



The Peace Corps
Performance and
Accountability Report
Fiscal Year 2012



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November 15, 2012

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This report is available at www.peacecorps.gov/docs.
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or to the Peace Corps mailing address above.



Where Peace Corps Volunteers Serve

The Caribbean (IAP)

- Dominican Republic
- Eastern Caribbean:
- Antigua/Barbuda
- Dominica
- Grenada/Carriacou
- St. Kitts/Nevis
- St. Lucia
- St. Vincent/Grenadines
- Jamaica

North Africa and The Middle East (EMA)

- Jordan
- Morocco
- Tunisia

Latin America (IAP)

- Belize
- Colombia
- Costa Rica
- Ecuador
- El Salvador
- Guatemala
- Guyana
- Honduras
- Mexico
- Nicaragua
- Panama
- Paraguay
- Peru
- Suriname

Africa

- Benin
- Botswana
- Burkina Faso
- Cameroun
- Cape Verde
- Ethiopia
- Ghana
- Guinea
- Kenya
- Lesotho
- Liberia
- Madagascar
- Malawi
- Mali
- Mozambique
- Namibia
- Niger
- Rwanda
- Senegal
- Sierra Leone
- South Africa
- Swaziland
- Tanzania
- The Gambia
- Togo
- Uganda
- Zambia

Eastern Europe/ Central Asia (EMA)

- Albania
- Armenia
- Azerbaijan
- Bulgaria
- Georgia
- Kyrgyz Republic
- Macedonia
- Moldova
- Mongolia
- Romania
- Turkmenistan
- Ukraine

Asia (EMA)

- Cambodia
- China
- Indonesia
- Nepal
- Philippines
- Thailand

Pacific Islands (IAP)

- Federated States of Micronesia, and Palau
- Fiji
- Samoa
- Tonga
- Vanuatu

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An Education Volunteer (center) works on a community garden in Ghana.

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

I am pleased to present the FY 2012 Performance and Accountability Report of the Peace Corps on behalf of the Volunteers and staff serving around the world. This report presents the agency's financial and performance results, demonstrates its accountability, and provides progress on its key goals so the President, members of Congress, and the American people can assess the agency's operational effectiveness.

The Peace Corps was established in 1961 by then-President John F. Kennedy with a mission to promote world peace and friendship. Since that time, more than 210,000 Americans have served in 139 countries across the world. Volunteers accomplish that mission through the three core goals that first constituted—and which remain—the foundation of the agency:

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

At the end of the fiscal year, 8,073 Volunteers were serving in 76 countries promoting grassroots development and cross-cultural exchange. Volunteers work with partners in host communities to build local capacity and increase their understanding of Americans. The Peace Corps is the largest service delivery model of its kind—combining sustainable development with cross-cultural bridge building.

While the mission and core goals have remained the same for more than 50 years, today's Peace Corps is a dynamic development organization, highly responsive to the evolving needs of the developing countries where it operates. Using its Country Portfolio Review tool, the Peace Corps is using data to ensure that it allocates its resources among countries in the most effective manner possible in order to maximize impact. In FY 2012, the Peace Corps re-entered two countries—Tunisia and Nepal—and programs in those countries will be fully operational in FY 2013. The agency will increase the number of Volunteers in Africa and graduate (close) programs in Bulgaria, Romania, Cape Verde, Antigua/Barbuda, and St. Kitts/Nevis in FY 2013. In addition, posts were permanently closed in Bolivia, Mauritania, and Kazakhstan, and operations in Turkmenistan and Suriname will be phased out in FY 2013. Finally, posts were temporarily suspended in Honduras, Mali, and Niger due to security issues.

The highest priority of the agency remains the health and safety of our Volunteers. The Kate Puzey Peace Corps Volunteer Protection Act of 2011, P.L. 112-57, was enacted on November 21, 2011, and the agency has made considerable progress in implementing the new law. The act, in part, codified the reforms put into place over the past few years to ensure the safety, security, and support of Volunteers, including updating training for staff and Volunteers, establishing an external panel of national experts on sexual assault, hiring a nationally recognized Victim Advocate, and establishing procedures to ensure that allegations made by Volunteers are handled confidentially and appropriately. New safety and security training was conducted by 92 percent of posts in FY 2012 and sessions are planned for the remaining posts in FY 2013.

The work of the Volunteer is at the heart of the Peace Corps mission. The agency continues to improve Volunteer training and program support through the Focus In/Train Up strategy begun in FY 2011. The strategy is designed to give Volunteers the skills and experience they need to assist their communities in implementing those projects that have proved to be most effective at achieving development results. Monitoring and evaluation is another critical part of the Focus In/Train Up strategy.

As part of this strategy, the Peace Corps has become an active partner in a number of whole-of-government initiatives, including the President's Emergency Plan for AIDS Relief (PEPFAR), the Global Health Initiative, the President's Malaria Initiative, and Feed the Future. Through these partnerships, Volunteers are able to maximize the impact of U.S. government development investments in their communities and to ensure that those projects are implemented effectively, owned by the community, and sustained over time.

Agency operations were improved in FY 2012, enhancing efficiency and achieving cost savings in several areas. The renovation of the headquarters building was completed in March of this year and is expected to save \$1.2 million per year. Additional savings will be realized through the consolidation of the Boston regional recruitment office into the New York City office. The new automated Volunteer application and medical processing systems went live in August, a major milestone in the redesign of the Volunteer Delivery System. This moves the agency from a paper-based process to an automated process. The property accountability system deployed in late FY 2011 worked toward centrally collecting the headquarters' and the posts' \$35 million Property, Plant, and Equipment assets, although accountability issues still remain. Despite progress in systems implementation, the agency continues work toward fully satisfying the management and performance challenges set forth by the Inspector General.

Recent reforms are rooted in the Comprehensive Agency Assessment (www.peacecorps.gov/open/evaluations) which was completed in 2010 and laid the foundation for strengthening and reforming the Peace Corps. The FY 2012 annual performance plan incorporates the strategies of the assessment and other agency priorities into an aggressive new blueprint for reform. New indicators in the performance plan relate to the safety and security of Volunteers, the annual Country Portfolio Review, site selection and development, monitoring and evaluation, and strategic partnerships. The agency manages performance through formal quarterly strategic plan performance review sessions where senior leadership and managers review progress on goals at the strategic and operational levels.

Several performance goals were met in FY 2012, notably, ensuring effective training for Volunteers, recruiting Volunteers that balance the needs of host countries with the available applicants, and managing Peace Corps resources effectively. While some goals were not met, partially due to the use of stretch targets to encourage high performance, several saw improvement in FY 2012, including enhancing the safety and security of Volunteers and providing Volunteers with quality medical and mental health services. Moving forward, the agency will seek to improve its performance towards those goals where adequate progress was not made in FY 2012, such as increasing the effectiveness of skills transfer to host country individuals and managing Volunteer recruitment and selection functions effectively and efficiently.

Independent external auditors rendered an unqualified (clean) audit opinion on the financial statements of the Peace Corps for the sixth consecutive year. There were no material weaknesses identified either by the auditors or through internal managerial reviews, and there were no instances of noncompliance with laws and regulations identified. The Federal Managers' Financial Integrity Act unqualified management assurance statement is in the Management's Discussion and Analysis Section.

The prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting was earned by the agency for the fifth consecutive year for its FY 2011 Performance and Accountability Report. Additionally, the agency received its first-ever Best in Class award for its description of agency activities.

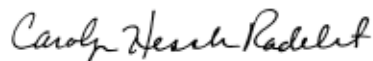
Financial and performance data presented in this report are complete and reliable through the continuing efforts of the dedicated and highly skilled financial management and performance staff members.

Financial management improvements implemented during FY 2012 and planned future improvements are shown in the Message from the Chief Financial Officer in the Financial Section.

The work that our Volunteers carry out every day of the year is remarkable—from the girls' leadership camp organized by a Volunteer in Botswana where 30 girls aged 14 to 16 developed critical leadership and life skills to the Volunteer in Mongolia who worked with her community to open a nursing training center and lab in the local hospital which will serve as a training facility for 135 nurses to learn new nursing skills and improve current practices. Volunteers empower local people to take charge of their own futures and strengthen the bonds of understanding between the people of other cultures and the American people.

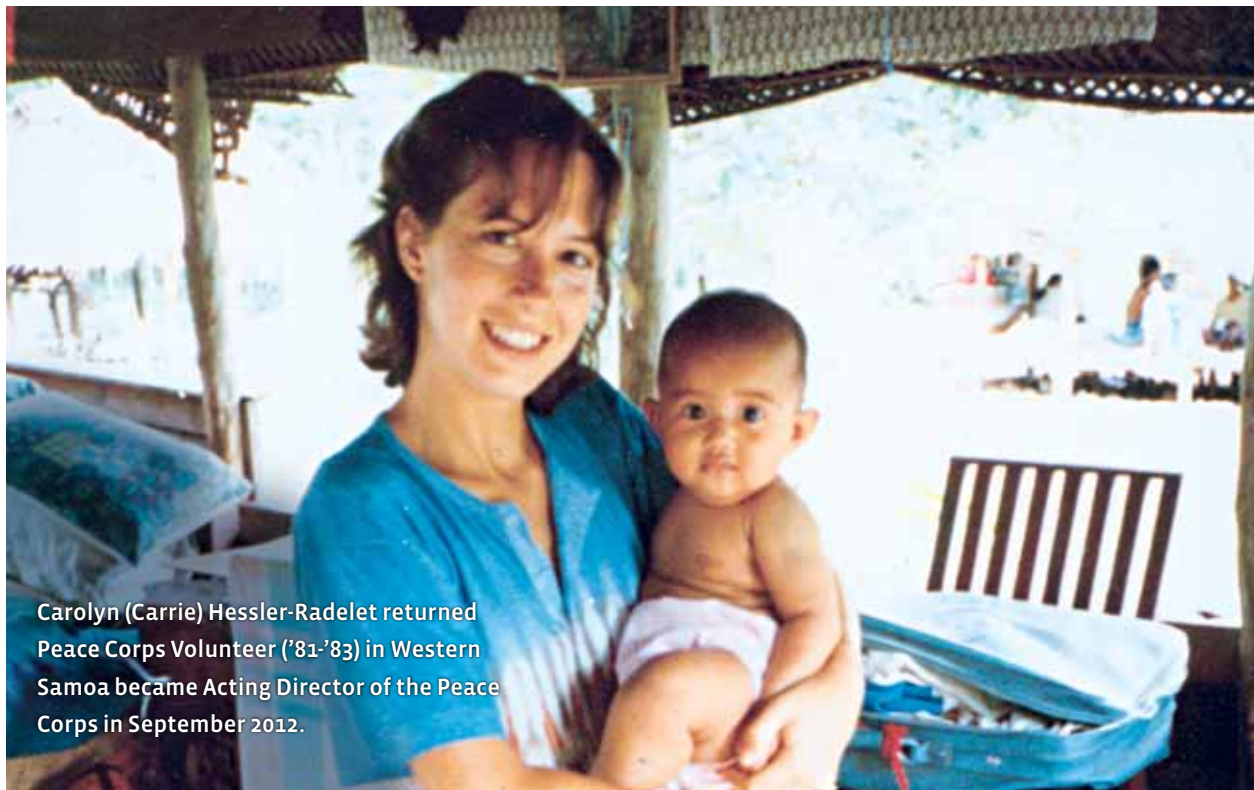
In our inter-connected world, Peace Corps' people-to-people approach to development is needed now more than ever. The Peace Corps helps build the capacity of our host countries to address issues of poverty, lack of opportunity, and gender inequality by working at the community level—the last ten miles where most development agencies rarely reach. Peace Corps Volunteers nurture the leaders of tomorrow, ensuring that they feel a connection to the United States, that they share our values and have a desire to actively engage with our country and the world. By helping other nations build the foundations of peace, prosperity, and stability at the community level, the Peace Corps is helping to ensure American leadership and security.

