anniversary program (hereafter "the 50<sup>th</sup> program") was successful in achieving its objectives, but was hindered by an inability to track the execution of the budget, limited control over use of 50<sup>th</sup> program funding, and the reliance on other offices to perform 50<sup>th</sup> Anniversary duties, such as fundraising and communications, which were outside the 50<sup>th</sup> team's span of control. As a result, the 50<sup>th</sup> team did not capture and track the full cost of the program to evaluate cost efficiency and ensure deviations from the budget were reasonable and acceptable.

Peace Corps management anticipated funding much of the 50<sup>th</sup> Anniversary expenses using donations raised from institutions and individuals. However, actual donations for the 50<sup>th</sup> Anniversary commemoration were significantly less than the anticipated goal of \$1.5 million. The agency did not appropriately plan for the fundraising efforts required to support a major event like the 50<sup>th</sup> Anniversary commemoration. Fundraising efforts were also impacted by the short timeframe, the need for a more robust fundraising strategy, the lack of a donor database, and resource constraints. As of March 2012, the agency had incurred approximately \$500,000 in contract and staff costs but collected only \$237,621 in donations, 28 percent of which was received prior to October 2010, when the 50<sup>th</sup> program plan was initially developed. As a result, the agency supplemented donations with appropriated funds for the majority of planned events.

Our sample of 50<sup>th</sup> Anniversary expenditures generally appeared reasonable and supported the goals of the commemoration. Overall, the 50<sup>th</sup> Anniversary expenditures were properly authorized, adequately supported, and in compliance with applicable laws and regulations. However, we identified instances of noncompliance with 50<sup>th</sup> Anniversary expenditure guidance and budget coding errors. Further, the agency did not adequately track food and other entertainment expenses to ensure compliance with laws and regulations.

Our limited review of the three contracts issued to support 50<sup>th</sup> Anniversary events did not identify significant issues with the award process or contract administration. We identified areas of improvement in awarding cooperative agreements.

Peace Corps management concurred with all eight recommendations. Management described actions they are taking or intend to take to address the issues that prompted each of our

recommendations. Management's corrective actions are ongoing and as a result none of the eight recommendations can be closed at this time.

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## BACKGROUND

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The Office of Inspector General (OIG) conducted an audit of the Peace Corps' 50<sup>th</sup> Anniversary commemoration, including special events and contracts issued to support the commemoration. Our objective was to determine whether:

- The program was adequately planned and administered to achieve agency objectives;
- The program complied with laws and regulations; and
- Expenditures (domestic and international) were legitimate and properly authorized.

Appendix A provides a full description of our audit objectives, scope, and methodology.

### **Laws and Regulations**

To understand the nature of the 50<sup>th</sup> Anniversary commemoration it is important to understand the unique mission and authority of the Peace Corps, which includes public awareness. What are commonly referred to as the “second” and “third goals” of the Peace Corps are stated in the Peace Corps Act of 1961: “to help promote a better understanding of the American people on the part of the peoples served [second goal] and a better understanding of other peoples on the part of the American people [third goal].” To facilitate these goals, the Act states:

. . . the Director, utilizing the authorities under section 10(a) [22 U.S.C. 2509(a)(1)] of this Act and other provisions of law, shall, as appropriate, encourage, facilitate, and assist activities carried out by former volunteers in furtherance of such goal and the efforts of agencies, organizations, and other individuals to support or assist in former volunteers' carrying out such activities.

The Peace Corps Act also provides “gift authority,” meaning the agency can accept donations to carry out its mission:

In furtherance of the purposes of this chapter, the President may . . . accept in the name of the Peace Corps and employ or transfer in furtherance of the purposes of this chapter (A) voluntary services notwithstanding the provisions of 31 U.S.C. 665 (b) [Now 31 U.S.C. 1342], and (B) any money or property (real, personal or mixed, tangible or intangible) received by gift, devise, bequest, or otherwise . . .

These unique goals and authorities, along with the need for the Peace Corps to recruit new Volunteers, provided the Peace Corps with an opportunity to further its mission under the banner of a 50<sup>th</sup> Anniversary commemoration.

### **50<sup>th</sup> Anniversary Program**

In 2011 the Peace Corps commemorated 50 years of promoting peace and friendship around the world, a legacy of service that has become a significant part of America's history. The primary objective of the commemorative events and activities was to use the milestone as a platform to honor the Peace Corps' past, demonstrate the effectiveness of its Volunteers, and inspire the next generation of Volunteers through education and engagement. The *Peace Corps 50<sup>th</sup> Anniversary Project Overview* listed the following objectives and strategies.

*Objectives.* The supporting objectives of the 50<sup>th</sup> Anniversary included:

- Raising public awareness of the success and impact of the Peace Corps in fostering peace and understanding;
- Advancing the third goal of the Peace Corps in helping to promote a better understanding of other peoples on the part of Americans;
- Supporting recruitment efforts to grow the Peace Corps and meet the goals of the President and Congress; and
- Recognizing and honoring those who have contributed to the success of the Peace Corps: Peace Corps Volunteers, their friends and families, agency staff, host countries, community partners, and national leaders.

*Strategy.* In order to achieve these objectives, the Peace Corps' strategy was to:

- Create a robust campaign to reach key constituencies in regional, national, and international communities;
- Expand relationships with media including national broadcast, print, radio, and online outlets;
- Provide additional opportunities to expand domestic and international community outreach efforts, including the establishment of new third-party relationships;
- Build and strengthen internal fundraising capabilities with both institutional donors and individual Returned Peace Corps Volunteers (RPCVs);
- Raise the agency's profile in the congressional and executive branches; and
- Use events, initiatives, and press outreach associated with the Anniversary to educate the public about the vitality and efficacy of the Peace Corps.

To support the efforts, management created a 50<sup>th</sup> Anniversary team, which planned and organized events around the country designed to commemorate the 50<sup>th</sup> Anniversary. One of the most significant events was the agency's participation in the Smithsonian Folklife Festival. The Smithsonian Institution's Center for Folklife and Cultural Heritage selected the Peace Corps to be one of three featured programs at the 2011 Smithsonian Folklife Festival. Members of the 50<sup>th</sup> team, along with a curatorial advisory committee, began working actively on the programmatic aspects of this event in June 2010.

The 50<sup>th</sup> team worked with each of the nine regional recruiting offices (RROs) to develop and plan appropriate events and activities to support the 50<sup>th</sup> program's goals around the country. The 50<sup>th</sup> team collaborated with other offices to issue guidance to the Peace Corps' 70 posts to develop and plan appropriate events and activities around the world. Posts and RROs were given wide license to plan unique events and activities to commemorate the 50<sup>th</sup> Anniversary, provided they met program goals and were legal and appropriate.



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## FINDINGS AND RECOMMENDATIONS

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### MANAGING THE 50TH ANNIVERSARY PROGRAM

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*The Peace Corps used the 50<sup>th</sup> Anniversary commemoration to further its second and third goals while also providing valuable recruitment opportunities. However, the management of the 50<sup>th</sup> Anniversary program was hindered by an inability to track the execution of the budget, limited control over use of 50<sup>th</sup> Anniversary program funding, and the reliance on other offices to perform 50<sup>th</sup> Anniversary duties, such as fundraising and communications, which were outside the 50<sup>th</sup> Anniversary team's span of control.*

*As a result, the agency was unable to capture and track the full cost of the program to evaluate cost efficiency and ensure deviations from the budget were reasonable and acceptable.*

In June 2010, the Peace Corps established the 50<sup>th</sup> team<sup>1</sup> to manage and coordinate the efforts related to the 50<sup>th</sup> Anniversary commemoration. In October 2010, the 50<sup>th</sup> team developed a 50<sup>th</sup> program plan, which included the program's mission, goals, and indicators. To implement the plan, the 50<sup>th</sup> team:

- Planned events to meet the 50<sup>th</sup> program's objectives;
- Developed a budget to fund the events; and
- Oversaw the execution of the planned events.

The 50<sup>th</sup> team relied on headquarters offices for support, such as the Office of General Counsel (OGC) for legal support, the Office of Communications for media relations, the Office of Private Sector Initiatives (OPSI) for fundraising, and the Office of Global Accounts Payable (OGAP) for payment processing.

#### **Event Planning**

The 50<sup>th</sup> team developed a list of domestic commemorative events to support the 50<sup>th</sup> program's objectives and worked with other offices to execute events. According to the 50<sup>th</sup> team, 50<sup>th</sup> Anniversary planning was suspended in 2009 due to the presidential administration change and the new staff's need to review and approve the direction of the planning. The 50<sup>th</sup> team believes that this delay contributed to the shortened timeframe available to plan and execute 50<sup>th</sup> events.

#### **Budget Development and Total Costs**

The project plan had a budget of \$3,832,865. The 50<sup>th</sup> team did not track expenses as the program progressed and did not develop a total cost for the program when it was complete. We estimate that total actual costs for the 50<sup>th</sup> program were approximately \$3,724,368 (\$108,497 less than budgeted). However, we determined that the budget did not contain detailed cost estimates for each event and omitted other significant costs. See appendix B for details on total

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<sup>1</sup> The 50<sup>th</sup> team originally comprised a director, hired to manage the 50<sup>th</sup> program, and two project managers, assigned from other Peace Corps offices. The team later included an additional project manager, an administrative assistant, a program assistant, and two work-study employees. The deputy director of the Peace Corps was charged with oversight of the entire 50<sup>th</sup> program.

50<sup>th</sup> Anniversary costs. The 50<sup>th</sup> team estimated a lump sum of \$230,000 in the budget for events instead of breaking out anticipated costs for each event. Although the Peace Corps did not have historical information to use in estimating the costs of these events, additional research and inquiry could have provided the 50<sup>th</sup> team with a more accurate cost estimate.

The 50<sup>th</sup> team also omitted certain significant costs from the 50<sup>th</sup> budget, such as the total cost of all employee time devoted to the 50<sup>th</sup> Anniversary events. Only staff members directly and materially involved in the 50<sup>th</sup> team were allocated to the 50<sup>th</sup> Anniversary, so staffing costs were understated in the budget. The budget for the 50<sup>th</sup> team included staff costs of \$871,215, but actual costs were approximately \$1,069,113.

Staff members from other offices, including OPSI, the Office of Communications, and RROs, as well as staff members from posts, significantly supported the program. However, the 50<sup>th</sup> team did not include the costs of payroll and benefits for these staff members in the 50<sup>th</sup> Anniversary budget. OPSI staff hours could be reasonably estimated because of the significant amount of work related to the 50<sup>th</sup> Anniversary. Using payroll data provided by Human Resource Management (HRM) and staff time estimates provided by OPSI staff, we estimated OPSI staff costs were \$364,445, which should have been included in the budget. However, we could not estimate staff costs for additional offices that supported the 50<sup>th</sup> Anniversary, because the agency does not track employee time to projects and allocating time across numerous projects for work completed in previous months would have been difficult for staff to estimate, resulting in unreliable data.

*Statement on Federal Financial Accounting Concept No. 2, “Entity and Display” states:*

[Statement of Federal Financial Accounting Standard] SFFAS No. 4, Managerial Cost Accounting Concepts and Standards, discusses the need for Government accounting to emphasize cost as a way to improve decision making and program management. It says that good cost information can be used for: (1) budgeting and cost control, (2) performance measurement, (3) determining reimbursements and setting fees, (4) program evaluations, and (5) economic choice decisions.

Allocating time to specific programs, such as the 50<sup>th</sup> program, is essential for monitoring the full cost of the program and determining its efficiency. Our audit report on the Peace Corps’ budget formulation process (IG-12-02-A) recommended that the agency develop methods that identify, track, and report resources, such as personnel and funding, needed to achieve desired results for strategic and performance goals.

In addition, the 50<sup>th</sup> team did not appropriately consider staff time at the Smithsonian Folklife Festival when planning the event. The Peace Corps’ deputy director authorized all employees to spend up to three work hours at the festival to learn more about the Peace Corps, participate in panel discussions, and language and game demonstrations, and to join the celebration. Employees were also given the option to use the Employee Volunteer Program to volunteer at the festival. To provide a more complete understanding of Peace Corps’ resources used for the 50<sup>th</sup> event, the 50<sup>th</sup> team should have considered the amount of staff time spent at the festival when planning and reporting on the 50<sup>th</sup> program.