Sincerely,



Carolyn Hessler-Radelet, Acting Director

November 15, 2012



Carolyn (Carrie) Hessler-Radelet returned Peace Corps Volunteer ('81-'83) in Western Samoa became Acting Director of the Peace Corps in September 2012.

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An Agriculture Volunteer (right) helps a local group of farmers improve their crops with eco-friendly insecticide techniques, composting, and herb gardening.

Mission and Overview

The Peace Corps was launched in 1961 as an entirely new kind of development organization. Its mission was to promote world peace and friendship by sharing America's most precious resource—its people. The Peace Corps of today still maintains that ambitious mission and people-to-people approach to development while addressing the new challenges of the 21st century.

History

In 1960, then-Sen. John F. Kennedy challenged students at a late-night campaign stop at the University of Michigan to serve their country in the cause of peace by living and working in developing countries. The response was extraordinary. Thousands of students submitted letters and petitions to the campaign offering their service. The Peace Corps grew from that inspiration into a movement promoting a mission of peace and friendship across the world.

President Kennedy signed the executive order creating the Peace Corps on March 1, 1961, shortly after taking office. He appointed Sargent Shriver as the first Director of the Peace Corps with the challenge of translating the idea of the Peace Corps into a legitimate development agency. By the end of the year, over 500 Peace Corps Volunteers were serving in Chile, Colombia, Ghana, India, Nigeria, Pakistan, the Philippines, Tanganyika (Tanzania), and St. Lucia—setting the foundation for a tradition of service that continues today.

The Peace Corps was a revolutionary idea in 1961—an alternative to contemporary approaches to promoting peace and advancing development. In a speech to the American Red Cross, Shriver noted:

“Guns won't change the world... Dollar bills won't change the world. Nor will simple goodwill. What can change the world today is the same thing that has changed it in the past—an idea and the service of dedicated, committed individuals to that idea... The Peace Corps is a group of men and women dedicated to an idea.”

As Director of the Peace Corps, Shriver placed the words, “If they mean to have peace, let it begin here,” in the agency's first headquarters building, embodying the spirit of the new movement for peace. Earlier this year, then-Director Aaron S. Williams brought those words back to the entrance of the Peace Corps headquarters, and with them, the Peace Corps recommitted itself to the values that first shaped the agency over 50 years ago. The Peace Corps of the 21st century holds true to the practical idealism of its founders while responding to the realities of today.

Mission and Core Goals

The Peace Corps mission and three core goals have endured since the agency's founding, a testament to their relevance and the ongoing need for the Peace Corps. The mission is achieved through three core goals:

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

The Peace Corps accomplishes its mission by sending Volunteers to share their skills and experience with local communities in developing countries that have requested technical assistance. Since 1961, more than 210,000

Volunteers have answered President Kennedy's call to service by living and working with local people in 139 countries.

Volunteers work at the grassroots level and ensure the sustainability of their efforts by transferring their skills to their host country partners. They also build life-long friendships with local people, promoting a better understanding of Americans. When they return home, Volunteers bring back unique stories of languages learned, cultures embraced, and friends made. In sharing their stories with friends, family, and the American public, they help to increase Americans' understanding of other peoples and global issues.



“If they mean to have peace, let it begin here.”

—Sargent Shriver, the founding Director of the Peace Corps, talking with President Kennedy

Organizational Structure

To provide support for Volunteers in their efforts to achieve the Peace Corps mission, the agency is organized into two primary areas: overseas posts and headquarters offices.

Posts are staffed by both American and host country national professionals who oversee Volunteer activities and address the unique needs of Volunteers while they serve in local communities, often under hardship conditions.

In FY 2012, the Peace Corps had active programs in 76 countries that were administered through 70 overseas posts. Some posts manage programs in multiple countries in their vicinity to achieve cost savings in staffing and infrastructure while still providing a high level of Volunteer support. Each post is managed by a country director and supported by safety and security, medical, programming, financial, training, and administrative staff. Posts are organized into three regions: Africa; Europe, Mediterranean, and Asia; and Inter-America and Pacific. Global and regional efforts are coordinated centrally through the Office of Global Operations and managed by regional directors based at headquarters.

Headquarters offices, based in Washington, D.C., coordinate the general operations of the agency, providing overarching strategic guidance and targeted support to overseas posts and the Volunteers. Headquarters staff members recruit and select Volunteers for service; support the safety, security, and health of Volunteers; manage current and future agency resources; monitor and evaluate programs to improve performance; develop programming and training standards and materials for posts; and provide information technology and other necessary support services, among other functions.

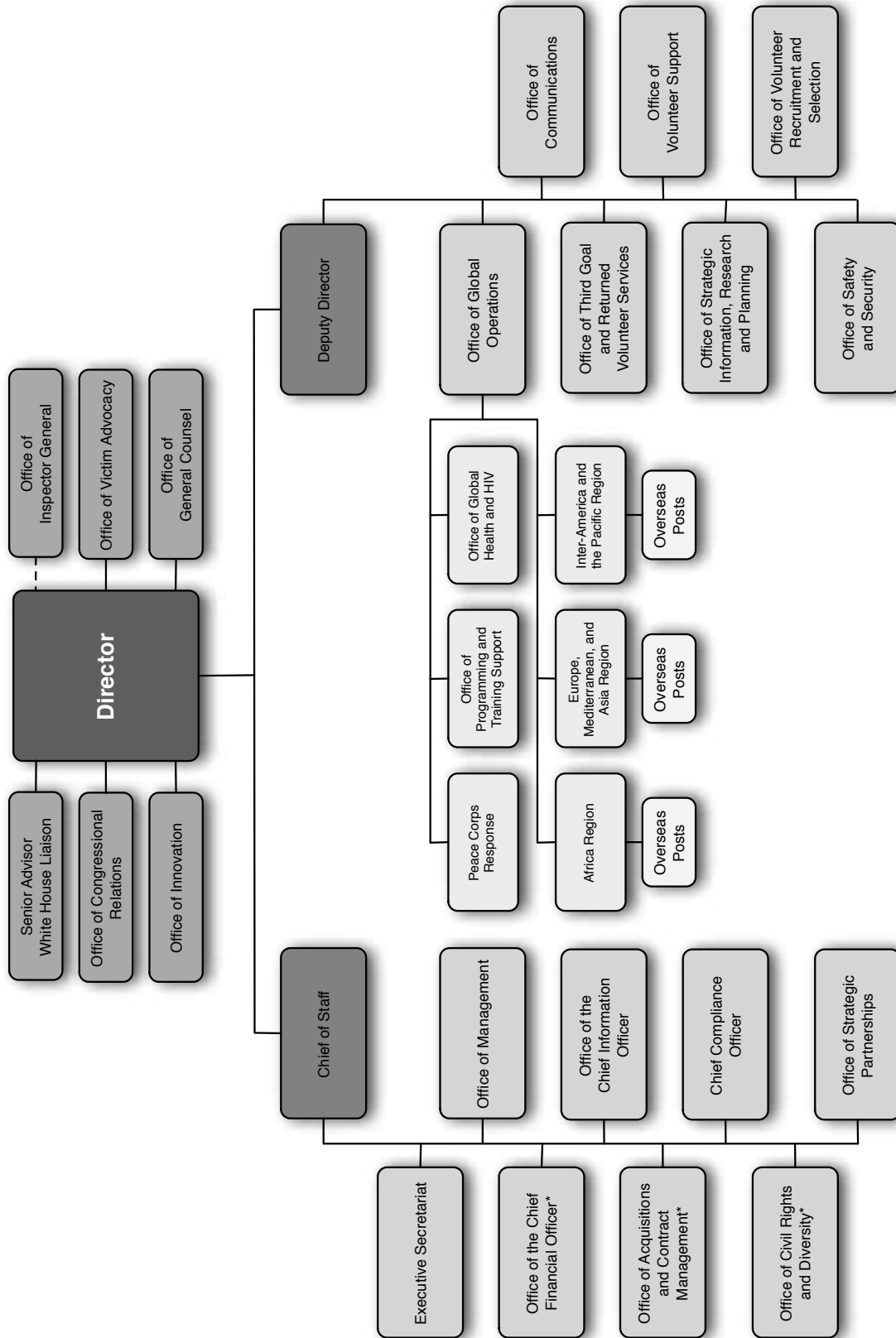
Regional recruitment offices in Atlanta, Los Angeles, Chicago, Dallas, New York City, Seattle, and San Francisco and field-based recruiters in several cities and college campuses expand the agency's reach across the country to recruit talented Americans for Peace Corps service.

The agency is organized to support Volunteers and enhance their work to achieve the Peace Corps mission and three core goals.



A Health Volunteer (left) conducts outreach activities targeting at-risk populations and teaches safer-sex practices in Jamaica.

Peace Corps Organizational Chart



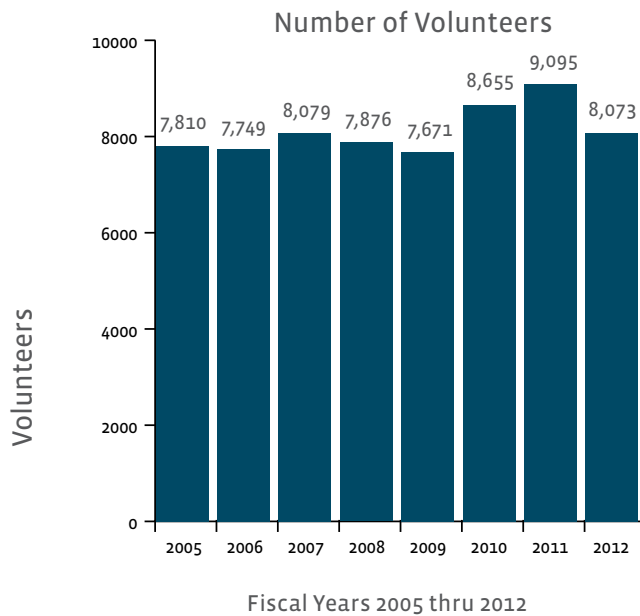
* In their functions as Chief Financial Officer, Office of Civil Rights and Diversity Program Manager, and the Chief of Acquisitions and Contract Management, the incumbents report directly to the Director.

Work of the Volunteers

Overview

The Peace Corps delivers development assistance to host countries through the work of its Volunteers. All agency efforts are related to either placing Volunteers in the field or supporting Volunteers during and after service in achieving the agency's mission and three core goals.

The number of Volunteers and trainees serving in the Peace Corps as of September 30, 2012 was 8,073. This included 753 Volunteers funded by the President's Emergency Plan for AIDS Relief (PEPFAR) and 163 Volunteers serving in short-term, specialized assignments through the Peace Corps Response Program. The number of Volunteers fielded each year is dependent on the available appropriated funds and the priorities of the agency.



Approach to Development

The Peace Corps is unique in its approach to development. Instead of providing monetary assistance to countries, the agency sends Volunteers to countries that have expressed a need for trained men and women. Volunteers share their skills and experience with local people and communities, transferring their knowledge so that communities are empowered to solve their development challenges. The agency's approach to development is local—not just one country at a time, but one community and one person at a time.

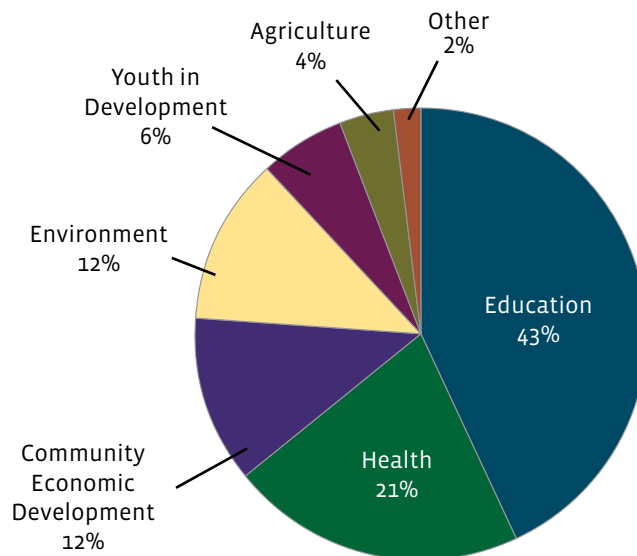
The agency regularly receives more requests for new country programs and additional Volunteers than can be met with available resources—clear evidence of the Peace Corps' importance to many nations and its impact around the world.

Once an agreement has been reached with a host country, the agency develops Volunteer projects in collaboration with host country government agencies, development organizations, communities, and individuals. The agency

recruits and fields Volunteers with the skills, experience, maturity, and interest to work on projects at the grassroots level, often under hardship conditions, to help solve local development problems. Volunteers serve for 27 months, which includes up to three months of pre-service training in the host country and 24 months of Volunteer service. They subsist on a minimal living allowance that provides a standard of living similar to that of the local people with whom they live and work—a key component of the Peace Corps approach to development. Volunteers' ability to achieve results is enhanced by their constant, day-to-day interactions with local people.

Volunteer activities are designed to build the capacity of local individuals, communities, and organizations to meet their skill needs. In essence, Volunteers strive to work themselves out of a job. When community members are empowered and given the tools they need to improve their lives, the work of the Volunteers is sustained long after they return home.

Percentage of Volunteers by Sector



While Volunteer projects vary across the world to reflect local needs, projects fall into six primary sectors: Agriculture, Community Economic Development, Education, Environment, Health, and Youth in Development.



Agriculture - 345 Volunteers (4 percent)

Agriculture Volunteers collaborate with farmers' groups, nongovernmental organizations (NGOs), community members, and community-based organizations (such as women's associations or youth clubs) to improve local food security through the promotion of improved food production, nutrition, and agribusiness development. Many of the techniques presented by Volunteers also help communities adapt to deteriorating environmental conditions, including a changing climate.

Volunteers help improve the long-term productivity of farmers' fields by teaching and demonstrating environmentally sustainable and organic farming practices, including: crop diversification, agroforestry, and soil and water conservation and management. Volunteers work

side by side with local farmers on their field crops, testing new varieties, and promoting family and school vegetable gardens to encourage the production and use of more nutritious foods.

Volunteers also build the business skills of small-scale farmers to increase income and access to food. Using a value-chain approach—an analysis of the opportunities and key stakeholders involved in a particular industry from inputs to the point of sale to the customer—Volunteers help communities market and improve storage of their agricultural products, as well as develop new value-added products.

A Volunteer Vignette: Making Chocolate in Panama

Poverty among the rural citizens of my community is a persistent problem. Some families are lucky enough to have a few acres of their own land, and they use it to grow food for their families and produce cash crops to generate income. In my community, cacao is the principal money earner.

To better collaborate in turning a portion of their cacao harvest into a sellable chocolate product, our community formed a small women's group, Las Damas Noba. We experimented together with various ingredients, different forms of chocolate, and new packaging to make an appealing product. The chocolate produced by the group earns three or four times what the family would make selling unprocessed cacao. Together, we have found markets in three cities in our province and in two cities in other provinces. The group has been together for a little over a year and has been very successful. With the money they have earned, the women have each built up a small savings account and have begun to contribute substantially to their family's monthly income.

The growing savings accounts of the women in the group is exciting. It shows that not only are they earning enough income to set some aside for savings, but also that they see the value in saving. They are also making enough money to occasionally pay other women to assist with the most time consuming processes in making chocolate.

We continue to make plans for the future, experimenting with new forms of chocolate and identifying new places to sell. And our efforts are sustainable—the women in the group have started to share what they are doing with other women in town and they have begun to inquire how they can save as well.

Notable Activities in Agriculture:

- **Responding to Climate Change through Permaculture in Paraguay:** Late in 2011 and at the beginning of 2012, Paraguay faced two extreme weather events: drought and flood. The effects of both on agriculture were catastrophic. Adapting farming techniques to prepare in advance for major weather events has become a priority, and Volunteers contribute to that effort through education on the challenges of climate change and the promotion of permaculture, the creation of sustainable and self-sufficient agricultural systems. Volunteers held training events with small farmers on the effects of climate change on agriculture, the importance of risk

analysis and prospect planning as critical tools in mitigating the effects of extreme weather events, and soil and water conservation techniques. Participants practiced what they learned by mapping a theoretical farm under different scenarios—including crops, livestock, and other components—and applying permaculture principles in the design.

- **Promoting Dry-Season Gardening in Ghana:** Volunteers collaborated with the Ghanaian Ministry of Food and Agriculture and NGOs to develop local farmers' skills in dry-season gardening, a method that enhances food security and provides income to local communities outside of the growing season for staple crops. Thirteen Volunteers and 12 local farmers attended a two-day training featuring sessions from agricultural experts which helped build the skills of the farmers and Volunteers in combating food insecurity.
- **Generating Income through Fish Farming in Zambia:** In collaboration with three NGOs and six ministry offices, a Volunteer worked with farmers to raise revenue through fish farming—overseeing the construction of 60 fish ponds, totaling over 18,000 square meters, in a local area that had no prior experience with aquaculture. More than 800 kilograms of fish have been sold at a local market value of US\$2,400.



Community Economic Development - 985 Volunteers (12 percent)

Community Economic Development Volunteers help facilitate the economic development of local communities through three primary work areas: business development, organizational development, and personal money management.

Volunteers in business development projects train and advise entrepreneurs in business planning, marketing, financial management, product design and distribution, and customer service. They provide skills to local people, communities, and organizations to launch or expand businesses—from small-scale agribusiness (fruits, vegetables, and small livestock) to ecotourism ventures or handicrafts. Volunteers hold business and entrepreneurship workshops, business courses and camps, and business plan competitions for youth. Some of the activities focus on helping members of disadvantaged groups, such as orphans, at-risk youth, and victims of human trafficking, learn new skills so they can enter the workforce.

Volunteers collaborate with microfinance institutions to expand their outreach to potential clients. In communities with few formal banking services, Volunteers work with community members to set up and manage their own savings-led microfinance associations. Volunteers also provide financial literacy training to youth and adults regarding budgeting, savings, financial negotiations, and the safe use of credit.

Volunteers' work also focuses on strengthening community groups by increasing their capacity to improve governance (developing mission statements, strategic plans, and by-laws), organizational management, project management and leadership, public awareness, fundraising operations, and advocacy.

Volunteers help coordinate overall community economic development by bringing together governments, organizations, businesses, communities, and individuals for collaboration.

A Volunteer Vignette: Developing Business Skills in Cape Verde

My small, rural community has few income-generating opportunities, especially for women. I noticed an interest in cooking and a few attempts at selling food door to door, but the prices placed on products were below the cost of materials. So, when a few young women in the community expressed an interest in putting together a business and learning improved cooking techniques, I organized an informational meeting to see how many people were interested and to work out the details. Then, the young women took over. They located a place for our meetings, wrote and distributed letters asking for donations of ingredients from business owners in the city, and selected older women in the community to present their famous recipes.

Our group of 24 young women met three times a week for four weeks. Each afternoon, a respected woman from a neighboring town taught the ladies to make recipes that could easily be sold for a profit at street stands, fairs, or parties. I presented lessons on basic business practices, like hygiene in the kitchen, calculating costs, selecting product prices, customer service, business ethics, basic recordkeeping, competition between businesses, and creating a business plan. Trainees began each day by taking a pre-test relative to the day's business topic. At the conclusion of the training, the young women took a final exam demonstrating their increased understanding of business basics.

At the conclusion of the sessions, the women organized a community event to showcase their new skills. The group hosted an afternoon tea (for which they cooked 11 dishes), determined pricing based on costs, served customers, and kept records. The event was successful in terms of income generation and in the excitement it caused in members of the community at large. People from neighboring communities have approached graduates of the training to request their assistance at their own future events. Within a month's time, the group assisted with two other culinary income-generating opportunities. The women have demonstrated an increased level of confidence in their abilities to cook as well as to earn income and organize community activities.

Notable Activities in Community Economic Development:

- **Developing Professional Networks in Moldova:** Volunteers assisted community groups in establishing professional networks and have improved contacts with national and international organizations. Volunteers worked with three NGOs to develop new contacts with similar organizations from other parts of the country and together implemented a program to distribute boots to the Roma population.
- **Promoting Tourism Nationwide in Albania:** Volunteers and their partners developed promotional packages highlighting attractions, regional hotels, and restaurants. They distributed the promotional packages through tourism information centers, hotels, and government offices.
- **Developing a Neem Cream Business in Burkina Faso:** Volunteers worked with women's groups to develop an association where local women could sell their neem cream under one label. Neem cream is a natural ointment prepared from extracts of the neem tree (*Azadirachta indica*). With profits from their business, the association was able to grant loans to members. Their new business received a boost when they began working with a distributor who buys their product in bulk and resells it in the city.



Education - 3,483 Volunteers (43 percent)

Education Volunteers work with students and teachers both in and out of the classroom to build teaching and learning capacities across all education levels, from pre-school through primary and secondary schools to universities and teacher training colleges. Volunteers provide direct instruction or collaborate with local teachers to teach subjects such as English, math, science, information technology, and childhood literacy.

Volunteers build the skills of local teachers by holding workshops that focus on participatory and experiential learning, classroom management, and resource development. They promote strong parent-teacher associations and community involvement in education. Through their work in the classroom and in after-school activities, Volunteers work with partners to better prepare students for their active participation as global citizens.

Recognizing the tremendous potential that host country women represent in developing their own communities, Volunteers in the Education sector, as well as those working on other projects, facilitate gender empowerment and education by promoting gender-equitable practices, connecting young girls with local role models, and building life skills and leadership. Volunteers serve as strong role models in their communities, underscoring the potential and opportunity of local youth.

Education Volunteers often expand the Peace Corps' impact on local development by incorporating content relevant to the challenges facing the communities in which they live—such as health and HIV/AIDS-prevention strategies—into their curriculum.

Notable Activities in Education:

- **Developing a Literacy Instruction and Classroom Management Guide in Guyana:** Volunteers worked with their counterparts at the regional education district office to develop a step-by-step guide for literacy instruction and classroom management. This collaborative activity was so well received by the Ministry of Education that the government is now distributing the manual to all district-level literacy coordinators and primary-school teachers throughout the country.
- **Team-Teaching in Moldova:** Volunteers spent the majority of their classroom hours team-teaching with Moldovan partners—sharing duties for planning, conducting, and evaluating the learning activities for the same group of learners. Team-teaching provides Volunteers with the opportunity to build the skills of local teachers while ensuring the sustainability of their work after their term of service.
- **Preparing Local Teachers for Certification Exams in the Republic of Georgia:** Peace Corps Response Volunteers were successful in helping to prepare their teacher partners for National Teacher Certifications exams. Notably, 90 percent of the teachers trained by Volunteers passed their exams compared to 55 percent country wide.

A Volunteer Vignette: Teaching Science in Tanzania

Meet Lucy. She is the one scrunched up behind her cluttered desk, legs folded in the disjointed rungs of her chair with her imagination escaping out the window to join the afternoon sun. It took a month for me to put her face with her name, and another year before I heard her voice for the first time.

Lucy was typically uninterested in class. But when we put together a hands-on experiment, I was surprised to see her hand me the latest iteration of her experimental rockets with a toothy, wide-eyed grin. When the other students were waiting for the materials to arrive, Lucy quietly put together scraps from her first experiment to create another.

After seeing her wake up during physics class, I spoke to her about her poor attendance. Full of tears, she looked me in the eyes and explained everything: how her father had died and her mother worked as a subsistence farmer; about the life she had fallen into to afford a room. She didn't see a way out. I asked if I could find a way to take care of the school fees, would she promise me to be in school every day. She said she could. And she did.