## **Implementation**

The 50<sup>th</sup> team had responsibility to plan and oversee the 50<sup>th</sup> program but had limited control over use of funds by other offices. This impacted the ability of the team to ensure the 50<sup>th</sup> Anniversary project plan was followed, because the team did not have spending approval for all 50<sup>th</sup> Anniversary expenditures. Instead, headquarters offices, RROs, and posts had the discretion to incur 50<sup>th</sup> Anniversary expenses without the approval of the team. For example, travel costs were originally budgeted for \$145,000, but actual costs were approximately \$198,782 (37 percent greater than budgeted).

Some expenditures, specifically “Entertainment/Representational” costs, were miscoded with incorrect budget object class codes, which are used to classify expenditures according to types of goods and services, such as personnel, travel, rent, and supplies. These miscodings further prevented the 50<sup>th</sup> team from being able to accurately track and monitor actual costs as 50<sup>th</sup> Anniversary events progressed. Further, management decided to use appropriated funds to pay for some expenses and then reallocate donated funds after all expenses were incurred because donations were being collected at the same time events were occurring. However, proper planning could have ensured proper allocation of expenses and helped avoid unnecessary accounting adjustments. See the “Expenditures” finding for further discussion.

The 50<sup>th</sup> team did not have a monitoring mechanism in place to match actual spending to the estimates in the project plan, nor did it clearly define specific outcomes and outputs. Instead, the 50<sup>th</sup> program plan stated that outcomes would be specific to events, which was intended to allow event planners greater flexibility in determining efficient use of 50<sup>th</sup> Anniversary resources.

Implementing the 50<sup>th</sup> Anniversary plan relied on the successful collection of donations by OPSI and coordinated public relations efforts by the Office of Communications. Although the 50<sup>th</sup> program specialist was the contracting officer’s technical representative (COTR) overseeing the fundraising and earned media contracts, these contracts relied on OPSI and the Office of Communications, respectively, to ensure success. OPSI was unsuccessful in meeting the 50<sup>th</sup> team’s fundraising goal of \$1.5 million (see the “Fundraising” finding below), and the 50<sup>th</sup> team issued a stop work order for the earned media contract.

### **We recommend:**

1. That the Office of the Director retain documentation of the events, including cost information, to use when planning future recruiting and awareness campaigns.

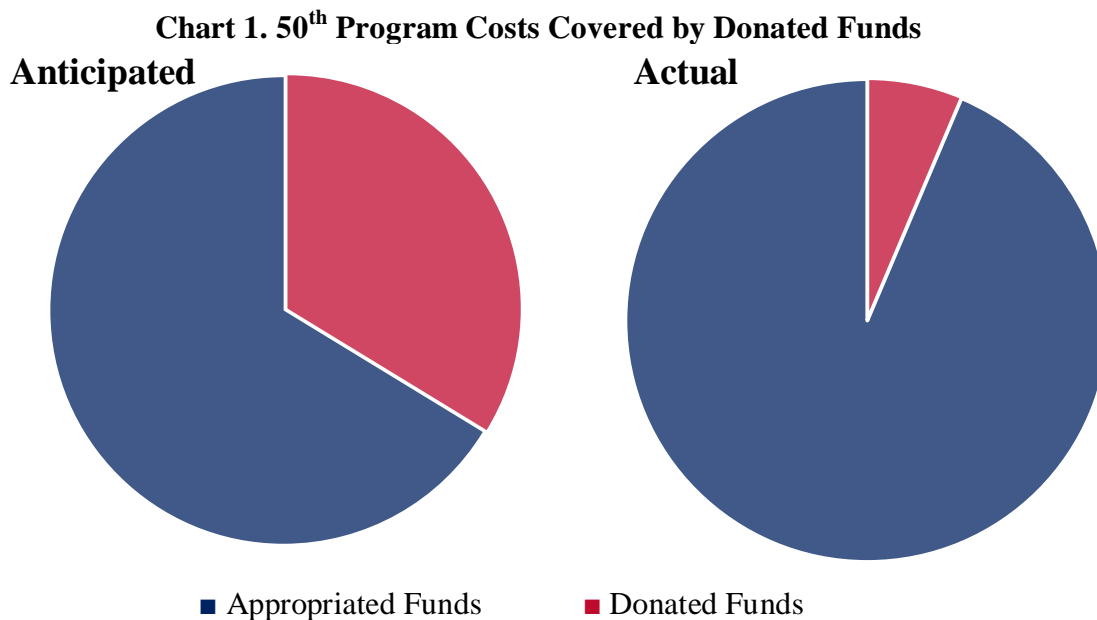
## FUNDRAISING

*Actual donations for the 50<sup>th</sup> Anniversary commemoration were significantly less than the anticipated goal of \$1.5 million. The 50<sup>th</sup> team did not develop a goal in coordination with OPSI that was appropriate in consideration of the agency's limitations. OPSI was hindered by a lack of time and resources when the fundraising initiative began and did not have pre-established procedures and mechanisms, such as a database of historical donor information, to support a major event like the 50<sup>th</sup> Anniversary commemoration.*

*As a result, the Peace Corps had incurred \$133,268 in contract costs and approximately \$364,445 in labor costs, but had collected only \$237,621 in donated funds as of March 2012. The Peace Corps had to use appropriated funds for the majority of the planned events.*

In August 2010, the Peace Corps contracted with a major fundraising firm to perform 50<sup>th</sup> Anniversary-specific fundraising services, such as developing a capital campaign strategy and capacity development. The firm was not hired to collect donations or actively fundraise<sup>2</sup> but rather to provide consulting services to assist Peace Corps staff. The cost of the contract was \$133,268. In addition to the cost of the fundraising contract, we estimate OPSI staffing costs to fundraise for the 50<sup>th</sup> Anniversary commemoration to be \$364,445.

In October 2010, the Peace Corps hired a new OPSI deputy director to manage 50<sup>th</sup> Anniversary fundraising efforts. Despite the steps taken by OPSI and the 50<sup>th</sup> team to escalate fundraising efforts in the short timeframe available and overcome the late start, a number of other factors significantly impacted the Peace Corps' ability to reach its \$1,500,000 goal. Based on data provided by OGAP we compared total donations to the fundraising goals (see Chart 1).



<sup>2</sup> Peace Corps Office of General Counsel memorandum, *Contractor Services for Fundraising for the 50th Anniversary*, June 2010, stated, “special care should be taken in drafting any scope of work and contract approvals to ensure that the authority for accepting and handling donations and making critical decisions is retained by the Peace Corps.”

## Planning

The 50<sup>th</sup> Anniversary budget presented an estimated cost of \$3,832,865, including \$1,292,436 in anticipated donated funds from the 50<sup>th</sup> Anniversary Fund managed by OPSI. The 50<sup>th</sup> Anniversary director established a fundraising goal of \$1,500,000 for 50<sup>th</sup> Anniversary donations. The 50<sup>th</sup> Anniversary director developed the fundraising goal using her professional experience. However, the Peace Corps could not provide support for how the figure was calculated and whether it appropriately factored in the short timeframe and limited resources.

Before undertaking such a large and unique endeavor, the Peace Corps did not adequately plan or prepare the necessary tools and actions needed to raise the amount of funds they required. At the time the new OPSI deputy director was hired, the agency did not have fundraising guidelines in place, such as the type of donors they wanted to actively solicit. This, along with other factors like staffing issues, hindered the agency's ability to implement many of the recommendations made by the fundraising contractor.

Some 50<sup>th</sup> Anniversary events were already taking place before institutional fundraising guidelines were developed. Although event planning began in early 2010, many event plans were not finalized until the end of 2010 and the beginning of 2011. According to OPSI, this significantly impacted the amount of donations the agency was able to collect because many donors wanted to know what events their donations were funding before they donated.

## Timing

The Peace Corps received its first donation for the 50<sup>th</sup> program in March 2008. However, active efforts to fundraise did not begin until August 2010. This late start in fundraising had a significant impact on the amount of donations the Peace Corps was able to collect before the 50<sup>th</sup> Anniversary commemorations began, with the majority of donations collected in 2011 while events were taking place. In June 2011, the fundraising contractor hired to develop the 50<sup>th</sup> Anniversary fundraising strategy communicated to the Peace Corps in its capacity building plan that it typically takes multiple contacts over 18 to 24 months to secure major gifts, noting that the Peace Corps may need to allow the full 24 months given that interaction with certain prospects, particularly corporations, will require approval from the agency. The plan also recommended that OPSI approach any potential sponsors by the summer before the calendar year in which it would like to use the funding. For the 50<sup>th</sup> Anniversary, the majority of fundraising efforts were initiated when events were already taking place. The late fundraising start prevented the Peace Corps from collecting large institutional donations, because many institutional donors commit their funding years in advance and also because Peace Corps needed to approve those donations. Table 1 shows the amount of donations raised each year from individual and institutional donors based on our analysis of disbursement data.

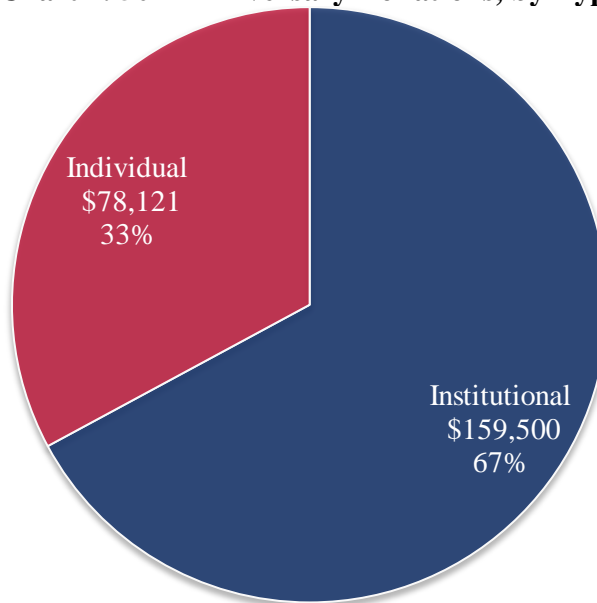
**Table 1. 50<sup>th</sup> Anniversary Donations by Calendar Year**

Year	Individual Donors	Institutional Donors	Total
2008	\$ 128	\$ 11,000	\$ 11,128
2009	1,661	52,500	54,161
2010	1,897	-	1,897
2011	69,257	46,000	115,257
2012	5,178	50,000	55,178
<b>Total</b>	<b>\$ 78,121</b>	<b>\$ 159,500</b>	<b>\$ 237,621</b>

## Fundraising Strategy

The Peace Corps' fundraising in the past generally involved grassroots efforts targeted at individual donors, such as RPCVs and the friends and families of Volunteers, with funds collected being used to fund small community projects overseas. To fundraise on a larger scale, the contract solicitation stated the agency would have to employ a different strategy. In response to this, the contractor focused its strategy on institutional and corporate donations with a goal of raising the entire \$1.5 million from institutional sources. However, OPSI maintained that the most successful strategy was to prioritize individual donors, with a fundraising goal of \$1.1 million for individuals. Although the Peace Corps was successful in obtaining some institutional donations, a significant portion (\$63,500 of the \$159,500 total collected) of which were obtained before the contract was put in place, the actual amount raised fell significantly short of the goal. See chart 2 for a display of the amount of donations raised by the type of donor based on OIG analysis of data provided by OGAP.

**Chart 2. 50<sup>th</sup> Anniversary Donations, by Type**



## Donor Relationship

The Peace Corps did not have a centralized tracking mechanism in place to record historical donation information, and it was not feasible to build such a database while fundraising efforts were underway. The agency may have been able to collect more donations if they had a better understanding of who had made donations in the past and in what amounts. Because this centralized donor database did not exist, the agency did not have a complete understanding of donor demographics, and this had to be developed on an ad hoc basis as fundraising progressed.

Another example of the Peace Corps' incomplete understanding of donor demographics is the unsuccessful donor recognition plan that included special 50<sup>th</sup> Anniversary gift recognition for certain donation amounts. For example, at the \$1,000 donation level donors received a limited edition 50<sup>th</sup> Anniversary print by artist Shepard Fairey. However, because the Peace Corps did not have a complete understanding of its donor base, the price level was initially set too high and

had to be reduced by 50 percent when fundraising efforts stalled. As of the date of this report, the Peace Corps still had some 50<sup>th</sup> Anniversary donor recognition items on hand.

In August 2010, in an effort to quickly identify donors with a capacity to give larger donations, the Peace Corps purchased a wealth screening analysis for individual donors from the fundraising contractor for \$8,270. The wealth screening analysis used the RPCV database and a database of previous Peace Corps Partnership Program donors to identify individuals with the capacity to give gifts of \$25,000 to \$1 million. The wealth screening analysis identified 831 individuals with the capacity to give a total of \$44.55 million over 5 years. According to OPSI, in early 2011 it reached out to all 831 individuals via a donation request letter and other means. However, total individual donations received during and after 2010 amounted to \$76,332. OPSI had not identified which donors they contacted from the wealth analysis had actually donated to the 50<sup>th</sup> Anniversary fund, because they did not have a donor tracking system in place at the time. Although the amount raised as a result of the wealth analysis was limited, OPSI management believes that the wealth analysis continues to be a valuable asset that can be used for future fundraising efforts.

### **Institutional Donors**

OPSI approached a total of 32 major corporations and foundations to solicit for institutional donations. It succeeded in obtaining donations from 9 of these 32 institutions, receiving a total of \$159,500 in donations. The other 23 institutions declined or were unresponsive. According to OPSI, the institutions declined to donate for a variety of reasons, including:

- The majority of prospective institutional donors had already dispensed funds for 2011, and were working on 2012 and 2013;
- They already gave donations for the 50<sup>th</sup> Anniversary commemoration to RPCV groups;
- They did not believe a government agency should be fundraising;
- The economic recession affected their capacity to give.

### **Staff and Resources**

The 50<sup>th</sup> Anniversary fundraising team also faced challenges because of limited staff support and resources, including a fundraising support staff retention issue. The fundraising contractor recommended in the June 2011 capacity building plan that the Peace Corps should have four full-time staff members in place in order to function at the department's greatest potential and support a more robust fundraising operation, but during the 50<sup>th</sup> fundraising efforts the Peace Corps only had one full-time staff member devoted to fundraising. Also, there were limited travel funds available for 50<sup>th</sup> Anniversary fundraising staff to travel to solicit large donations from institutions and high net worth individuals.

### **Accounting for Donations**

Both Peace Corps management and OGC developed guidance to solicit, track, and manage donations:

- In 2008, the then deputy director established the 50<sup>th</sup> Anniversary fund and assigned OPSI the overall management authority for the fund, including tracking and reporting

responsibility, and directed it to work closely with the Office of the Chief Financial Officer (OCFO) to fulfill those responsibilities.

- A special sponsor code was established in the Peace Corps' accounting system to use donated funds to pay for specific expenditures, such as entertainment costs.
- The Director approved a decision memo for donor recognition items and amended guidance for the revised donor recognition plan.
- OGC issued a legal opinion approving the purchase of branded items for donor recognition and awareness-raising purposes.
- The director of OPSI issued guidelines to country directors and RROs on gift acceptance limitations, which agency staff members were permitted to accept gifts, and to provide criteria for soliciting and accepting donations.

The Peace Corps also established a fund called "The Peace Corps Fund." The OPSI *Action Memo Regarding Guidance on 50<sup>th</sup> Anniversary Fund and Establishment of The Peace Corps Fund* states the purpose of the fund:

[To] support the agency's special initiative and for other agency activities, as an avenue for potential donors to support agency activities that fall outside the 50<sup>th</sup> Anniversary or the scope of the PCPP. These donations may, for example, support additional training of Volunteers or post staff or special initiatives, such as a health or water-focused initiative.

This memo also stated that "Transfer of 50th Anniversary donated funds to offset appropriated outlays will be made in accordance with financial regulations." Most 50<sup>th</sup> Anniversary costs were paid for with appropriated funds, and OCFO was to process an accounting transaction to offset the appropriated funds with the donated funds. As of March 2012, the Peace Corps had approximately \$131,665 in unexpended 50<sup>th</sup> Anniversary donations that had not been reallocated to expenses initially paid for with appropriated funds. See the "Expenditures" finding for further details on the costs of specific events.

At the time of this report, the Peace Corps had not clearly communicated its future intent for donations and whether it will use the tools and knowledge it gained from the contractor to continue fundraising for other Peace Corps programs and events.

**We recommend:**

2. That the Office of the Director establish the agency's strategy on fundraising. If the Director decides to include the use of fundraising and donations in the agency's operations, then develop appropriate goals and provide the necessary resources, such as staffing and a donor relations database, needed to accomplish the goals.
3. That Office of Gifts and Grants Management incorporate fundraising standard operating procedures linked to the *Peace Corps Manual* to retain the relevant and appropriate fundraising tools and strategy developed by the contractor for use in future fundraising endeavors.



## EXPENDITURES

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*Overall, the Peace Corps developed an effective process for verifying, approving, and certifying that expenditures related to the 50<sup>th</sup> Anniversary were legal and reasonable. However, we identified the following weaknesses caused by a lack of guidance and review.*

- *2 of the 79 sampled vouchers inappropriately used 50<sup>th</sup> Anniversary funds.*
- *41 of 79 sampled expenditures were misclassified with an incorrect object class code or misclassified with the 50<sup>th</sup> Anniversary sponsor code. In addition, travel vouchers contained errors in calculation and obligations were prepared after travel was completed.*
- *The agency did not adequately track food and other entertainment expenses to ensure agency compliance with laws and regulations.*

*Errors and misclassifications in expenditures hinder management's ability to analyze data and to have accurate, usable information of the total costs associated with the 50<sup>th</sup> Anniversary.*

### **Background and Guidance**

The Peace Corps established guidance and criteria for offices to use when conducting 50<sup>th</sup> Anniversary events to help ensure expenditures were appropriate, supported the goals of the 50<sup>th</sup> program, and were in compliance with applicable laws and regulations. OGAP required all RROs to obtain approval before making 50<sup>th</sup> Anniversary expenditures. Additionally, although posts were not required to obtain OGAP approval as directors of management and operations (DMOs) have the budgeting experience necessary to make appropriate expenditures, a significant number of posts discussed their events with headquarters staff and obtained OGAP's approval in advance.

When invoices were submitted to OGAP for review, voucher examiners checked for accuracy and completeness and flagged the invoice as 50<sup>th</sup> Anniversary-related for the financial management officers' review. The financial management officers checked that invoices were legal, proper, and correct.

The Peace Corps specifically authorized the purchase of food and t-shirts for the purpose of the 50<sup>th</sup> Anniversary commemoration. The agency provided specific instructions to RROs and posts for these types of purchases because of the history of comptroller general decisions regarding the use of appropriated funds for food and personal items.

- In May 2010, OGC issued a legal opinion for the Director stating that the use of appropriated funds for the purchase and distribution of t-shirts bearing the Peace Corps' name and logo to prospective applicants, trainees, Volunteers, donors, and others for the purposes of recruiting Volunteers, publicizing the activities of the Peace Corps, and raising gift funds for activities in furtherance of the Peace Corps Act was appropriate.

- Management authorized RROs and posts to use 50<sup>th</sup> Anniversary funds to purchase food for non-Volunteer/trainee attendees of events if the primary purpose for serving food was to facilitate a necessary agency function, provided that serving food would make a direct contribution to carrying out that function, and if the food was modest in cost and presentation. When vouchering, posts were required to provide a list of attendees if the event was closed to the general public.

### **Voucher Testing**

We judgmentally selected a sample of 79 vouchers from the population of 3,919 total vouchers allocated to the 50<sup>th</sup> project using the 50<sup>th</sup> Anniversary “special purpose sponsor” code.<sup>3</sup> We selected sample items using professional judgment based on a variety of factors, including amount and type of expenditure. Since sample items were selected judgmentally, the results of our testing cannot be generalized to the population of 50<sup>th</sup> Anniversary expenditures. We reviewed the vouchers to determine whether expenses were legal, proper, and correct. We also tested whether the vouchers fulfilled the purpose of the 50<sup>th</sup> Anniversary and complied with the agency’s policies. During our review we identified one voucher that was not a proper expense and one that did not fulfill the mission of the 50<sup>th</sup> Anniversary.

- In May 2011, a post paid \$409 for entrance fees and purchased t-shirts for Volunteers to run in a local marathon, for which the Volunteers were asked to raise \$100 each for the post's Peace Corps Partnership Project country fund. The post coded these payments as 50<sup>th</sup> Anniversary expenditures. According to OGAP's 50<sup>th</sup> Anniversary guidance, 50<sup>th</sup> Anniversary funds could not be used for Peace Corps grant projects (for example, to pay for items to support those projects or to defer the community contributions to those projects). Further, staff is instructed not to solicit donations from Volunteers or ask them to solicit for donations on behalf of the Peace Corps. Therefore, we do not believe the cost was a proper expense.
- In June 2011, a post paid \$1,650 to print copies of its annual report. The post coded these payments as 50<sup>th</sup> Anniversary expenditures. However, the post creates and prints the report each year, and the report is not specifically related to the goals of the 50<sup>th</sup> program. According to OGAP's 50<sup>th</sup> Anniversary guidance, 50<sup>th</sup> Anniversary funds were appropriated funds given to posts to pay for events or activities that commemorated the Peace Corps’ 50 years of service. All 50<sup>th</sup> Anniversary events and any items that posts purchased needed to reflect the goals of the 50<sup>th</sup> program. Therefore, the costs should not have been allocated to the 50<sup>th</sup> Anniversary.

RROs were required to obtain pre-approval from OGAP for their 50<sup>th</sup> Anniversary expenses; however, posts were not required to do so because management believed DMOs had the experience necessary to perform such transactions. Requiring posts to be approved by OGAP for expenses may have prevented these two issues from occurring. Without a pre-approval process, the DMOs were at a greater risk of making errors or questionable purchases and being held liable for the resulting costs.

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<sup>3</sup> If an expenditure was not appropriately coded with the 50<sup>th</sup> Anniversary special purpose sponsor code, it would not have been included in our 50<sup>th</sup> Anniversary expenditure population and not have been subject to our sample selection. See appendix A: Objectives, Scope, and Methodology for further discussion on data limitations.

### **Coding and Other Errors**

To track expenses and donations for the 50<sup>th</sup> Anniversary, the Peace Corps established two special-purpose sponsor codes, and most 50<sup>th</sup> Anniversary expenses were tracked using these codes.<sup>4</sup> According to the *Peace Corps 2012 Fiscal Coding Handbook*, the sponsor codes in Odyssey (the Peace Corps' financial tracking and management system) define the activity related to a specific budgeted program or support area. The 50<sup>th</sup> program expenses paid for with appropriated funds were tracked by special purpose code 3103 (50<sup>th</sup> Anniversary – Appropriated Funds) and 50<sup>th</sup> Anniversary expenses paid for with 50<sup>th</sup> Anniversary donations were tracked by special purpose code 1014 (Private Sector Donations – the Peace Corps 50<sup>th</sup> Anniversary).

According to the *Peace Corps 2012 Fiscal Coding Handbook*, object class codes are used to classify expenditures according to types of goods and services, such as personnel, travel, rent, and supplies. In Odyssey, the Peace Corps has established its object class codes to comply with Office of Management and Budget (OMB) reporting requirements. Based on our review of the payment voucher sample, 41 out of 79 expenditures we sampled were misclassified with an incorrect object class code or were misclassified with the 50<sup>th</sup> Anniversary sponsor code. For example:

- \$6,614 in travel costs were misclassified with incorrect travel codes. Travel costs for some participants in the Smithsonian Folklife Festival were classified as international travel when they should have been classified as invitational travel.
- Eighteen expenses with a value of \$33,581 were misclassified as “Other Services” when they should have been classified to other object class codes. Many expenditures for catering and event costs were classified as “Other Services” instead of the more appropriate object class code for “Entertainment/Representation” costs. Further, t-shirts were often coded as “Supplies” though the expense is more appropriately coded to recruitment or representation.