The other teachers came up with enough money to pay her school fees all the way through graduation the next year. Lucy dove into her science classes, requesting evening tutoring in chemistry and even going so far as to convince another girl to give science another try. She also moved into student housing with the other girls interested in science.

When the headmaster requested that a laboratory demonstration be prepared for the district commissioner's visit on graduation day, Lucy stepped up to present, alone, a hands-on science experiment to the commissioner and his entourage, including many government officials at the village and district levels. In his address to the school the commissioner mentioned specifically "the students in the laboratory, who showed me a new way to teach science," at which point he personally paid their exam fees in full.



Environment - 974 Volunteers (12 percent)

Volunteers in the Environment sector collaborate with host country partners to protect the local environment. They respond to deteriorating local conditions by promoting environmental education and awareness, natural resource planning and management, and environmentally sustainable income-generation activities.

Environment Volunteers encourage sustainable natural resource planning and management by demonstrating and teaching others healthy conservation practices, including the production and cultivation of trees to improve soils, conserve water, and protect fields from erosion. Effective management of resources requires the cooperation of local governments, organizations, communities, and individuals. Volunteers work to build the organizational capacity of partners to plan, manage, lead, and advocate for the protection of the local environment.

Volunteers also help develop income-generation activities that create incentives for conservation of natural resources, such as ecotourism and crafts.

Volunteers are increasingly engaged in environmental education within schools to build awareness and initiate action on environmental issues. Volunteers train teachers to integrate more interactive teaching methods that focus on the environment into their curriculum. They also collaborate with schools and other organizations to promote environmental education through alternative means, including clubs, youth camps, and awareness campaigns.

A Volunteer Vignette: Curbing Deforestation in Malawi

My village sits on a ridge above the valley, the plateau rising dramatically behind it. Passing the late afternoon hours sitting on my front step, my counterpart Dan and I watched a small plume of smoke rise from the forest, high up on the plateau. Dan looked at me and said, “Malasha” (charcoal). High up in the remaining intact forest on the plateau within the boundary of the national park, someone was poaching trees to make charcoal. When we see something like this happening, we always hope it is an isolated incident. But, the nine other small plumes of smoke I saw rising just that week alone tell a different story.

The tale of deforestation is clearly seen marching up the slopes of the plateau. This vital watershed (arguably the most important in Malawi) is losing its forests at about 1 percent per year. However, the rate of deforestation varies widely. Some areas are being deforested at breakneck speed as people move up the mountain clearing new land, setting fires to drive animals for hunting, and selling off the forest to people in town in the form of charcoal. Much of this is due to the increased need for forest resources as a result of population pressures.

I turned to Dan and asked why people are cutting down the trees. He gave the obvious answer to a simple question: “They want the trees.” From there the Nchenachena Afforestation Project was hatched. Using resources from the Peace Corps, we bought 10 kilograms of tree seeds of six different species from a seed bank in the capital. A few days later I met with a local NGO, told them of my project and sourced 15,000 tree tubes at no cost. Then I headed back to the village to start the real work.

Dan and I began community awareness work immediately. We spent weeks canvassing all the villages in our catchment area. We gave speeches on protecting the forest and offered trainings on how to start tree nurseries, how to plant trees, and how to be better stewards of the forest. We turned the project into a contest, with the community, group, or individual planting the most trees receiving a prize. Interest soared.

In all, 120 people in 10 villages participated in the project. Over 5,000 trees were planted. One community alone planted 3,125 trees. We encouraged people to plant woodlots up the mountain to help protect the watershed. While many communities preferred to plant timber species, we also had a lot of interest in multi-use and hardwood tree species. Dan has taken over the project and will continue it this year. With tree planting season right around the corner, we hope the turnout will be just as good as last year.

Notable Activities in Environment:

- **Establishing a National Tree Nursery Competition in The Gambia:** Volunteers started a school tree nursery competition as part of an extensive effort to encourage reforestation throughout the country. The competition became an official event that was recognized by the president of the country and renamed the President's All-School Tree Nursery Competition.
- **Establishing Fruit Orchards and the "Miracle Tree" in Senegal:** Volunteers have been training local farmers in methods of fruit tree propagation, grafting, and orchard management. As a result, over 5,000 fruit trees were established. This effort included the promotion of the "miracle tree" *Moringa oleifera*, a multi-purpose tree highly valued for its health benefits as well as live fencing, fodder, and fuel. Opportunities are currently being explored to export Senegal-produced moringa oil and powder to the United States.
- **Constructing a School Made of Bottles in Guatemala:** Inadequate disposal of solid waste is a widespread problem across the world, but Volunteers are coming up with creative projects to address the problem. In Guatemala, a Volunteer worked with his community to construct a 1,033 square-foot school constructed with concrete and more than 6,500 used plastic soda bottles filled with inorganic trash. Through the project, the community not only built a new school at a much lower cost, but it also significantly reduced its solid waste.

**Health - 1,688 Volunteers (21 percent)**

The Peace Corps approaches global health issues by improving knowledge about common diseases and health issues, promoting behavior change, and building capacity among community members, community-health workers, and grassroots organizations to prevent and mitigate the major causes of morbidity and mortality.

Health Volunteers work in four project areas: HIV mitigation; maternal, neonatal, and child health; environmental health; and life skills for healthy behaviors. Some projects include mitigation of noncommunicable diseases, malaria prevention and control, HIV/AIDS education, basic sanitation and hygiene education, community care of orphans and vulnerable children, and youth sexual and reproductive health education. Volunteers collaborate with local partners, introducing innovation and technology to leverage resources to address health needs.

HIV mitigation is a major agency effort, globally and across sectors. Volunteers work on HIV/AIDS prevention and care often as part of a comprehensive community-health project. Behavioral prevention support continues to be at the center of Volunteers' HIV/AIDS-prevention work, particularly when targeting youth. Increasingly, Volunteers are assigned to assist HIV/AIDS-related NGOs in expanding their technical, managerial, and administrative capacities.

The Peace Corps is an active partner in the President's global health initiatives, notably the President's Emergency Plan for AIDS Relief (PEPFAR), the Global Health Initiative, and Feed the Future. The agency also collaborates with the President's Malaria Initiative through the Stomping Out Malaria in Africa campaign (<http://stompoutmalaria.org/>), a Peace Corps initiative to fight malaria in the communities where Volunteers

serve, partner with other organizations to defeat malaria in target countries, and build an international malaria prevention community.

A Volunteer Vignette: Combating Malaria and Generating Income through Mosquito Nets in Benin

In various meetings with the women's group in my village, it soon became clear that malaria was the foremost threat to personal and communal health. I informed members of the possibility of ordering subsidized mosquito nets courtesy of an international NGO, and the group decided that holding trainings and selling the mosquito nets would be the best plan of action.

While the majority of women in the group were familiar with mosquito nets, we decided to start off with a training-of-trainers session to make sure everyone started with a base of information. My counterpart, who is the pharmacist at the health center, and I led the session and stressed that sleeping under treated nets is the most effective method for preventing malaria. We compared the price of a net with prices of medication used to treat varying degrees of malaria to illustrate that malaria prevention is always cheaper than treatment. We also instructed the women on how to properly mount and use the nets. At the end of the session, two women were selected by their peers to lead the training sessions in the community.

At the first training, 20 women were present, as well as 117 community members. The women gave a 20-minute presentation in both French and the local language followed by a round of questions. Members from the audience were then asked to show how to properly install and use the mosquito nets. After the session, nets were made available for purchase—74 were sold. Six weeks and eight trainings later, all the nets were sold. Over 500 people (more than 11 percent of the population of the community) attended the sessions. The initiative was so successful that, toward the end of the campaign, people from other villages were coming to the village to hear the training sessions and buy nets themselves.

Since that time, the women's group has submitted another order for mosquito nets, financing it with money made from previous sales. The group also tracked the ages of people purchasing the nets and found that men within the age range of 30-39 were the most frequent buyers—30 percent of total sales. This is noteworthy because before the start of the anti-malaria initiative, this demographic was the most doubtful and distrustful of the women's ability to be successful. I really knew the project was a success when one night upon returning from the market I saw a man around 30 years old setting up his newly-purchased mosquito net outside in preparation for what was surely a mosquito-free night's rest.

Notable Activities in Health:

- **Developing a Mobile Phone Health Service in Armenia:** Volunteers assisted the Red Cross to develop and implement a mobile phone service using SMS (Short Message Service) to answer anonymous questions about HIV and access to services. Within six months of its launch as a core Red Cross service, it responded to more than 26,000 queries.

- **Establishing a Healthy Schools Project in Guatemala:** Volunteers are supporting the Ministry of Education with a healthy schools project that involves more than 130,000 students, 5,000-plus classrooms, and some 4,500 teachers. As a result of the project, the percentage of students washing their hands after using latrines increased from 60 percent to 82 percent over a one-year period, and the number of classrooms that implemented a hand-washing system to use before eating school snacks increased from 29 percent to 82 percent.
- **Teaching Life Skills in the Dominican Republic:** Youth and adolescents throughout the country gained invaluable life skills in the prevention of HIV, sexually transmitted infections, and unplanned early pregnancies through Volunteers' implementation and peer training of the Escojo Mi Vida (I Choose My Life) curriculum across all Peace Corps sectors. Escojo Mi Vida has reached an estimated 2,800 youth in the last year alone.

Peace Corps Volunteers Stomp Out Malaria in Africa

Through the Stomping Out Malaria in Africa initiative, over 3,000 Volunteers in 20 Peace Corps programs across Africa are exchanging ideas and working together in the name of malaria eradication.

Stomping Out Malaria in Africa is also the Peace Corps' flagship initiative in the 2012 update of the agency's Open Government plan (www.peacecorps.gov/open). The agency will leverage its Open Government website to share data sets and reports with the public in an open format and link to open platforms for the discussion of malaria eradication strategies.



Youth in Development - 435 Volunteers (6 percent)

Volunteers in all sectors engage with youth to accomplish their project objectives. Approximately three-fourths of all the people with whom Volunteers work are young men and women below the age of 25. When participating in Volunteer activities, local youth are more than beneficiaries; they are partners in development. Volunteers utilize youth development approaches to support the life skills and leadership development of youth, building the skills and capacity of the next generation of local leaders and contributing to development outcomes in all sectors.

Youth in Development Volunteers work with young people, families, communities, and organizations to support healthy lifestyles, prepare youth for work, engage youth as active citizens, and build support structures. Volunteers work in schools, youth centers, communities, camps, and clubs, often with individuals in challenging situations, including those living in institutions, orphaned and vulnerable due to HIV/AIDS, and/or out-of-school young people.

Notable Activities in Youth in Development:

- **Developing Young Leaders through Camp GLOW in the Dominican Republic:** The Girls Leading Our World (GLOW) program—an empowerment program designed specifically for young girls—has been so successful that nine young women leaders between ages of 16-20 have been appointed to a project advisory committee. Committee members take an active role with Volunteers in planning sub-regional, regional, and national GLOW events, as well as in working with a girls' group in their communities.
- **Teaching Critical Thinking Skills in Jordan:** Two Volunteers created a curriculum for teaching critical-thinking skills to Jordanian students. The six-day Brain Camp introduces students to studying and learning techniques and gives them a chance to practice through games and fun activities. The curriculum was presented as a 30-hour summer camp or a full semester after school club. In the last year, 30 Volunteers were trained and 18 camps were launched.

A Volunteer Vignette: At-Risk Youth Leadership Development in the Philippines

The kids I work with in the residential facility have all experienced abuse, neglect, and abandonment. They are extremely smart, talented, and eager to learn, but many of them lack the confidence and self-awareness to realize their potential. I wanted to give them an opportunity to learn that each of them can be a leader and that they have skills to offer others. So, in collaboration with another Volunteer and in consultation with the program manager, I developed a padayon camp (a camp that trains youth to be leaders) to build their skills and confidence.