Management did not include in their 50<sup>th</sup> Anniversary expenditure guidance instructions on classifying 50<sup>th</sup> Anniversary expenditures with appropriate object class codes and sponsor codes. As a result, many DMOs did not know the correct object class code to use or were unfamiliar with less frequently used codes, resulting in the use of the generic codes “Other Services” and “Supplies.” It is necessary for managers to use accurate object class codes in the financial system to control the use of resources according to the purposes provided for by the budget authority. Ensuring the accuracy and reliability of financial information is necessary to make informed decisions about agency resources. Misclassified expenditures hinder management’s ability to analyze expenditure data in order to have accurate, usable information of the actual costs associated with the 50<sup>th</sup> Anniversary.

We also noted some errors that were not specific to 50<sup>th</sup> Anniversary events. These errors included travel voucher miscalculations and travel voucher obligations occurring after travel was completed.

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<sup>4</sup> Some 50<sup>th</sup> Anniversary expenses, specifically the contracts and agreements, were coded with the 0001 “General Sponsor” code because they were put into place before the two 50<sup>th</sup> Anniversary special sponsor codes were created.

## Food and other Expenses

The 50<sup>th</sup> Anniversary events were logically connected to 50<sup>th</sup> Anniversary objectives. However, we noted many events that involved entertainment expenses including food, music, and event space. As a general rule appropriations may not be used to pay for entertainment. While the comptroller general has not precisely defined the term “entertainment,” according to the *Principles of Federal Appropriations Law* (GAO-04-261SP), entertainment includes “food and drink, either as formal meals or as snacks or refreshments; receptions, banquets, and the like; music, live or recorded; live artistic performances; and recreational facilities.” There are noted exceptions based on laws and legal opinions that contain specific rules, such as employee training, meetings and conferences, and staff award ceremonies. It is also recognized that the agency may have legitimate need for such items. For this reason, the foreign service agencies are given authority to use appropriated funds for entertaining foreign officials and may have legislation authorizing entertainment or representation funds.

The Peace Corps Act section 2514 states that entertainment may not “exceed \$5,000 in any fiscal year except as may otherwise be provided in an appropriation or other Act.” The Peace Corps’ annual appropriations further limit the amount of entertainment funds to not exceed \$4,000.<sup>5</sup> However, the Peace Corps’ appropriations did not specifically establish a limit on representation funds.

*Representational Funds.* The Foreign Service Act of 1980 as amended (22 U.S.C. 4085 section 905) authorizes the “Secretary” to provide for official receptions and pay entertainment and representational expenses. The Peace Corps cites this authority in *Peace Corps Manual* section (MS) 724, “Representational Allowances,” which states:

Representation allowances are intended to cover allowable items of expenditure primarily by Country Directors, whose official positions entail responsibility for establishing and maintaining relationships of value to the United States in foreign countries.

Posts reported spending approximately \$73,000 of representational allowances to fund 50<sup>th</sup> Anniversary events. However, this amount was understated as we determined that 11 of 78 sampled expenditures improperly classified overseas representational expenses as “other services” and “supplies.” These errors were identified in the “Coding and Other Errors” section of this report. For example, a 50<sup>th</sup> Anniversary event was held in Ecuador in March 2011 with an estimated 265 guests, including the President and Vice President of Ecuador, representatives of nongovernmental organizations, embassy officials, Peace Corps staff members, Volunteers, and RPCVs. Actual costs totaled \$8,430 for catering, sound and lighting costs, and taxes. The expenditure was paid for with appropriated funds and classified as “other services.” The OGAP financial management officer who reviewed the payment voucher did not instruct the post to change the code to representational funds. Because of the explicit authority for representational funds, posts must ensure any expense related to that authority is properly coded for tracking and monitoring purposes.

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<sup>5</sup> The Consolidated Appropriations Act, 2010, Public Law 111-117

*Events within the United States.* The Peace Corps used 50<sup>th</sup> Anniversary funds to pay for food-related expenses at events within the U.S. *Peace Corps Manual* section (MS) 729, “Food and Refreshments,” establishes the agency’s policy for the using appropriated funds to purchase food and refreshments to be served to Volunteers, trainees, staff and other attendees at Peace Corps events. The policy provides specific situations in which food is permissible (based on laws and legal decisions) and the use of entertainment funds is not required, provided:

- (i) the primary purpose of serving food and refreshments to those attendees at that event is to facilitate a necessary agency function, and
- (ii) serving food and refreshments to those attendees at that event would make a direct contribution to carrying out that function.

Food and refreshments served at Peace Corps events must be modest in cost and presentation

We reviewed a sample of vouchers that included food and other entertainment expenses within the U.S. to determine whether the costs were proper and the funding was appropriate.

Kennedy Center Concert. In September 2011 the Peace Corps held a concert at the John F. Kennedy Center for the Performing Arts that attracted an audience of more than 2,000. The concert featured Youssou N’Dour, a celebrated African singer and percussionist. The Peace Corps also used the concert as an opportunity to promote awareness of Malaria No More (a nonprofit, nongovernmental organization) and the Youssou N’Dour Foundation. Costs for the event were \$25,000, and the Peace Corps used donations from the 50<sup>th</sup> Anniversary Fund to pay for this event. Although concerts are defined by the Government Accountability Office (GAO) as entertainment expenses, according to the GAO *Principles of Federal Appropriation Law*, “If an agency is authorized to accept gifts, the funds may be used to augment a 'not to exceed' earmark applicable to that purpose.”<sup>6</sup> Therefore, the agency appropriately used donations to pay for all of the expenses related to this event.

Union Station Event. The Peace Corps hosted a private event at Union Station in Washington, D.C. to welcome individuals from around the world who participated in the Smithsonian Folklife Festival. This event was not open to the general public. There were approximately 200 attendees, including mostly Folklife Festival participants (100 persons), as well as ambassadors from the 16 countries represented at the Festival, representatives from Congress, the White House, the State Department, USAID, the Smithsonian Institution, Peace Corps senior and regional staff, country desk officers, and members of the Shriver family. The budget for the event was \$12,500. Actual costs of the Union Station event were approximately \$11,211 and included the following expenses: food, service, and equipment: \$8,642; facilities rental: \$1,500; audio equipment: \$821; and \$211 in bank fees. The agency appropriately used donations to pay for all of the expenses related to this event.

John F. Kennedy Service Awards. The Peace Corps presents the John F. Kennedy Service Awards once every five years to six Americans who have given outstanding service to the Peace Corps, both at home and abroad. In commemoration of the Peace Corps' 50<sup>th</sup> Anniversary, Peace Corps Director Aaron S. Williams and prominent Peace Corps supporter Caroline Kennedy presented the 2011 John F. Kennedy Service Awards at the John F. Kennedy Presidential Library and Museum in Boston on March 5, 2011. The event's 350 attendees included Peace Corps

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<sup>6</sup> Comptroller General decision B-52501, Nov. 9, 1945.

officials and staff, former award winners, RPCVs, and others. The total cost of \$31,404 included \$6,260 for catering, \$11,525 for lighting and sound, \$830 for framing, and \$12,789 for travel costs. The Peace Corps used appropriated funds to pay for the event. MS 729 authorizes the use of appropriated funds for staff award and recognition ceremonies based on the authority of the Government Employees' Incentive Awards Act.

Department of State Event/Lifetime Achievement Award for Sargent Shriver Event. In March 2011 the Peace Corps hosted a non-public event for the diplomatic community at the Department of State to recognize the unique role host country governments have played in the success of the Peace Corps as well as an opportunity to honor R. Sargent Shriver's legacy of public service by presenting him with a posthumous lifetime achievement award. Approximately 285 guests attended, with most of the guests being Peace Corps headquarters staff members (106), Department of State staff members (58), members of the diplomatic community (46), and notable RPCVs (41). The budget for this event was \$8,000. However, actual costs came to \$10,848, which included: Department of State room rental fee: \$5,000; catering: \$3,220; security costs: \$2,008; and printing: \$620. Although a significant number of State Department employees and members of the diplomatic community attended the event, the State Department did not share any of the costs other than the coffee service.

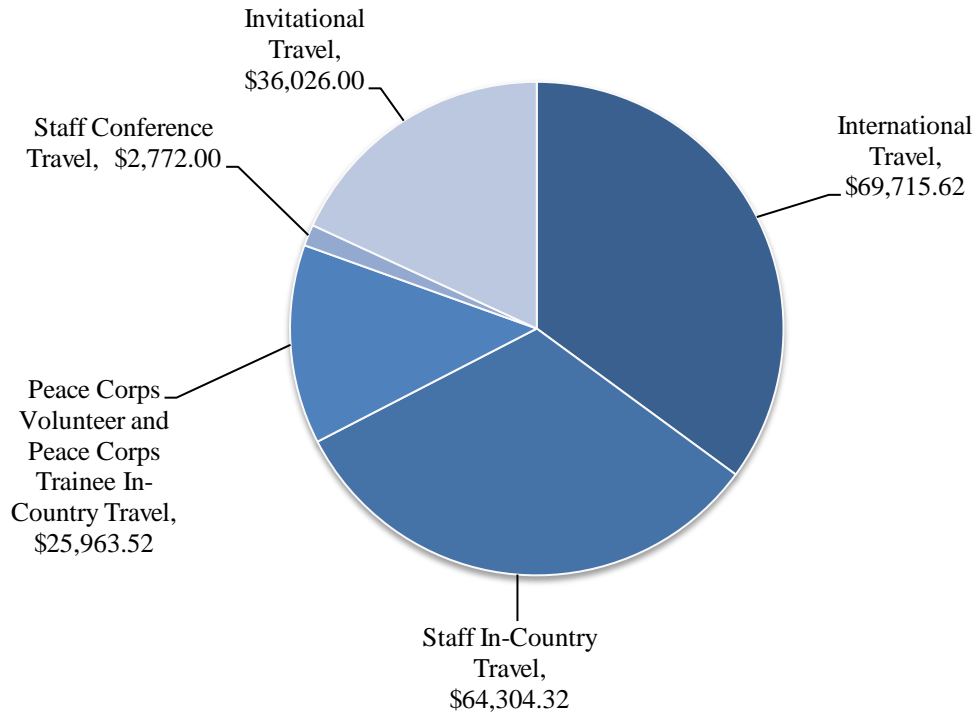
The 50<sup>th</sup> team intended to work with OGC and OPSI to secure possible donations to cover the costs, but none were specifically raised for this event. The agency used appropriated funds to pay for the expenses, even though there were previously-collected donated funds available. The agency justified using appropriated funds stating that the events were a "3<sup>rd</sup> goal event" to promote a better understanding of other people on the part of the American people. Although the cost of food per person was modest (approximately \$11), we question the use of appropriated funds to pay for food when over 50 percent of the participants were government employees and the other American citizens were members of the Kennedy family and RPCVs already familiar with the Peace Corps. The members of the diplomatic community were not American citizens and represented countries where the Peace Corps was already present. These costs were also not allocated to the "Entertainment/Representation" object class code. Therefore, we believe the \$10,848, particularly \$3,220 in catering costs, was not a proper use of appropriated funds.

While Peace Corps policy differentiates entertainment from representation based on the location and purpose of the expense, the Peace Corps' object class codes combine entertainment and representation. Further, the Peace Corps had established a sponsor code for entertainment funds to control entertainment expenses. However, the events of the 50<sup>th</sup> Anniversary were charged to the 50<sup>th</sup> Anniversary sponsor code, and therefore not tracked in the entertainment fund. As a result, the agency did not accurately track entertainment expenses and representation expenses and risks exceeding the statutory entertainment expense limit.

### **Travel Costs**

During our review of 50<sup>th</sup> Anniversary expenditures, we noted that 50<sup>th</sup> Anniversary travel costs exceeded the budgeted amount of \$145,000. Actual travel costs for all types of travel totaled \$198,781. To provide a better understanding of 50<sup>th</sup> Anniversary travel, we have reported travel costs, by traveler and venue, for major 50<sup>th</sup> Anniversary events in Appendix D and present a summary of the information provided by OGAP in Chart 3.

**Chart 3. 50<sup>th</sup> Anniversary Travel Expenses**  
**Total Travel Amount Spent: \$198,781**



**We recommend:**

4. That the Office of the Chief Financial Officer establish and enforce formal guidelines and strengthen training procedures to ensure that all disbursements are allocated to appropriate object class codes. When issuing expenditure guidance for special events, management should also include guidance on how to properly code unfamiliar or seldom-used transactions.
5. That the Office of the Chief Financial Officer develop a process to monitor representation expenses to ensure expenses are properly coded and that the overseas posts are in compliance with Peace Corps policies.
6. That the Office of the Chief Financial Officer allocate the 50<sup>th</sup> Anniversary donations to expenses related to the 50<sup>th</sup> Anniversary including catering costs for the events within the United States.
7. That the Office of the Chief Financial Officer determine whether donated funds were sufficient to cover all entertainment expenses in excess of the appropriation law limitations, and take appropriate action based on the results of that determination.

## CONTRACTS AND AGREEMENTS

*The three contracts, the cooperative agreement, and the interagency agreement put into place to support the 50<sup>th</sup> Anniversary commemorations appeared to be awarded and administered properly. However, we identified the following areas of improvement:*

- *Better communication and coordination among the 50<sup>th</sup> team and the offices responsible for working with the contractors could have helped the success of the fundraising and earned media contracts.*
- *The use of a cooperative agreement was an appropriate procurement vehicle. However, the Peace Corps could improve transparency in awarding such instruments by developing policies and procedures for cooperative agreements.*

The 50<sup>th</sup> team managed three contracts designed to provide the support necessary to execute the many events and activities held during the anniversary year. Management authorized these firms to be brought on because they felt the agency did not have either the capacity or the specific expertise required to implement these tasks internally. The three contracts procured the following services: fundraising, earned media, and speechwriting.

In addition to these three contracts, management also authorized a cooperative agreement with the National Peace Corps Association (NPCA) and an interagency agreement with the Smithsonian Institution. See Table 2 for a breakdown of the contracts and agreements with associated costs.

**Table 2. 50<sup>th</sup> Anniversary Procurement Costs**

Contract or Agreement Purpose	Contractor or Awardee	Cost
<b>Folklife Festival</b>	Smithsonian Institution	<b>\$895,236</b>
<b>50<sup>th</sup> Anniversary Calendar and Around the World Expos</b>	National Peace Corps Association	<b>\$150,059</b>
<b>Fundraising</b>	Campbell & Co.	<b>\$133,268</b>
<b>Speechwriting</b>	West Wing Writers	<b>\$104,999</b>
<b>Earned Media</b>	Burson-Marsteller	<b>\$69,125</b> <i>(at stop work order)</i>
<b>TOTAL</b>		<b>\$1,352,687</b>

*Source: OIG analysis based on data provided by OGAP*

### **Fundraising Contract**

Campbell & Co. provided the Peace Corps with a number of contract deliverables, such as the 50<sup>th</sup> Anniversary case statement (used to test whether the 50<sup>th</sup> Anniversary fundraising message worked on donors), a corporate donor recognition plan, and prospect lists. Campbell & Co. also provided major deliverables such as the capital campaign strategy and capacity building strategy.



We reviewed the fundraising contract with Campbell & Co. and determined that it was properly awarded. We determined that the contract was properly authorized, had sound selection criteria, and was awarded based on the selection criteria. In total, the Peace Corps spent \$133,268 on the fundraising contract. Although the 50<sup>th</sup> program specialist was the COTR overseeing the fundraising contract, this contract relied on OPSI to perform fundraising activities. We discuss the Peace Corps' limitations on using this contract to raise funds and build capacity in the "Fundraising" finding above.

### **Earned Media Contract**

In September 2010, the Peace Corps contracted with Burson-Marsteller LLC, a media relations firm, to provide strategic communications and earned media services in support of the agency's 50<sup>th</sup> program. The contract's objectives were to support the Office of Communications and the 50<sup>th</sup> team with external outreach, implement proactive press relations and earned media outreach plan, and evaluate the effectiveness of its media strategy and tactics.

We reviewed the earned media contract with Burson-Marsteller and determined that it was properly awarded. We determined that the contract was properly authorized, had sound selection criteria, and was awarded based on the selection criteria.

The total amount of the contract award was \$151,832; actual costs totaled \$69,125. Effective April 2011, the Peace Corps issued a stop work order for the contract, stating that:

... The agency was not able to effectively utilize the services provided through this contract. These reasons include but are not limited to the several unexpected issues that were not anticipated at the time of the award, such as the media coverage of safety and security concerns, changing the timing of events and the launch of the 50<sup>th</sup> Anniversary, the strategic needs of the agency, etc.

The 50<sup>th</sup> team's original solicitation for this contract stated that the Peace Corps needed a contractor to support earned media efforts surrounding the 50<sup>th</sup> Anniversary. The 50<sup>th</sup> Anniversary plan relied on successful coordinated public relations efforts by the Office of Communications and the contractor. Although the 50<sup>th</sup> program specialist was the COTR overseeing the earned media contract, this contract relied on the Office of Communications to ensure success. After the contract with Burson-Marsteller was cancelled, the 50<sup>th</sup> team and the COTR determined that the agency was able to meet the remaining objectives of the contract through in-house support from the Office of Communications. We believe that better communication and coordination between the 50<sup>th</sup> team and the Office of Communications could have improved the effectiveness of the strategic communications and earned media services (see the "Managing the 50<sup>th</sup> Anniversary Program" finding above), but that the initial need for and subsequent stop work order of the contract was appropriate given the circumstances.

### **Speechwriting Contract**

In September 2010, the Peace Corps contracted with the speechwriting firm West Wing Writers to assist with the implementation of the Peace Corps' communications goals surrounding the 50<sup>th</sup> Anniversary. This included an assortment of speeches given by the Peace Corps Director to a variety of audiences in a range of venues during the 50<sup>th</sup> Anniversary events, and written material for senior leadership, regional offices and posts worldwide to use during 50<sup>th</sup> Anniversary events.

Speechwriting is considered a unique and specialized skill, and the Peace Corps did not have a speechwriter on staff to provide such work. Management believed it was critical to the success of 50<sup>th</sup> Anniversary events that effective speeches were given to convey appropriate information.

We reviewed the speechwriting contract with West Wing Writers and determined that it was properly awarded. We determined the contract was properly authorized, had sound selection criteria, and was awarded based on the selection criteria. The Peace Corps extended the contract to obtain additional speechwriting services to support the 50<sup>th</sup> Anniversary. The total contract value was \$105,000; actual costs were \$104,999.

### **NPCA Cooperative Agreement**

In September 2010 the Peace Corps entered into a noncompetitive cooperative agreement with the NPCA to develop a calendar website for all events related to the 50<sup>th</sup> Anniversary beginning in 2010, and to organize “Around the World Expos” in each of the nine U.S. regions between January 2011 and September 2011. The total value of the agreement was \$398,750, with the 50<sup>th</sup> Anniversary-related work (calendar and expos) valued at \$158,750.<sup>7</sup>

We reviewed the distinction between cooperative agreements and contracts and determined that a cooperative agreement was the appropriate procurement instrument to be used. The Federal Grant and Cooperative Agreement Act of 1977 (31 USC 6303) states that:

An executive agency shall use a cooperative agreement as the legal instrument reflecting a relationship between the United States Government and a State, a local government, or other recipient when –

- (1) the principal purpose of the relationship is to transfer a thing of value to the State, local government, or other recipient to carry out a public purpose of support or stimulation authorized by a law of the United States instead of acquiring (by purchase, lease, or barter) property or services for the direct benefit or use of the United States Government; and
- (2) substantial involvement is expected between the executive agency and the State, local government, or other recipient when carrying out the activity contemplated in the agreement.

The Federal Grant and Cooperative Agreement Act of 1977 expressly states that one of the purposes of the Act is to encourage competition, where deemed appropriate, in the award of cooperative agreements. OMB *Circular No. A-110* encourages cooperative agreements to be conducted in a manner to provide, to the maximum extent practical, open and free competition. Further, the Peace Corps Act (Section 2517) gives the Director broad authority to support and assist RPCV groups:

In order to further the goal of the Peace Corps, as set forth in section 2 of this Act [22 U.S.C. 2501], relating to the promotion of a better understanding of other peoples on the part of the American people, the Director, utilizing the authorities under section 10(a) [22 U.S.C. 2509(a)(1)] of this Act and other provisions of law, shall, as appropriate, encourage, facilitate, and assist activities carried out by former volunteers in furtherance of such goal and the efforts of agencies, organizations, and other individuals to support or assist in former volunteers' carrying out such activities.

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<sup>7</sup> This cooperative agreement also included program objectives related to the Speaker’s Match program and regional RPCV outreach events unrelated to the 50<sup>th</sup> Anniversary.

Management stated that NPCA was selected to provide the services under the cooperative agreement because they viewed NPCA as the umbrella organization to all RPCV groups. Peace Corps management stated that they had considered other RPCV groups for this agreement but believed that NPCA would have the access to the highest number of returned Volunteers. However, management did not provide any documentation to support this or the decision to award the agreement to NPCA.

We reviewed the award process for this cooperative agreement and found that management did not document their sole source justification for the award. The Peace Corps did not have policies or guidance for the use of cooperative agreements and what justification and documentation was necessary for cooperative agreements, specifically when competition was required. Additionally, the contracting officer for the agreement designated a COTR to administer certain aspects of this agreement. The Peace Corps staff member designated as COTR did not have a COTR certification on file and left the agency before the completion of the agreement.

The total amount paid as of the date of this report for the 50<sup>th</sup> Anniversary calendar and Around the World Expos under the cooperative agreement is approximately \$150,059.

*50<sup>th</sup> Anniversary calendar.* NPCA developed and managed a public calendar of all events related to the 50<sup>th</sup> Anniversary posted on an Internet site independent of NPCA's main site ([www.peacecorps50.org](http://www.peacecorps50.org), now inactive). The Peace Corps required that the calendar be searchable by location, date, topic, and event host as well as have a rich media integration of pictures, audio, and video.

As late as June 2011, Peace Corps staff formally expressed concerns that the calendar site was not meeting the terms outlined in the agreement; specifically, that the calendar did not have a rich media integration of pictures, audio, and video. During the fieldwork conducted for this audit we were unable to access and review the functionality of the calendar because the Peace Corps instructed NPCA to take the 50<sup>th</sup> Anniversary calendar offline in accordance with the terms of the agreement. As a result, we were unable to determine whether the functional capabilities of the calendar met the specifications of the cooperative agreement.

We judgmentally selected a sample of eight charges billed for the calendar costs based on expenditure type and amount for further review. We found that charges were supported by invoices and receipts and that all of the costs are allowable under OMB A-122, "Cost Principles for Non-Profit Organizations."<sup>8</sup> Based on this review, we are fairly confident that the sampled charges are reasonable, allowable, and allocable. Because sample items were selected judgmentally, the results of our testing cannot be generalized to all of the charges billed by NPCA under the agreement.

*Around the World Expos.* The 50<sup>th</sup> Anniversary Around the World Expos were designed to serve as a platform to support the Peace Corps' mission and legacy by honoring its past, demonstrating its effectiveness, and inspiring the next generation of Volunteers through education and engagement. The "Around the World" theme was designed as an opportunity for the general public and RPCVs to commemorate places Peace Corps Volunteers have served. Attendees were

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<sup>8</sup> OMB A-122 establishes principles for determining costs of grants, contracts and other agreements with non-profit organizations.

able to hear the first-hand experiences of RPCVs who served in many locations around the world. In addition, Peace Corps staff members were on hand to present and to answer questions about the agency's various recruitment and third goal initiatives.