The first day of the leadership training was a little challenging, but by the end, the participants were ready to design their camp for younger kids in the facility. They did so without much help from me or the other Volunteers. Their skills and confidence shined through the experience, and it felt great to see some of the shyest kids in the facility leading and directing groups of eight to 10 camp participants.

At the end of the training, they were already discussing their ideas on how to do it again in their own communities. They also expressed their desire to lead their own camps next summer with outside young people from the community.

Seeing the youth confident enough to want to lead others was a huge success. Individuals that grow up in residential facilities tend to be shy when it comes to relationships outside of the center. I was so proud of them for wanting to step out of their comfort zones and for realizing that each of them has something very valuable to offer to others.

Performance Highlights

The Peace Corps is engaged in a period of sweeping reform unlike any since the founding of the agency. The foundation of the agency's recent initiatives is the Comprehensive Agency Assessment (www.peacecorps.gov/open/evaluations), a study completed in 2010 that outlined a new vision, six strategies, and 63 recommendations focused on quality improvements to guide the Peace Corps over the next decade. The strategies of the assessment were integrated into the FY 2012 annual performance plan—the agency's performance management framework.

Performance Improvement

The agency's leadership has fully embraced and encouraged performance improvement. The Peace Corps' performance management framework involves leadership, staff, and Volunteers at all levels across the world. The Acting Director of the Peace Corps recently noted at an all-hands meeting, "Our performance plan is our commitment—to Congress, the White House, our host countries, and, ultimately, the American people—to support our host countries and our Volunteers in the most strategic and cost-effective way possible. It is our blueprint for reform."

The agency's performance management framework is a structure for planning, monitoring, and evaluating efforts to achieve its mission. The framework is rooted in the agency's FY 2009-2014 strategic plan and managed through quarterly performance reviews.

FY 2009-2014 Strategic Plan



Performance Management Framework



In the strategic plan, performance goals define the *activities* that occur under the agency’s five strategic goals (*strategy*) and are measured by performance indicators. Outcome goals define the short- to medium-term outcomes expected as the agency works toward achievement of the Peace Corps mission (*impact*). In sum, the agency’s strategies lead to activities, activities to outcomes, and outcomes to impact. Through quarterly strategic plan performance reviews, agency leadership and managers review progress at the strategic (strategic goals) and activity (performance goals and indicators) levels.

FY 2012 Performance at a Glance

This section summarizes the agency’s performance on its strategic and performance goals in FY 2012. The benefits to the American public of the agency’s work under each strategic goal, as well as results and key accomplishments related to performance goals, are highlighted.

In FY 2012, nine of 14 performance goals were met. A goal is considered “met” if at least half of the performance indicators achieved their targets. Performance trends as well as plans and timelines to improve performance for unmet targets are included in the Performance Section. Detailed information on the results for all 40 indicators is also offered in the Performance Section.

Strategic Goal 1: Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs

Capacity building is at the core of the work of all Peace Corps Volunteers. Volunteers ensure the sustainability of their development efforts by transferring their skills to local people. In doing so, Volunteers build the capacity of local individuals, organizations, and communities to meet their skill needs.

Public Benefit: When Volunteers build host country capacity, local conditions are improved and communities have the skills needed to solve their problems and serve as models for others. The American people benefit from a more stable and peaceful world.

Performance Goal Summary

Performance Goal	Indicator Targets Met	Goal Met
1.1.1: Ensure the effectiveness of in-country programs	2 of 4	✓
1.2.1: Ensure the effectiveness of in-country training	4 of 4	✓
1.3.1: Increase the effectiveness of skills transfer to host country individuals, organizations, and communities	1 of 3	✗
✓ Goal met ✗ Goal not met		

Key Accomplishments:

- Building the capacity of local people:** Volunteers enhanced the capacity of host country individuals, communities, and organizations to meet their own needs by transferring their skills through training and working collaboratively. In the three Host Country Impact Studies completed in FY 2012, 93 percent of host country national respondents noted that the training provided by Volunteers enhanced their skills.
- Standardization of Volunteer training through the Focus In/Train Up strategy:** Significant progress was made on the Focus In/Train Up strategy in FY 2012. The agency developed and fielded technical training packages for the Education, Community Economic Development, and Youth in Development sectors. The core training package for all Volunteers—which includes sessions on monitoring and evaluation, integrating into the community, and professionalism in service—was also launched. When all sector technical training packages are standardized (anticipated for FY 2013), the agency will be able to better evaluate the effectiveness of training to ensure Volunteers are prepared for service.
- Improvement of Volunteer language-score data collection:** Proficiency in local languages is a necessary skill for Volunteers that helps them to integrate into their communities, work effectively, and enhance their safety and security. As a result, all Volunteers who learn languages during pre-service training must meet a certain level of proficiency to serve in their communities. In FY 2012, the agency worked with posts to ensure language scores were collected and stored properly. This improved compliance in the official recording of language scores; in FY 2012, 51 posts recorded language scores compared to 44 posts in FY 2011. Enhanced collection of language scores will provide the agency the information it needs to identify regions, countries, or languages where best practices or opportunities for improvement exist.
- Prioritization of site selection and preparation:** Ensuring the appropriate selection and preparation of Volunteer sites has been a persistent challenge for the Peace Corps. In FY 2012, critical steps were taken to address this challenge. Informed by responses from Volunteers through the Annual Volunteer Survey, the agency demonstrated the priority it was placing on the improvement of site selection and preparation by including a new indicator in the agency’s performance plan that tracks Volunteers’ satisfaction with site selection and preparation. The agency is improving guidance to posts and working with Volunteers to set appropriate expectations for the site selection and preparation process.

Peace Corps ranks Number 2 among top 10 U.S. ethical employers according to 59,600 undergraduates as reported by Universum. Among information technology (IT) students, the Peace Corps ranked seventh in the top 20 federal agencies as ideal employers.

Focus In/Train Up: Maximizing Peace Corps' Impact through Highly Effective Projects and World-class Volunteer Training

The Focus In/Train Up strategy supports the Comprehensive Agency Assessment recommendation that the agency “focus on a more limited number of highly effective technical interventions that will enable the Peace Corps to demonstrate impact and achieve global excellence.”

At the core of the strategy is the reality that the majority of the agency’s Volunteers are recent college graduates with limited professional experience. Recognizing this, the Focus In/Train Up strategy drives the agency to identify a smaller set of technical interventions that can be effectively delivered by Volunteers. After projects are *focused in*, the agency develops world-class technical training programs to prepare Volunteers for service and equip Volunteers and staff with skills to monitor and evaluate their work. The agency measures results through standard indicators that will allow the Peace Corps to demonstrate its impact across projects and countries.

The implementation of Focus In/Train Up was a major area of activity in FY 2012. All three regions (Africa; Europe, Mediterranean, and Asia; and Inter-America and Pacific) engaged in major project reviews to *focus in* on effective interventions that meet local community needs. The global core training package, including sessions on monitoring and evaluation, was sent to the field for pilot studies. Standard indicators are in development for each sector. When complete, Volunteers will be able to better demonstrate their contribution to the development of their community.

Strategic Goal 2: Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers

Volunteers represent the people, cultures, values, and traditions of the United States in overseas communities that may never have directly interacted with Americans before. As Volunteers build local capacity through their work, they also develop deep friendships with local people. They model some of the finest characteristics of the American people: generosity of spirit, a strong work ethic, commitment to service, and a collaborative approach to problem-solving. Through their interactions with individuals and communities, they dispel myths about Americans, promoting a better and more well-grounded understanding of one another.

Public Benefit: Host country individuals and communities that interact with Volunteers gain a more complete understanding of the United States and become more willing to engage with Americans. Volunteers also build strong partnerships with local people that endure long after their terms of service are completed.

Performance Goal Summary

Performance Goal	Indicator Targets Met	Goal Met
2.1.1: The work and life experiences of Volunteers in-country promote host country national learning about Americans	2 of 3	✓
✓ Goal met ✗ Goal not met		

Key Accomplishments:

- **Promoting a better understanding of Americans on the part of local people:** In the three Host Country Impact Studies completed in FY 2012, 87 percent of participants reported more positive opinions of Americans as a result of their interactions with Volunteers. Volunteers shared the American culture with local people by setting up after-school clubs, showing photographs of their family and friends, celebrating U.S. holidays, playing traditionally American sports, and hosting meals with food from the United States. In addition, Volunteers worked to connect their local community with the American public through Peace Corps programs, such as the Peace Corps Partnership Program (<http://donate.peacecorps.gov>) and Coverdell World Wise Schools program (<http://wws.peacecorps.gov/wws>).
- **Three Host Country Impact Studies completed in FY 2012:** Host Country Impact Studies were completed in El Salvador, Ghana, and Paraguay, bringing the total number of studies conducted since FY 2008 to 24. Host Country Impact Studies are currently the agency's only independent source of impact information derived directly from the people with whom Volunteers work. Results from the Host Country Impact studies completed in FY 2012 suggest that the sustained day-to-day interactions of living and working side-by-side with Volunteers help to promote a better understanding of Americans on the part of local people.
- **New counterpart survey initiated:** In FY 2012, the agency initiated the development of an annual, worldwide survey of host country counterparts. The new counterpart survey will contribute to the Peace Corps' assessment of its impact, directly capturing the viewpoints of host country nationals on the effectiveness of Volunteers in skills transfer (Strategic Goal 1) and promoting a better understanding of Americans (Strategic Goal 2). When complete, the counterpart survey will include standardized questions that will be asked directly of counterparts during site visits and a dedicated database for the storage and reporting of counterpart data.

Fifty years ago, 65 percent of the people volunteering to join the Peace Corps were men and 35 percent were women. Today, 66 percent of Volunteers during the 2000s are women working worldwide in education, health, nutrition, small business, and agriculture. Late Peace Corps founder Sargent Shriver once Director of the Peace Corps expected women to serve when the Corps was first proposed, saying, "The women of our country have much to contribute to the peoples of other lands, and the Peace Corps will rely greatly upon their talents."

Strategic Goal 3: Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans

During their two years of service, Volunteers learn the languages, customs, traditions, and values of the people with whom they live and work. Volunteers bring the world back home by sharing their experiences with family, friends, and the American public both during and after their service. As a result, they deepen and enrich Americans' awareness and knowledge of other peoples and cultures and global issues.

Public Benefit: As Americans gain a better understanding of other cultures, they develop the skills needed to work successfully in a globalized world, building a more competitive U.S. workforce. Americans also increase their interaction with overseas communities, contributing to peace and friendship between people in the United States and other countries.

Performance Goal Summary

Performance Goal	Indicator Targets Met	Goal Met
3.1.1: Volunteers share their in-country experiences with family, friends, and the American public	2 of 3	✓
3.1.2: Increase returned Peace Corps Volunteers’ cultural outreach to the American public through Peace Corps programs	1 of 2	✓
✓ Goal met ✗ Goal not met		

Key Accomplishments:

- Development of a Third Goal strategy:** The Comprehensive Agency Assessment recommended that the agency develop an agencywide strategy for achieving the Peace Corps’ third core goal. In FY 2012, the agency underscored its commitment to this recommendation by establishing the Office of Third Goal and Returned Volunteer Services. The new office is now coordinating efforts by the agency, Volunteers, and returned Volunteers to promote a better understanding of other peoples on the part of Americans. The agencywide Third Goal strategy will be finalized in FY 2013.
- Increased engagement with returned Volunteers to share their stories with the American public:** The agency reaches out to returned Volunteers to provide opportunities for them to bring the world back home, exposing Americans to new people and cultures. The number of returned Volunteers who share their Peace Corps experience with the American public through agency-initiated activities continues to exceed expectations each year. In FY 2012, more than 10,000 returned Volunteers participated in events throughout the country.
- Leveraging technology to reach new audiences:** Currently serving Volunteers and returned Volunteers are increasingly taking advantage of new technology to share their experiences with family, friends, and the American public. In FY 2012, 74 percent of Volunteers reported sharing their experiences with family and friends through social media. Additionally, 54 percent utilized personal websites or blogs. The agency also offered Volunteers the opportunity to submit photos and stories related to their service to the Peace Corps Digital Library (<http://collection.peacecorps.gov/>). Current and returned Volunteers submitted 646 photos and stories in FY 2012. Notably, the agency held the Peace Corps AIDS-Free Generation Photo Contest to raise awareness of the HIV/AIDS prevention and care work that Volunteers do across the world. The winning submissions of the more than 500 photo entries from Volunteers and staff were displayed at the International AIDS Conference in Washington, D.C., in July 2012.

Strategic Goal 4: Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries

Service as a Volunteer is a challenging and rewarding experience—“the toughest job you’ll ever love.” Volunteers leave family and friends back home for two years, learn new customs and life skills, and work on pervasive development issues, often in challenging situations. Unique individuals who want to make a difference in the world are attracted to Peace Corps service and are committed to advancing the agency’s mission and core goals.

The agency actively recruits individuals willing to make the sacrifices associated with Volunteer service who also have the skills to meet the needs of local communities. To ensure Volunteers represent the diversity of America, the agency actively encourages individuals from underrepresented groups across the United States to apply for Volunteer service. Volunteers are recruited, selected, and fielded when posts need them through the Volunteer Delivery System.

Public Benefit: Volunteers are the face of America in the communities where they serve. When Volunteers are recruited who have the skills and experience requested by host communities, they are well positioned to build local capacity. Furthermore, a diverse Volunteer corps helps to promote a more complete and enriched understanding of Americans and contributes to local development goals.

Performance Goal Summary

Performance Goal	Indicator Targets Met	Goal Met
4.1.1: Recruit Volunteers who balance the needed manpower and technical needs at post with the available applicant pool and its skills	2 of 2	✓
4.1.2: Manage Volunteer recruitment functions in an effective and efficient manner	0 of 2	✗
4.2.1: Recruitment and Volunteer placement efforts reflect the diversity of Americans	1 of 2	✓
✓ Goal met ✗ Goal not met		

Key Accomplishments:

- Launch of the new online Volunteer application:** The new Peace Corps application (www.peacecorps.gov/apply) went live on August 15, 2012—a major milestone in the ongoing Volunteer Delivery System (VDS) redesign project. The VDS redesign project was initiated in 2009 to modernize the business processes and technology utilized by the agency to request, recruit, and select Volunteers for Peace Corps service.

The implementation of the new application moves the agency from a paper-based process to an automated, electronic application processing system. The new technology will reduce paperwork, improve transparency with applicants, facilitate information exchange between posts and headquarters staff, and improve communication between the Peace Corps and applicants. The medical review and invitation processes have also been improved—reducing medical review costs for the majority of applicants and making it possible to extend invitations to applicants earlier in the process.

- Progress in recruiting a diverse Volunteer corps:** In FY 2012, the agency prioritized the recruitment of individuals from underrepresented groups to ensure the Volunteer population accurately reflects the diversity of Americans. Applications from ethnic and racial minorities increased from 26 percent of all applications last year to 27 percent in FY 2012. The agency secured these gains in diversity recruitment by developing and maintaining relationships with minority-serving organizations such as Alpha Kappa Alpha Sorority Inc. and the Hispanic Association of Colleges and Universities.

Strategic Goal 5: Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources

Volunteers live and work in developing communities worldwide and encounter a broad range of social and environmental conditions during their service. As a result, safety, security, and medical risks are an inherent part of Volunteer service. The effective and efficient management of agency resources—both human and financial resources—is critical to enabling Volunteers to focus on their work and to ensure a safe and productive service for every Volunteer.

Public Benefit: Ensuring the safety, security, and health of Volunteers is the Peace Corps’ highest priority, and the American people want Volunteers—individuals who are serving their country—to return home safely. Additionally, effective management practices ensure that the agency is utilizing the resources of the American taxpayers to achieve optimal performance.

Performance Goal Summary

Performance Goal	Indicator Targets Met	Goal Met
5.1.1: Enhance the safety and security of Volunteers	1 of 4	X
5.1.2: Provide quality medical and mental health services to trainees and Volunteers	1 of 3	X
5.2.1: Provide effective and responsive financial management that accurately reflects domestic and overseas operations	1 of 2	✓
5.2.2: Ensure the effective management of Peace Corps resources	2 of 3	✓
5.2.3: Ensure optimal performance of critical Peace Corps processes	0 of 1	X
✓ Goal met X Goal not met		

Key Accomplishments:

- Key improvements in providing for the safety and security of Volunteers:** The agency continued to build on the gains made over the last two years to better support the unique safety and security needs of Volunteers. In FY 2011, the agency updated the safety and security training provided to Volunteers. New training sessions relate to personal security, sexual-assault awareness, reporting procedures, and bystander intervention. The majority of posts (92 percent) implemented all of the new training sessions this year.

The Peace Corps is developing a Sexual Assault Risk Reduction and Response program to reduce the risk of sexual assaults and ensure that Volunteers receive compassionate, timely, and comprehensive support should a sexual assault occur. Since April 2012, more than 350 overseas staff members have received training on the agency’s sexual assault protocols and how staff can support Volunteer victims of sexual assault. The Peace Corps also formally established the Office of Victim Advocacy to provide support for Volunteers (both currently serving and returned) who are victims of serious crimes. Finally, the agency improved the support provided for medically evacuated Volunteers who are victims of sexual assault, stalking, or other serious crimes.

Protecting and Supporting Volunteers through the Kate Puzey Peace Corps Volunteer Protection Act of 2011

The Kate Puzey Peace Corps Volunteer Protection Act was signed into law by President Obama on November 21, 2011. In part, the act codifies a number of the reforms the Peace Corps has put into place over recent years to better protect and support Volunteers, including the following:

- Developing the Office of Victim Advocacy, dedicated to making sure victims of crime receive the emotional, medical, legal, and other support they need during and after service
- Updating training for Volunteers and staff on sexual assault awareness, risk-reduction strategies, bystander intervention, and reporting and response procedures
- Creating an external body of experts in the field of sexual assault and returned Volunteers to provide advice on Peace Corps sexual assault risk reduction and response strategies
- Establishing procedures to ensure that allegations made by Volunteers are handled confidentially and appropriately

The new law ensures Peace Corps' systems designed to protect and support Volunteers remain at the core of agency operations now and into the future. The act is named in honor of Kate Puzey, a Peace Corps Volunteer who died while serving in Benin in 2009.

- **Continuation of the quality improvement program to strengthen medical and mental-health services provided to Volunteers:** Through the Health Care Quality Assurance Council, the agency is using data to identify opportunities and execute action plans to improve the medical and mental-health services provided to Volunteers. For example, the agency analyzed responses from the Annual Volunteer Survey to identify the posts where Volunteers were least satisfied with the medical care provided by Peace Corps medical officers. By comparing the responses to other data, the agency uncovered a connection between low Volunteer satisfaction and high medical staff turnover. As a result, the agency is focusing attention on improving retention of medical staff to increase the stability of medical care provided to Volunteers.
- **Graduated five Peace Corps countries based on performance information derived from the Country Portfolio Review:** The second annual Country Portfolio Review was completed in FY 2012, and the agency has commenced work for the review in FY 2013. Through the annual Country Portfolio Review, the agency utilizes external and internal data to inform decisions on the size and reach of the Volunteer population around the world, including country entries and exits. Through the reviews completed in FY 2011 and FY 2012 the agency identified opportunities to graduate programs in countries that had reached a relatively higher state of development than other countries in its overall portfolio. The review informed the agency's decisions to graduate (close) programs in Bulgaria, Romania, Cape Verde, Antigua/Barbuda, and St. Kitts/Nevis in FY 2013. Decisions to graduate these programs allow the agency to focus more resources on areas of the world with greater need and where Volunteers can have the greatest impact.

Looking Forward

Throughout its history, the Peace Corps has adapted and responded to emerging issues, while remaining focused on its mission and core goals. The agency regularly reviews and modifies its operations to proactively address the changing conditions in which Volunteers operate through innovative and new approaches. The agency utilizes its performance management framework to sustain the gains it has made to build a stronger Peace Corps that is well-equipped to respond to the challenges of the 21st century.

Safety and Security of Volunteers

The economic, political, and environmental conditions in many of the countries where the Peace Corps operates can be fragile. Improving local conditions through development is central to the agency's mission and as Volunteers work to achieve that mission, they often serve in communities where the potential for crime or conflict exists.

The safety and security of Volunteers is the agency's highest priority. Volunteers commit themselves to serving their communities; in turn, the agency is committed to maximizing Volunteers' well-being, allowing them to focus on their assignments and ensuring that they return home safely. A safe and productive service for every Volunteer is central to Peace Corps' ongoing success.

Peace Corps' approach to Volunteer safety and security is multi-faceted. Responsibility is shared among staff, Volunteers, and local communities. The agency ensures the safety and security of Volunteers through prevention and response strategies, including conducting thorough site development and monitoring; providing in-depth Volunteer training; regularly reviewing and improving safety and security systems; implementing effective incident response and emergency action procedures; collecting and reporting incident data in a timely fashion; and maintaining an active awareness of the local security environment.

As local security environments continue to evolve, the agency will work closely with embassy staff and the governments of host countries to identify threats to Volunteers and respond appropriately. As situations change, the agency will adjust its safety and security strategies to best protect its Volunteers.

The agency has taken decisive action in a number of instances to aggressively and quickly respond to changing security circumstances. For example, despite the high need in the Sahel region of Africa for the services provided by Volunteers, programs have been closed (Mauritania) and suspended (Mali and Niger) in recent years due to political instability and a deteriorating environment for development workers. In FY 2012, operations in the Northern Triangle of Central America (El Salvador, Guatemala, and Honduras) were realigned as a result of an increasingly insecure environment indicated by crime incident data and feedback from Volunteers in the area. Other organizations in the area followed Peace Corps' lead in reconsidering their safety and security systems, particularly in Honduras. Volunteer activities are currently suspended in Honduras, and the agency has implemented measures in El Salvador and Guatemala to help reduce the risk for crime for Volunteers, including: requiring Volunteers to live with host families for their full term of service; creating regional offices; appointing regional Volunteer leaders; and providing Volunteers with safer modes of transportation.

With the passage of the Kate Puzey Peace Corps Volunteer Protection Act of 2011, a number of the reforms the Peace Corps has put into place over recent years to better protect and support Volunteers have been codified into law. Continuing to implement the law will be a primary focus for the agency in the coming years.

Changing Conditions in Host Countries

Volunteer projects are reviewed regularly by the agency and host country partners in order to address changing local needs within the context of evolving local and global trends.

Increasingly the Peace Corps is addressing food insecurity, a critical global concern. The increased need for basic resources, resulting from the pressures of an expanding world population and climate change, is and will remain a major development challenge. The impoverished individuals and communities that rely on the land through rain-fed agriculture, herding, and other subsistence activities are particularly affected by a changing environment. As a result of diminished agricultural productivity, communities face poverty, hunger, and malnutrition, which exacerbate other development issues, including poor health, low education, and urban migration.

Volunteer activities in support of increased food security are expanding to address this critical development challenge. Across the world, Volunteers are promoting sustainable methods for local people to increase agricultural productivity, address water shortages, and feed their families. In support of the President's Feed the Future initiative (www.feedthefuture.gov) and in partnership with the U. S. Agency for International Development, the Peace Corps will equip more than 1,000 Volunteers to address food security needs across the world and properly support, monitor, and evaluate their contributions to this initiative.