### **Smithsonian Folklife Festival Interagency Agreement**

The Smithsonian Institution held the 2011 Smithsonian Folklife Festival on the National Mall in June and July of 2011. The Festival attracted an estimated 1,083,686 visitors during its ten days of operation and was attended by members of Congress, tourists from around the world, dignitaries, and policymakers. The Smithsonian Folklife Festival program, “The Peace Corps at Fifty Years,” was intended to increase public understanding and appreciation of the contributions and accomplishments achieved by Peace Corps Volunteers, staff members, and host countries over the last five decades.

*Folklife Festival Costs.* The Smithsonian Institution and the Peace Corps both assumed specific costs for the “Peace Corps at Fifty Years” program, outlined in an interagency agreement. The Peace Corps’ costs under the agreement totaled \$895,236, which included a 4.2 percent administrative overhead cost. Under the terms of the agreement, funds were incrementally prepaid to Smithsonian, and any unspent funds were to be redirected to mutually agreed-upon projects. However, all funds paid to Smithsonian were expended.

The Peace Corps directly paid for an additional \$21,742 in travel expenses for the Festival participants outside of the interagency agreement. When the budget was finalized in June 2010, the Peace Corps had not finalized what countries would be participating, and only had a figure of how many participants would be needed. According to the Peace Corps staff members who worked on the Festival, by the time travel arrangements were finalized in early 2011, a rise in fuel costs had caused ticket prices to increase, and there were unanticipated visa fees. When management became aware of these additional costs, they approached the Smithsonian to revise the agreement; however, they were informed that if it were revised, the agreement would increase the administrative overhead charge from 4.2 percent to 6.5 percent. The Peace Corps made the decision to pay for the additional costs directly because management anticipated that this would be the most cost-and-time-effective option. The Peace Corps' actual costs for the Folklife Festival totaled \$916,978.

### **We recommend:**

8. That the Office of Acquisitions and Contract Management develop policies and procedures for awarding cooperative agreements, including appropriate uses, competition, and required documentation.

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## QUESTIONED COSTS AND FUNDS TO BE PUT TO BETTER USE

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We did not identify any funds to be put to better use. We identified \$10,848 in questioned costs during the course of the audit. Questioned costs are defined as a cost that is questioned by OIG because of:

- an alleged violation of provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds;
- a finding that, at the time of the audit, such cost is not supported by adequate documentation; or
- a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.

### Questioned Costs

Recommendation number	Description	Amount
6	Cost of an event in the United States	\$10,848

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## LIST OF RECOMMENDATIONS

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### **We recommend:**

1. That the Office of the Director retain documentation of the events, including cost information, to use when planning future recruiting and awareness campaigns.
2. That the Office of the Director establish the agency's strategy on fundraising. If the Director decides to include the use of fundraising and donations in the agency's operations, then develop appropriate goals and provide the necessary resources, such as staffing and a donor relations database, needed to accomplish the goals.
3. That Office of Gifts and Grants Management incorporate fundraising standard operating procedures linked to the *Peace Corps Manual* to retain the relevant and appropriate fundraising tools and strategy developed by the contractor for use in future fundraising endeavors.
4. That the Office of the Chief Financial Officer establish and enforce formal guidelines and strengthen training procedures to ensure that all disbursements are allocated to appropriate object class codes. When issuing expenditure guidance for special events, management should also include guidance on how to properly code unfamiliar or seldom-used transactions.
5. That the Office of the Chief Financial Officer develop a process to monitor representation expenses to ensure expenses are properly coded and that the overseas posts are in compliance with Peace Corps policies.
6. That the Office of the Chief Financial Officer allocate the 50<sup>th</sup> Anniversary donations to expenses related to the 50<sup>th</sup> Anniversary including catering costs for the events within the United States.
7. That the Office of the Chief Financial Officer determine whether donated funds were sufficient to cover all entertainment expenses in excess of the appropriation law limitations, and take appropriate action based on the results of that determination.
8. That the Office of Acquisitions and Contract Management develop policies and procedures for awarding cooperative agreements, including appropriate uses, competition, and required documentation.

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## OBJECTIVE, SCOPE, AND METHODOLOGY

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The audit was initially announced in July 2011 and audit work was performed through May 2012. The primary objective of this audit was to evaluate the agency's management of the 50<sup>th</sup> Anniversary commemoration to determine if:

- The program events and activities were in compliance with applicable laws and regulations;
- The program was adequately planned and administered to achieve agency objectives; and
- The expenditures (domestic and international) were legitimate and properly authorized.

In addition, this audit determined an estimate of total costs for the 50<sup>th</sup> Anniversary commemoration.

Our audit conclusions are based on information from three sources: (1) document and data analysis, (2) interviews, and (3) direct observation. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We used the following criteria to develop our findings and conclusions:

- The Peace Corps Act
- The *Peace Corps Manual*
- Appropriation Laws
- *GAO Principles of Federal Appropriations Law* (Red Book)
- The 50<sup>th</sup> Anniversary Program Charter and 50<sup>th</sup> Anniversary Guidance
- *OMB Circular A-123*, "Management's Responsibility for Internal Control"
- *Government Auditing Standards* (issued By GAO)

### Sample Testing

For our testing of payment vouchers, we judgmentally selected a sample of 79 vouchers from the 3,919 total vouchers allocated to the 50<sup>th</sup> program using the 50<sup>th</sup> Anniversary special purpose sponsor code. We selected sample items using professional judgment based on a variety of factors, including the amount and type of expenditure. Since sample items were selected judgmentally, the results of our testing cannot be generalized to the population of 50<sup>th</sup> Anniversary expenditures.

For our testing of reimbursable charges billed under the cooperative agreement with NPCA, we obtained and reviewed a listing of all charges billed for the 50<sup>th</sup> Anniversary calendar and the Around the World Expos. We stratified the data by contracts and sub-sampled those expenses. We used our professional judgment to select a sample of eight charges of calendar costs based on expenditure type and amount for further review. Since sample items were selected judgmentally,

## APPENDIX A

the results of our testing cannot be generalized to all of the charges billed by NPCA under the agreement.

### **Data Limitations**

In general, the data OIG requested was provided in a timely and complete manner by agency personnel, who also assisted OIG throughout the evaluation in answering questions about the data.

The data used in this audit to determine 50<sup>th</sup> Anniversary expenditures was compiled from expenditures coded with the 50<sup>th</sup> Anniversary sponsor code (3103) queried from the Odyssey financial system. If an expenditure was related to the 50<sup>th</sup> program but not coded with the appropriate sponsor code, then our data would not include such transactions. Conversely, if transactions were inappropriately coded as 50<sup>th</sup> Anniversary program transactions, as were the two transactions we identified above, then they would be included in our data.

Additionally, we identified and reported estimates of the actual costs of major events and activities. The expenses were not identified by the event or the activity with which they were associated in the expenditure data, and the 50<sup>th</sup> team did not track event expenses in real time, so there may have been other significant events that we did not specifically report on. Further, a significant amount of expenses were paid for using purchase cards. For these expenses, the purchase card company is the vendor, and therefore we were unable to identify specific event expenses within the expenditure universe database. In instances where we could not use other information to identify the payment voucher and actual amount paid, we used expense information provided by the 50<sup>th</sup> team staff.

### **Limited Procurement Reviews**

When reviewing the contracts, cooperative agreement, and interagency agreement, we performed a limited scope review of major procurement actions. We did not perform a contract file review.



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## LIST OF ACRONYMS

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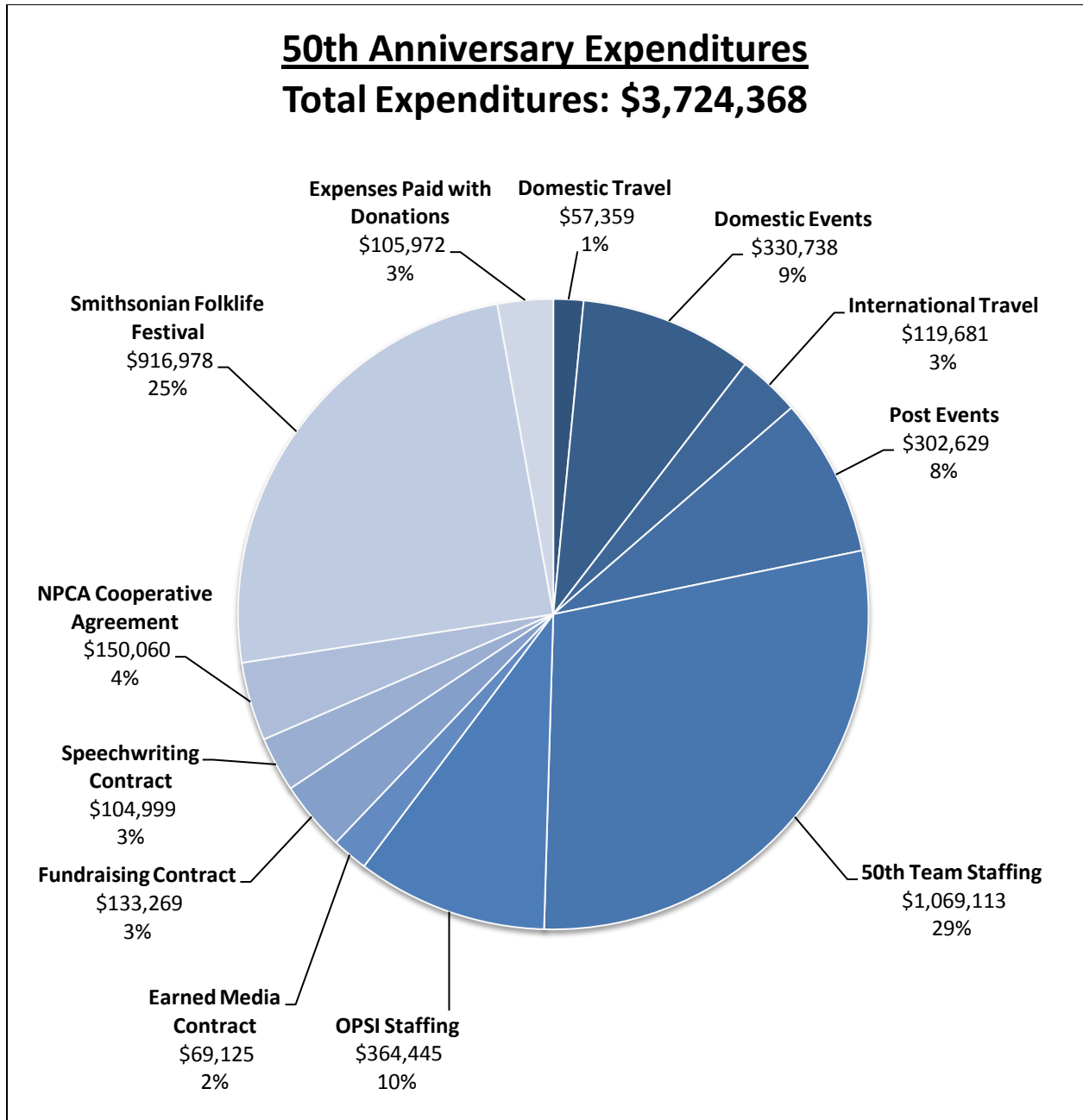
<b>COTR</b>	Contracting Officer's Technical Representative
<b>DMO</b>	Director of Management and Operations
<b>FAR</b>	Federal Acquisition Regulation
<b>FY</b>	Fiscal Year
<b>GAO</b>	Government Accountability Office
<b>HRM</b>	Human Resource Management
<b>MI&amp;E</b>	Meals and Incidental Expenses
<b>MS</b>	<i>Peace Corps Manual</i> section
<b>NPCA</b>	National Peace Corps Association
<b>OGAP</b>	Office of Global Accounts Payable
<b>OGC</b>	Office of General Counsel
<b>OIG</b>	Office of Inspector General
<b>OMB</b>	Office of Management and Budget
<b>OPSI</b>	Office of Private Sector Initiatives
<b>RPCV</b>	Returned Peace Corps Volunteer
<b>RRO</b>	Regional Recruiting Office
<b>USAID</b>	U.S. Agency for International Development

## 50TH ANNIVERSARY COSTS

### Comparison of Budgeted to Actual Costs

Description	Budgeted Cost	Estimated Actual Cost
Domestic Travel	\$45,000	\$57,359
Domestic Events	\$230,000	\$330,738
RRO Events	\$135,000	
Publishing/Printing/IT/Supplies	\$175,700	
<b>Total Domestic:</b>	<b>\$585,700</b>	<b>\$388,097</b>
International Travel	\$100,000	\$119,681
Post Events	\$500,000	\$302,629
<b>Total International:</b>	<b>\$600,000</b>	<b>\$444,052</b>
Staffing - 2009		
Expert Consultant - Reunion Events (Director's Office)		
Project Assistant (OPSI)		
Staffing - 2010		
Expert Consultant – 50 <sup>th</sup> Strategy (Director's Office)	\$145,126	
Project Assistant (OPSI)		
Staffing - 2010 – 50 <sup>th</sup> Anniversary Office	\$726,089	
50 <sup>th</sup> Anniversary Director (new hire)		
Project Manager (Communications-detailed)		
Project Manager (OPSI-detailed)		
Administrative Assistant (new hire)		
Additional Support Staff	\$380,814	
Historian (FP-5)		
Research Assistant (FP-7)		
Contracts Assistant (FP-7)		
Total Staffing		\$1,069,113
Additional OPSI Staff (based on estimated time allocated to the 50th program)		\$364,445
Additional Communications Staff		Unable to Determine
<b>Total Labor - Staffing:</b>	<b>\$1,252,029</b>	<b>\$1,433,558</b>
Earned Media	\$150,000	\$69,125
Fundraising	\$150,000	\$133,269
Speechwriting	\$100,000	\$104,999
Event Management Services	\$100,000	-
NPCA	-	\$150,060
Smithsonian Folklife Festival	\$895,136	\$916,978
<b>Total Contracts:</b>	<b>\$1,395,136</b>	<b>\$1,352,689</b>
<b>Total Paid with Donations</b>		<b>\$105,972</b>
<b>TOTAL:</b>	<b>\$3,832,865</b>	<b>\$3,724,368</b>

Source: OIG analysis of expenditure data provided by OGAP



Source: *OIG analysis of expenditure data provided by OGAP*

## MAJOR TRAVEL COSTS, BY EVENT

We estimated the costs of the following 50<sup>th</sup> Anniversary events that had a significant number of travel participants associated with them.

Date	Event	Event Description	Location	Number of Travelers	Estimated Travel Costs (airfare + MI&E <sup>9</sup> )
<b>October 12, 2010</b>	50 Years of the Peace Corps: Answering President Kennedy's Call to Service	Peace Corps Director Aaron S. Williams commemorated the 50 <sup>th</sup> Anniversary by participating in a panel discussion at Harvard University.	Boston, MA	6	\$4,640
<b>October 13-16, 2010</b>	National Symposium: The Future of International Service	Director Williams and other Peace Corps notables joined the University of Michigan in commemorating the 1960 campaign speech by then-Sen. John F. Kennedy, which led to the agency's creation.	Ann Arbor, MI	8	\$8,129
<b>March 5, 2011</b>	Kennedy Service Awards Ceremony and Commemoration	Held at John F. Kennedy Presidential Library and Museum	Boston, MA	14	\$12,789
<b>March 17, 2011</b>	The Early Years of the Peace Corps	A panel discussion at the National Archives in Washington, D.C. Panelists discussed the creation and early history of the Peace Corps.	Washington, D.C.	3	\$780
<b>April 1, 2011</b>	Bringing Service Home	Director Williams and other leaders of service organizations participated in Peace Corps' 50 <sup>th</sup> Anniversary events at Teachers College-Columbia University. Teachers College is the founding member of Peace Corps' Paul D. Coverdell	New York, NY	3	\$2,017

<sup>9</sup> Meals and Incidental Expenses

## APPENDIX D

Fellows Program.					
<b>May 18, 2011</b>	Lillian Carter Awards <sup>10</sup>	This ceremony recognized an outstanding senior returned Peace Corps Volunteer at The Carter Center in Atlanta, Ga.	Atlanta, GA	3	\$1,629
<b>June 16, 2011</b>	PC/Tanzania 50 <sup>th</sup> Anniversary Commemoration <sup>11</sup>	The post commemorated the 50 <sup>th</sup> Anniversary with a visit from Director Williams who, along with staff, Volunteers, and other special guests, attended a reception at the U.S. Embassy.	Dar es Salam, Tanzania	3	\$28,909
<b>September 6, 2011</b>	Peace Corps Baseball Night at Yankee Stadium	Peace Corps staff members and RPCVs raised awareness of the 50 <sup>th</sup> Anniversary during a baseball game at Yankee Stadium .	New York, NY	5	\$4,465
<b>November 1, 2011</b>	USAID/PC 50 <sup>th</sup> Anniversary High-level Reception and 50 <sup>th</sup> Anniversary Commemoration at Mall of Asia	An event in the Philippines, one of the Peace Corps' first host countries, to commemorate the efforts of Volunteers, staff, and citizens.	Manila, Philippines	4	\$26,963
<b>December 5, 2011</b>	Donor Cultivation Event <sup>12</sup>	A private fundraising effort targeted toward individual donors.	New York, NY	3	\$811

<sup>10</sup> The John F. Kennedy awards occur on a five year basis and the Lillian Carter awards occur on a two year basis. These occurrences of these events were included in the 50<sup>th</sup> Anniversary commemorations.

<sup>11</sup> We reviewed the Director's travel voucher in the sample of payment vouchers we reviewed. We noted that the Director traveled business class for airfare expenses and reviewed the justification documentation for business class travel. We found the business class travel for this trip to be justified in accordance with statutory requirements and the Peace Corps policy.

<sup>12</sup> According to the Director of OPSI, donor cultivation events were scheduled with previously planned events since travel funds were limited.

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## MANAGEMENT'S RESPONSE TO THE PRELIMINARY REPORT

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Since 1961.

**MEMORANDUM**

**To:** Kathy Buller, Inspector General

**Through:** Daljit K. Bains, Chief Compliance Officer *Daljit K. Bains*

**From:** *for* Carrie Hessler-Radcliff, Acting Peace Corps Director *CH*

**Date:** October 12, 2012

**CC:** Stacy Rhodes, Chief of Staff  
Joaquin Ferrao, Deputy Inspector General  
Kathy Rulon, Senior Advisor to the Chief of Staff  
Joe Hepp, Chief Financial Officer  
Lisa Bilder, Chief Acquisition Officer  
Garry Stanberry, Deputy Associate Director, Management

**Subject:** Agency Response to the OIG Preliminary Audit Report: The Peace Corps 50<sup>th</sup> Anniversary Program

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Enclosed please find the agency's response to the recommendations of the Inspector General which are contained in the Preliminary Report of the Audit of the Peace Corps' 50<sup>th</sup> Anniversary Program (the Preliminary Report) sent to the Agency on August 22, 2012. The Agency concurs with all eight recommendations and will work to implement the recommendations in an expeditious and timely manner.

The agency appreciates the time, dedication and collaboration extended by the OIG and specifically of the auditors in this review. Additionally, the information contained herein will provide the historical context necessary for the planning of future commemorative events.

With that purpose in mind, the agency would like to provide additional information and request clarification on two specific areas; budget development and tracking, travel and the tracking of staff time.

## APPENDIX E

### **Budget:**

#### **Budget Development:**

The budget developed by the 50<sup>th</sup> team was one of the initial tasks completed by the 50<sup>th</sup> Office. This was not the approved operational budget for the 50<sup>th</sup> program, but was used as a starting point for discussions within the agency to get a sense at the onset of planning, of the potential scope of the 50<sup>th</sup> program.

As the 50<sup>th</sup> Anniversary Office was a newly established (and temporary) office, it was not included in the agency's regular operational budget and it was instead funded through a series of request for agency resources (RARs). The final funding levels for the 50<sup>th</sup> anniversary therefore consisted of all of the approved RARs. The table below lists each RAR, along with totals for each fiscal year and for the 50<sup>th</sup> anniversary program as a whole. RARs were submitted and funded for a total of \$3,754,169, thus constituting the resources available for the commemoration of the 50<sup>th</sup> Anniversary.

Please see the following table outlining the series of RARs and the dates of approval:

Table 1. 50<sup>th</sup> Anniversary Budget

<b>RAR DATE</b>	<b>FY10</b>	<b>FY11</b>	<b>FY12</b>	<b>RAR TOTAL</b>
Sept. 8, 2009	\$54,107	\$54,107		\$108,214
Dec. 23, 2009	\$26,912			\$26,912
May 5, 2010	\$654,853	\$433,660	\$109,576	\$1,198,089
May 25, 2010	\$876,252			\$876,252
Aug. 23, 2010		\$158,750		\$158,750
Oct. 29, 2010		\$275,000		\$275,000
Dec. 7, 2010		\$1,063,714	\$47,238	\$1,110,952
<b>TOTALS</b>	<b>\$1,612,124</b>	<b>\$1,985,231</b>	<b>\$156,814</b>	<b>\$3,754,169</b>

#### **Budget Tracking:**

Throughout the report it is stated that the 50<sup>th</sup> team did not track expenses. Expenses were tracked, however by the Office of the Chief Financial Officer and the Administrative Officer in the Office of the Director.

#### **Travel**

The travel costs identified in the Preliminary Report and as referenced in Appendix C do not match the RARs that were approved by the Agency for 50<sup>th</sup> related travel. The Preliminary Report states that \$145,000 was budgeted for travel and that spending on travel totaled \$198,781 or 37% above the budgeted amount. However, the RAR<sup>1</sup> that included travel costs that was approved by the Director in December 2010 actually totaled \$230,000, consisting of \$130,000 for domestic travel and \$100,000 for international travel.

In Appendix C, the amounts for international and domestic travel total, \$198,782 whereas the amounts for international and domestic travel on the chart in Appendix C total \$177,040. It is unclear what the difference is between the two totals.

<sup>1</sup> See Agency submissions at Tab 3, request for Agency Resources dated Dec. 7, 2010.



## APPENDIX E

The Preliminary Report explains the travel costs in two different sections, pg 17 Chart 3 and pg. 29 Appendix C chart but it is unclear what information is being used for the travel totals as the totals mentioned above do not match.

The specific documentation used to arrive at the budget categories and travel costs illustrated on the pie chart on page 17 is also unclear. It appears that some costs may have been counted twice; specifically in the category "Volunteer and Trainee In-Country travel." Based on the category title, the only travel that would have been counted in this category would have been for V/Ts for post commemorations or for in country travel for V/Ts for preparation for the Folklife Festival. These funds would have been accounted for in post costs and would not have impacted the funds allocated to the 50<sup>th</sup> team for international travel. Similarly, the funds for Folklife Festival participants would have been accounted for in the Folklife Festival total costs (\$916,978).

### **The Tracking of Staff Time**

#### **Staff Time**

The Preliminary Report states that the 50<sup>th</sup> team did not budget for or track the costs of all employee time, outside the time expended by the 50<sup>th</sup> team, which was devoted in some part to the 50<sup>th</sup> anniversary events.

However, there is not any current agency policy for staff to track time on a project by project basis as also stated in the report. It is a reality and an expectation of the agency that staff work on a variety of issues, projects, and activities and are expected to perform "other duties as necessary", a requirement generally reflected in the agency's position descriptions.

Please note, however, as a result of an OIG recommendation in the 2012 audit report of the Budget Formulation Process, the agency is in the process of determining whether a timekeeping system which would capture activity time in meaningful daily or other increments will meet the needs of the agency in terms of efficiency, cost and effectiveness.

Thereby, the agency requests that any determination that is made as a result of that review process be the basis for determining which projects will be tracked by the agency for those types of costs and not assess individual programs against a standard that the agency has not yet established.