The new program in Nepal is a prime example of the agency's work to increase food security in vulnerable populations. In collaboration with the President's Feed the Future initiative and the U.S. Agency for International Development, food security Volunteers in Nepal will target the needs of the most marginalized groups in the country, including rural women and children, religious and ethnic minorities, and members of lower castes, to improve food security.

Competition for Talented Americans

The Peace Corps is a premier service opportunity for Americans who want to make a difference in the world— attracting the best and the brightest to serve in challenging conditions to introduce tangible and sustainable improvements in lives of those with whom they live and work and to promote mutual understanding around the world. In return, Volunteers gain skills and experiences that enrich their lives by increasing their competitiveness in the global marketplace and providing them with lifelong friendships both with other Volunteers and with local counterparts, beneficiaries, and host families. With over 210,000 individuals having served as Volunteers since 1961, many Americans have a relative, teacher, doctor, or friend who served. A significant number of international development and foreign policy specialists received their initial overseas training in the field as Peace Corps Volunteers.

The application process to become a Volunteer is competitive. The agency aggressively recruits Volunteers who have the skills, experience, and maturity to successfully meet the skill needs of local communities.

While the Peace Corps remains a top service choice, international and domestic service opportunities have expanded considerably in recent years, increasing the competition for talented Americans. Service-minded individuals now have several alternatives from which to choose, including those requiring a shorter time commitment. The challenge is most acute in recruiting individuals with highly technical skills and multiple years

of work experience. The two-year time commitment, limited financial benefits, and challenging living conditions of Peace Corps service can make other volunteer and employment opportunities more attractive to some.

The agency will continue to address this challenge by promoting the unique benefits of Peace Corps service to targeted groups and experimenting with the service delivery model to make the agency more competitive.

The Peace Corps Response (PCR) program is one example of agency innovation. The PCR program (www.peacecorps.gov/response) offers seasoned professionals the opportunity to undertake short-term, high-impact assignments in various programs around the world. Positions average six months in length and are designed to address development needs as identified by the host country. While PCR historically was only available to eligible returned Volunteers, in FY 2012, the agency piloted an expansion of the program to all Americans with at least 10 years of work experience. This change in the PCR program will make the agency a more competitive option for experienced Americans interested in Peace Corps service.

Life in the Peace Corps will not be easy. There will be no salary and allowances will be at a level sufficient only to maintain health and meet basic needs. Men and women will be expected to work and live alongside the nationals of the country in which they are stationed—doing the same work, eating the same food, talking the same language.

But if the life will not be easy, it will be rich and satisfying. For every young American who participates in the Peace Corps—who works in a foreign land—will know that he or she is sharing in the great common task of bringing to man that decent way of life which is the foundation of freedom and a condition of peace.

—President John F. Kennedy

Demonstrating Impact

Every day, Volunteers improve the lives of local people and promote peace and friendship between America and host communities. The positive impact of Volunteers can be seen by visiting any Volunteer site. However, demonstrating the aggregate impact of Volunteers over the years has been challenging, particularly in the complex social and economic environments where Volunteers live and work. Large-scale data collection is complicated and costly, and baseline data is rarely collected due, in part, to resource constraints.

Demonstrating the impact of the work of Volunteers has gained significant momentum over the last few years. The agency is strengthening its monitoring and evaluation (M&E) systems to improve Volunteer programs and better articulate the value of the Peace Corps to our overseas partners and the American public. Considerable progress in building an M&E culture was made in FY 2012, and several improvements are planned for future years. Through the Focus In/Train Up strategy, for example, Volunteers will be reporting on standard sector indicators beginning in FY 2013, and the results will be aggregated in summary reports on the activities of Volunteers worldwide.

A new agencywide evaluation framework that will guide the agency's evaluation work will be completed in FY 2013. The framework codifies the agency's current best practices and adds new elements to set the direction for the

future. The framework successfully connects the evaluation work being conducted in disparate offices throughout the agency into one coherent system with a clear delineation of the roles and responsibilities of both headquarters offices and overseas posts. Host Country Impact Studies—which provide impact information directly from host country counterparts and beneficiaries on previous Volunteer work—will continue to be a critical component of agency efforts to demonstrate impact. A new counterpart survey will be piloted in FY 2013 to directly collect viewpoints from the local partners with whom Volunteers work. Baseline data collection has also been included in the new country entry guidance.

These planned activities to strengthen M&E are supported by the agency's existing structures for data-driven decision making. The agency holds quarterly performance review sessions to monitor progress on agency goals, identify opportunities for improvement, and share best practices. The Annual Volunteer Survey provides rich information on Volunteer satisfaction and perceptions, and the agency analyzes results to improve operations. The annual Country Portfolio Review also includes impact data and informs the countries where Volunteers serve.

Redevelopment of Legacy Technologies

As the Peace Corps builds on its performance management culture, there has never been more demand for high-quality data to inform decision making. At the same time, the agency currently maintains several legacy applications to manage information at headquarters and overseas posts that do not fully meet the evolving needs of the Peace Corps. Notably, the agency does not have a centralized data warehouse to store and report on critical current and historical programmatic data, reducing its utility to key decision makers. Additionally, as a small federal agency, the Peace Corps does not always benefit from economies of scale in the procurement of major technologies, and new acquisitions take up a disproportionate share of the budget.

The maintenance of aging systems will be a challenge in the future, and the agency is working to modernize both its core systems and reporting applications. The agency is moving increasingly toward externally hosted solutions, common platforms for core systems, and open-source software to retire legacy systems and support the evolving data needs of the agency. The redesign and modernization of the Volunteer Reporting Tool is one major agency effort to modernize a core system. Work on the project commenced in FY 2012 and will be completed by FY 2014. The redesigned reporting tool will run on a common platform, provide centralized storage for Volunteer project data, and allow for more standardized reporting on Volunteer activities. These enhancements will save significant time in report preparation on the part of Volunteers and staff and will improve the accuracy of information on the activities of Volunteers.

Collaboration with Other Government Agencies and Strategic Partners

The Peace Corps collaborates with other U.S. government agencies and strategic partners to promote shared development efforts and enhance the impact of Volunteers. Notably, the agency has worked closely with the President's Emergency Plan for AIDS Relief (PEPFAR), the U.S. Agency for International Development in support of Feed the Future, and various international nongovernmental organizations. Through these strategic partnerships, the Peace Corps leverages training and programmatic resources and Volunteers expand the reach of partners' development efforts to the local level. As the development community continues to engage strategic partners to address difficult development challenges, the agency will continue to search out mutually beneficial relationships with a broad range of development actors.

Collaboration with strategic partners in development is a key opportunity for the agency moving forward—helping to leverage the taxpayers' dollars to achieve the greatest impact. At the same time, maintaining the agency's independence in shared development endeavors remains critical. While collaborating closely with others to achieve the Peace Corps mission, the agency will maintain its independence to ensure that its unique people-to-people approach to development flourishes.

Global Health Service Partnership: Boosting Training for Health Professionals in Host Countries

The Peace Corps, the President's Emergency Plan for AIDS Relief (PEPFAR), and the Global Health Service Corps launched the Global Health Service Partnership, a public-private partnership to place nurses, physicians, and other health professionals as adjunct faculty in medical and nursing schools in host countries.

This partnership will build capacity in host country medical and nursing education programs to address health professional shortages. Under the new partnership, American medical professionals will serve one-year terms as Peace Corps Response Volunteers. Volunteers will primarily function as medical or nursing educators, working alongside local faculty counterparts to teach and transfer clinical skills. Volunteers will also participate in direct medical care in the process of educating and mentoring local students and practitioners.

The first Volunteers are expected to begin service in FY 2013.

Development of the FY 2015-2018 Strategic Plan

The development of the agency's strategic plan for FY 2015-2018 represents a major opportunity to set the agency's performance improvement agenda for the next several years. The development of the new plan commenced this year, and the agency will engage the Peace Corps community (headquarters and overseas staff, Volunteers, constituency groups, returned Volunteers, and partners), the White House, Congress, and the public at large in discussions over the agency's future strategic direction. The new plan will fully comply with the GPRA Modernization Act of 2010 (GPRA-MA) and will be finalized in February 2014.

The Peace Corps is actively involved in a variety of forums to discuss implementation of GPRA-MA and share best practices, including the Performance Improvement Council and the Small Agency Council's Performance Improvement Committee. The agency will continue to work closely with the Office of Management and Budget (OMB) and the broader performance management community to discuss how best to advance implementation of GPRA-MA.

To learn more about the Peace Corps, please visit our website: www.peacecorps.gov

Analysis of Financial Statements

Overview of Financial Position

The financial statements reflect the agency's efforts toward fulfillment of its mission to provide world peace and friendship. This summary provides the agency's financial position and the result of its operations. Complete financial statements and notes are included in the Financial Section of this report.

Evidence of Peace Corps' financial management capacity is shown by receipt of an unqualified (clean) audit opinion on the FY 2012 financial statements—the sixth consecutive year it has earned a clean audit opinion.

The agency receives most of its funding from government funds administered by the U.S. Department of Treasury and appropriated by Congress. In FY 2012, the Congressional appropriation totaled \$375 million; in FY 2011, it was \$374.3 million. The relatively constant appropriated funding level between the two fiscal years has improved the execution stream despite the reduction from the \$400 million appropriated funding in FY 2010. The Budgetary Resources were \$453 million for FY 2012 and \$452 million for FY 2011. Budgetary Resources consist of the Unobligated Balance of Available Appropriated Funds from prior fiscal years and the Spending Authority from Offsetting Collections (primarily the reimbursable work to be performed by the agency on behalf of other federal agencies such as U.S. Agency for International Development and its almost \$15 million for the nation's Feed the Future, Global Education, and other initiatives).

The agency has two years in which to obligate appropriated funds and another five years in which to complete the payout process for those funds. The agency continues to operate as one program. Studies are underway, though, to assess the feasibility of more closely linking performance and budgeting if proven to be cost effective.



An Environment Volunteer (center) works with her colleagues on a forestry project in Nicaragua.

To make the agency's financial position more transparent, a summary of the major financial activities in FY 2012 and FY 2011 is shown in the following table:

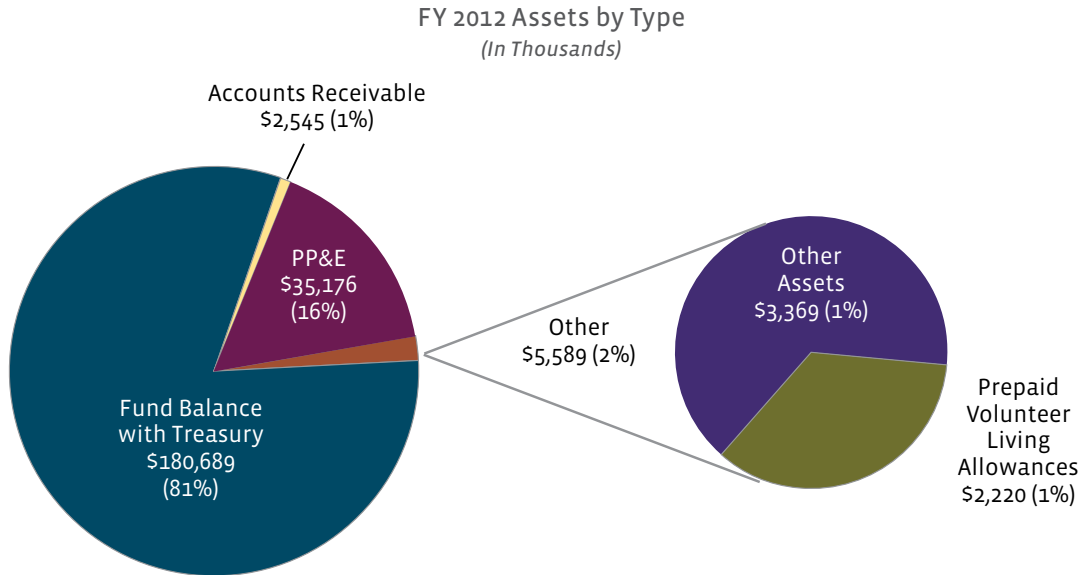
Summary of Financial Activities (In Thousands)		
	FY 2012	FY 2011
Fund Balance with Treasury	\$ 180,689	\$ 175,205
Accounts Receivable	2,545	1,408
PP&E	35,176	43,888
Prepaid Volunteer Living Allowances	2,220	3,106
Other Assets	3,369	2,835
Total Assets	\$ 223,999	\$ 226,442
Accounts Payable	12,103	10,028
Employee Benefits	139,531	133,121
Unfunded FECA Liability	30,558	30,737
Unfunded Annual Leave	9,415	9,136
Other Employment Related	10,422	18,359
Non-Entity Funds	55,739	53,904
Other Liabilities	1,249	1,555
Total Liabilities	\$ 259,017	\$ 256,840
Unexpended Appropriations	103,531	97,955
Cumulative Results of Operations	(138,549)	(128,353)
Total Net Position	\$ (35,018)	\$ (30,398)
Total Liabilities and Net Position	\$ 223,999	\$ 226,442
Net Cost of Operations	\$ 385,700	\$ 390,260
Budgetary Resources	\$ 453,061	\$ 451,679

Analysis of Financial Results

Assets. Assets are the amount of current and future economic benefits owned or managed by the Peace Corps to achieve its mission. As of September 30, 2012, the total assets were \$224 million on the Balance Sheet. Eighty-one percent of these assets were in the Fund Balance with Treasury and 16 percent of the assets were in Property, Plant, and Equipment (PP&E). The overall decrease of \$2.4 million when compared to the FY 2011 total assets of \$226.4 million was primarily due to changes in PP&E.