#### **Folklife Festival Time**

The Preliminary Report states that the 50<sup>th</sup> team did not track time spent by Agency staff at the Smithsonian Folklife Festival. The agency authorized staff to participate in the Folklife Festival through the Employee Volunteer Program which authorizes any employee to use up to 52 hours of administrative leave each year to volunteer in a manner consistent with the program as described in MS 636.

Contained within MS 636, any agency employee may request time off charged to administrative leave for the purpose of serving in a voluntary capacity to an organization of the employee's choice as long as the activity meets with the requirements stated in MS 636 as the basis for authorizing use of administrative leave. One such basis in MS 636 is to engage in activities that promote the Peace Corps mission or that promote a better understanding of other peoples on the part of Americans. The agency does not agree that it would have been appropriate to track that time as "official time" since staff were authorized to use administrative leave or EVP through an official agency policy.



## APPENDIX E

### **Recommendation 1:**

**That the Office of the Director retain documentation of the events, including cost information, to use when planning future recruiting and awareness campaigns.**

### **Concur:**

The Office of the Director will work with the agency's Records Management Officer, in accordance with MS 892, to retain documentation of the events, including cost information, so that agency employees can use the information contained therein to provide context and background for planning future agency events and campaigns. The Director's Office will appropriately organize and label the boxes, and transfers the records to the Federal Records Center as instructed by the Peace Corps Records Management Officer.

### **Documents to be Submitted:**

- *Guide to Peace Corps Records Schedules (Headquarters)* [found at: [http://inside.peacecorps.gov/index.cfm?viewDocument?viewDocument&document\\_id=34517&doctype=pdf](http://inside.peacecorps.gov/index.cfm?viewDocument?viewDocument&document_id=34517&doctype=pdf)]
- *Guide to Storing Records* [[http://inside.peacecorps.gov/index.cfm?viewDocument?viewDocument&document\\_id=24860&doctype=pdf](http://inside.peacecorps.gov/index.cfm?viewDocument?viewDocument&document_id=24860&doctype=pdf)]

### **Status and Timeline for Completion:**

Quarter 2, FY13

### **Recommendation 2:**

**That the Office of the Director establish the agency's strategy on fundraising. If the Director decides to include the use of fundraising and donations in the agency's operations, then develop appropriate goals and provide the necessary resources, such as staffing and a donor relations database, needed to accomplish the goals.**

### **Concur:**

OSP has developed a five-year fundraising strategic plan targeting private sector funders. This fundraising plan focuses on a priority global program which is clearly linked to a defined funding need and funding goal. The proposed fundraising strategy has built-in options enabling the agency to adjust activities upwards or downwards, as appropriate, based on available staff and funding resources. Any goals will be appropriately captured in agreements with partners.

The agency has acquired a Customer Relationship Management (CRM) donor database. GGM is in the process of migrating data, testing the system, and making modifications, as needed. The office of the CIO expects to integrate the CRM with Odyssey, the agency's financial system, in 2013-2014 for full functionality of the database.

### **Documents to be Submitted:**

- Agency Fundraising Plan
- Decision memo to the Director

### **Status and Timeline for Completion:**

## APPENDIX E

The strategic plan is currently being circulated for inter-office clearance en route to the Director's office for official approval and/or amendment. OSP aims to secure Director-level signed authorization within the October-December 2012 period.

### **Recommendation 3:**

**That Office of Gifts and Grants Management incorporate fundraising standard operating procedures linked to the *Peace Corps Manual* to retain the relevant and appropriate fundraising tools and strategy developed by the contractor for use in future fundraising endeavors.**

### **Concur:**

GGM has developed some procedures to be linked to the Peace Corps Manual sections 720 and 721 which will help the agency standardize its Director-approved fundraising operations. To date, these procedures address: a) vetting and due diligence guidance to assess any potential conflict of interest and other key factors to assess prospective donors; b) use of funds guidance to define the management of donated funds (i.e. authorization documents, decision-making process); c) use of agency online donation page to establish a uniform donation landing page and continued use of donor recognition items as an incentive to give and raise awareness about the agency; and d) template for donor profile to ensure uniform collection of donor information.

### **Documents to be Submitted:**

- Due diligence guidance and decision memo
- Use of funds guidance and decision memo
- Use of agency donation page and donor recognition items memo
- Donor profile template

### **Status and Timeline for Completion:**

The decision memos listed above will be submitted for Director-level approval via inter-office clearance. GGM aims to secure this authorization within the October-December 2012 period.

### **Recommendation 4:**

**That the Office of the Chief Financial Officer establish and enforce formal guidelines and strengthen training procedures to ensure that all disbursements are allocated to appropriate object class codes. When issuing expenditure guidance for special events, management should also include guidance on how to properly code unfamiliar or seldom-used transactions.**

### **Concur:**

OCFO will continue to emphasize the importance of proper allocation of all disbursements through strengthened trainings at conferences and at Overseas Staff Training (OST). For future special events, OCFO will work with management to issue appropriate guidelines for properly coding transactions related to these rare events.

### **Documents to be Submitted:**

FY 13 Fiscal Coding Handbook

## APPENDIX E

**Status and Timeline for Completion:** OCFO representatives have attended and conducted training at the Africa DMO conference in August 2012 and will present at the EMA DMO and IAP DMO Conferences in October 2012. In October 2012, OCFO will release the FY13 Fiscal Coding Handbook with additional guidance on proper fiscal coding.

**Recommendation 5:**

**That the Office of the Chief Financial Officer develop a process to monitor representation expenses to ensure expenses are properly coded and that the overseas posts are in compliance with Peace Corps policies.**

**Concur:**

OCFO will continue to closely monitor representational expenses as invoices and payment requests are received through Global Accounts Payable. OCFO will quarterly produce reports on representation spending by posts that will be provided to region CAOs and CFO/GAP FMOs.

**Documents to be Submitted:** Copy of quarterly post representation spending report.

**Status and Timeline for Completion:**

Feb 2013

**Recommendation 6:**

**That the Office of the Chief Financial Officer allocate the 50th Anniversary donations to expenses related to the 50th Anniversary including catering costs for the events within the United States.**

**Concur:**

OCFO completed the allocation of the 50<sup>th</sup> Anniversary donations to the 50<sup>th</sup> Anniversary expenses including catering costs for events within the United States.

**Documents Submitted:**

- Email chain outlining the completion of steps to move itemized expenses from appropriated to donated funds.
- Email chain outlining the completion of steps to complete a mass allocation of expenses from appropriated to donated funds.
- Copy of Budgeted Funds Used Report showing the movement of appropriated expenses to 50<sup>th</sup> Anniversary donated funds.

**Status and Timeline for Completion:** Allocation of the 50<sup>th</sup> Anniversary donations to the 50<sup>th</sup> Anniversary expenses including catering costs for events within the United States was completed in June 2012.

**Recommendation 7:**

**That the Office of the Chief Financial Officer determine whether donated funds were sufficient to cover all entertainment expenses in excess of the appropriation law limitations, and take appropriate action based on the results of that determination.**

**Concur:**

## APPENDIX E

OCFO has determined that donated funds were sufficient to cover all entertainment expenses incurred during the 50<sup>th</sup> Anniversary events and entertainment expenses were not in excess of appropriation law limitations. OCFO allocated donated resources to cover the entertainment expenses, particularly catering for events within the United States, in June 2012.

### **Documents Submitted:**

- Email chain outlining the completion of steps to move itemized expenses from appropriated to donated funds.
- Email chain outlining the completion of steps to complete a mass allocation of expenses from appropriated to donated funds.
- Copy of Budgeted Funds Used Report showing the movement of appropriated expenses to 50<sup>th</sup> Anniversary donated funds.

**Status and Timeline for Completion:** Allocation of the 50<sup>th</sup> Anniversary donations to the 50<sup>th</sup> Anniversary entertainment expenses including catering costs for events within the United States was completed in June 2012.

### **Recommendation 8:**

**That the Office of Acquisitions and Contract Management develop policies and procedures for awarding cooperative agreements, including appropriate uses, competition, and required documentation.**

### **Concur:**

The Office of Acquisitions and Contract Management will create a new manual section for awarding cooperative agreements.

### **Documents to be Submitted:**

- New Manual Section 735: Grants and Cooperative Agreements to Non-Governmental Organizations

### **Status and Timeline for Completion:**

February 2013

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## OIG COMMENTS

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Of the eight recommendations made in our report, Peace Corps management concurred with all eight recommendations. Management described actions they are taking or intend to take to address the issues that prompted each of our recommendations. In our opinion Peace Corps management's comments were generally responsive. Management's corrective actions are ongoing and as a result none of the eight recommendations can be closed at this time.

We wish to note that when we close recommendations, we are not certifying that the agency has taken these actions, nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact. The recommendations will remain open pending confirmation that sufficient evidence has been received that appropriate corrective actions have been taken to remediate the deficient conditions found.

### **Comments to the Additional Information**

In their response, management provided additional information and requested clarification on two specific areas. We appreciate the agency providing clarification on the final funding levels, travel costs, and staff time policies. However, we disagree with some of the additional comments provided by the agency.

We wish to clarify that the purpose of our audit was not to provide the agency with a historical document for the agency to use to plan future events. The purpose of our audit was to determine whether the Peace Corps' 50<sup>th</sup> team was effective in formulating and executing an appropriate budget; complied with applicable federal laws, regulations, and Peace Corps policy; and had sufficient internal control over expenditures. In addition, this audit determined an estimate of total costs for the 50<sup>th</sup> Anniversary commemoration because the agency had not provided the total cost of the program. Notably, the agency's internal report to the Director for the 50<sup>th</sup> Anniversary commemoration did not include any actual cost data for the program.

We agree with the agency that the 50<sup>th</sup> Anniversary office was established and funded through a series of requests for agency resources and not through the formal process of establishing an office, its mission, objectives, and functions defined through the *Peace Corps Manual* and provided funding for through the agency's regular operational budget. This presented a series of challenges during our audit.

The agency notes that the Office of the Chief Financial Officer and the administrative officer tracked expenses. We do not disagree. While the data may have been available, our report identifies the lack of coordination and communication between the 50<sup>th</sup> team and other offices as a weakness. The 50<sup>th</sup> team was not utilizing cost data to monitor spending against the plan that it had developed and could not provide us with the total accounting of costs for the program.

## APPENDIX F

Because the 50<sup>th</sup> team did not use the same cost categories in their budget as the agency uses for expenditure data (i.e., object class codes), this impacted the way information was presented in Appendix C. The agency also questioned whether certain categories were counted twice in the charts of Appendix C. We used the agency's object class codes and the 50<sup>th</sup> Anniversary sponsor code to categorize the expenses and therefore did not double count expenses. However, our findings did identify miscoding as an issue. Our charts used the agency's data and would include similar miscoding. We have considered the agency's comments and clarified some of the graphics used in the report.

We appreciate that the agency is in the process of reviewing the use of tracking time to projects and the cost benefits associated with different solutions. In order to quantify total resources devoted to the 50<sup>th</sup> Anniversary we attempted to estimate the time and labor costs for individuals that devoted a significant amount of time to the 50<sup>th</sup> Anniversary.

Similarly, we noted that to quantify the total financial impact of the 50<sup>th</sup> Anniversary the agency would need to include the cost associated with the three hours of administrative leave and may also want to consider the impact of encouraging staff to use the Employee Volunteer Program to serve at the Smithsonian Festival. In our experience, tracking and quantifying such data is valuable for management to gain a greater understanding all aspects of a program and for making future decisions.

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## AUDIT COMPLETION AND OIG CONTACT

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### AUDIT COMPLETION

Hal Nanavati, Lead Auditor and Gabrielle Perret, Senior Auditor, performed the audit of the Peace Corps' management of the 50<sup>th</sup> Anniversary Program.



Bradley Grubb  
Assistant Inspector General for Audit

### OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please e-mail Assistant Inspector General for Audit Bradley Grubb, at [bgrubb@peacecorps.gov](mailto:bgrubb@peacecorps.gov), or call him at (202) 692-2914.



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Mail: Peace Corps Office of Inspector General  
P.O. Box 57129  
Washington, D.C. 20037-7129

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