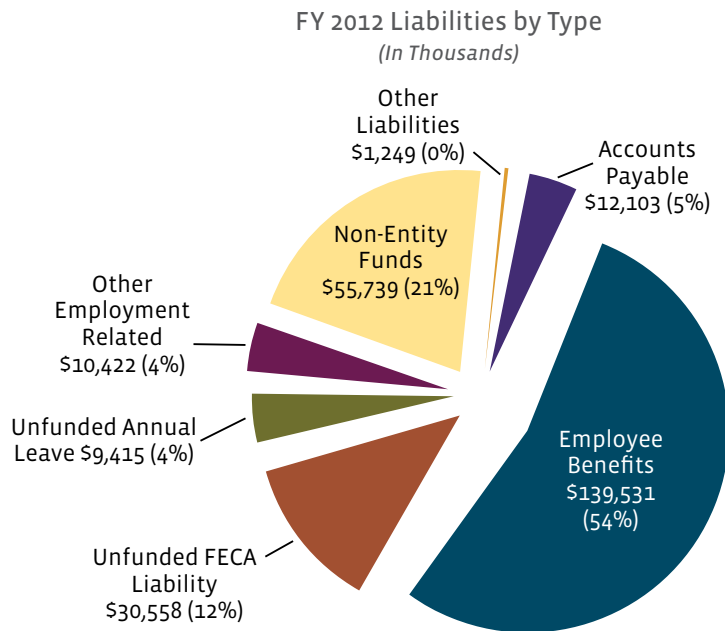
PP&E decreased by \$8.7 million from \$43.9 million in FY 2011 to \$35.2 million in FY 2012 due to an adjustment in Construction in Progress when the headquarters building renovation (begun in FY 2011) was completed and capitalized as Leasehold Improvements. Other PP&E changes included a \$4.0 million decrease in the Net Book Value of other capitalized assets. Offsetting the \$8.7 million PP&E decreases was a \$5.5 million increase in the Fund Balance with Treasury due to a lower rate of cash paid out for costs incurred and a \$1.8 million increase in the Non-Entity funds for Personal Services Contractor Separation costs.

Agency assets by type are shown in the chart below:



Liabilities. Liabilities are the amounts owed by the Peace Corps. Total liabilities of \$259 million were shown on the Balance Sheet as of September 30, 2012. This is an increase of \$2.2 million from \$256.8 million in FY 2011. The \$6.4 million increase in Employee Benefits was due to Federal Employees Compensation Act (FECA) actuarial liability calculated by the Department of Labor and a \$2.1 million increase in Accounts Payable. These increases were offset by a \$7.9 million reduction in unfunded severance for Personal Services Contractors and lower payroll expenses and leave accrual due to reductions in the number of Volunteers.

Liabilities by type are shown in the chart below:



Net Position. Net Position consists of undelivered orders, unobligated balance of funding, and the Cumulative Results of Operations. The agency's Net Position increased by \$4.6 million from FY 2011 at \$30.4 million to \$35 million in FY 2012.

Net Cost – Results of Operations. The Net Cost of Operations decreased from \$390.3 million in FY 2011 to \$385.7 million in FY 2012. The \$4.6 million decrease is primarily due to lower Volunteer support costs offset by an increase in revenues earned from reimbursable activity.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Peace Corps, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the entity's books and records in accordance with generally accepted accounting principles for federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.



A Health Volunteer (center) teaches an HIV/AIDS education seminar to a senior support group in Botswana.

Analysis of Systems, Controls, and Legal Compliance

Management Assurances

This section provides information on the Peace Corps' compliance with the Federal Managers' Financial Integrity Act of 1982 (P.L. 97-255) and OMB Circular A-123, Management's Responsibility for Internal Control, and assesses the financial management systems strategy.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) mandates that agencies establish internal control to provide reasonable assurance that the agency complies with applicable laws and regulations; safeguards assets (funds, property, and other assets) against waste, loss, unauthorized use, or misappropriation; and properly accounts for and records revenues and expenditures to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. FMFIA requires agencies to establish accounting and administrative controls to include program, operational, and administrative areas, in addition to accounting and financial management and requires standards to ensure the prompt resolution of all audit findings. The Integrity Act requires the agency head to evaluate and report annually in an assurance statement on the adequacy of internal controls (Section 2) and on conformance of financial systems with governmentwide standards (Section 4) shown below in the FY 2012 Annual FMFIA Assurance Statement.

Other Internal Control Guidance

OMB Circular A-123, introduced above, implements the FMFIA and further defines management's responsibility for internal control in federal agencies. OMB Circular A-127, Financial Management Systems, prescribes policies and standards to follow in managing financial management systems. These internal control guidance documents joined by the Peace Corps Manual Section 784, Internal Control System, govern the internal control program for the agency.

Internal Control Program

The Peace Corps achieved its sixth consecutive unqualified (clean) audit opinion during the FY 2012 annual financial statement audit. No material weaknesses or instances of noncompliance with laws and regulations were identified. Internal controls are the organization, policies and procedures that help program and financial managers achieve results and safeguard the integrity of their programs. Peace Corps managers are responsible for designing and implementing effective internal controls in their areas. Monitoring the effectiveness of internal control should occur in the normal course of conducting business over each year. Department and office heads across the agency prepared assessments of risk earlier this fiscal year that did not identify any material weaknesses. However, the risk assessments identified weaknesses of less severity than material weaknesses, which will be monitored and managed within the agency. Department and office heads also prepared annual management assurance statements as of September 30, 2012, attesting to the adequacy of internal controls and, again, did not identify any material weaknesses. These assessments are also based on internal control activities including self assessments, senior leadership meetings, observation of daily operations, audits of financial statements, Inspector General audits, reports, reviews, investigations, and evaluations. The two significant deficiencies and audit recommendations from the FY 2011 financial statement audit were monitored through the agency's corrective

action plan and during periodic Senior Assessment Team meetings throughout the fiscal year. The Senior Assessment Team is led by the chief financial officer and includes members of agency top management.

Marking historical points, no new material weaknesses have been identified for the past seven years. Further, all material weaknesses previously reported to OMB and Congress were resolved during FY 2007.

Peace Corps Volunteers in Madagascar and Rwanda are working to reduce the impact of deforestation by introducing green charcoal into local communities. This environmentally safe method of charcoal production is a sustainable alternative to wood charcoal and can generate income for local families and organizations. Green charcoal briquettes are created using a combination of biomass materials such as agricultural waste, leaves, grass, and sawdust.

Financial Management Systems Strategy

The Peace Corps continues to maintain operational efficiencies in the agency's globally deployed multi-currency financial system, Odyssey, through incremental enhancements and application extensions that increase labor efficiencies and performance and maintain data integrity. The software product upgrade to Odyssey will be completed by January 2013, further improving financial and budget management agencywide and providing enhanced technical support for the budgeting, projects, financials, procurement, cashiering, human resources and payroll processes handled by the system. The Odyssey upgrade is also necessary to prepare for the Treasury's Governmentwide Treasury Account Symbol Adjusted Trial Balance System reporting requirements scheduled to begin in FY 2014.

The agency's property accountability system was deployed worldwide in late FY 2011. Due to continuing tracking and reporting property challenges, the agency is evaluating whether to integrate the existing system with the Odyssey Fixed Asset module or procure and implement an alternative property accountability system in FY 2013 or FY 2014.

A new personal services contractor application was completed in FY 2012 and worldwide deployment is planned in FY 2013 which allows posts to enter contractor data at the local level, automatically computing payroll elements and eliminating error-prone manual re-entry at headquarters. This application will allow online approval at headquarters, improving the efficiency and transparency of the contractor payment process.

Further, the agency will be procuring and deploying an agencywide commercial time keeping system much like that of the U.S. Agency for International Development which will be integrated with Odyssey expanding and automating the agency's ability to track, monitor, and capture the cost of capital projects.

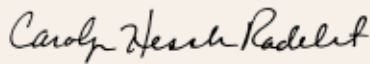
Finally, studies are currently underway to assess the feasibility of more closely linking performance and budgeting through cost allocation if proven to be cost effective. Accurate correlation of actual costs with applied overhead to the strategic goals and outputs remains unachievable without capturing significantly more granular direct costs and implementing indirect cost allocation models within the financial system for cost-stratification purposes.

The management assurance statement that follows is consistent with the FY 2012 audit report.

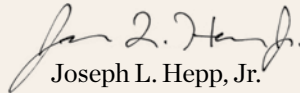
FY 2012 Annual FMFIA Assurance Statement

The Peace Corps assessed the effectiveness of internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982 Section 2 and OMB Circular A-123. Based on this assessment, the Peace Corps can provide reasonable assurance for FY 2012 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Peace Corps conducted its assessment of whether the financial management systems conform to governmentwide financial systems requirements in accordance with FMFIA Section 4. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of FMFIA Section 4 and OMB Circular A-127 for FY 2012.



Carolyn Hessler-Radelet, Acting Director
November 15, 2012



Joseph L. Hepp, Jr.
Chief Financial Officer
November 15, 2012

Corps de la Paix

re Commune:
 lorer les rôles interdépendants des
 railleurs dans une communauté, le
 travail qu'ils accomplissent et comment
 tionnent les Communautés.
 a 5 Activités dans ce programme.

Activités	Objectifs
Comment fonctionne la Communauté? Les habitants développent une conscience sur la vie de leurs gens, et de travailler ensemble un travail communautaire.	<ul style="list-style-type: none"> • Identifier les divers emplois dans la Communauté. • Reconnaître la façon dont les gens vivent et travaillent dans la communauté. • Prendre Conscience d'un grand éventail de possibilités d'emplois
Boulangerie « les Délices » Les habitants utilisent des méthodes de production diffé- rentes pour simuler la production d'une boulange.	<ul style="list-style-type: none"> • Définir la production • Comparer des méthodes d'unité de production et de la ligne d'assemblage. • Expliquer les différentes stratégies utilisées pour avoir des produits différents.
Rôle du Gouvernement: Les habitants abordent le rôle unique du gouvernement dans la communauté, en demandant les services que le gouvernement accorde aux habitants.	<ul style="list-style-type: none"> • Reconnaître les emplois du gouvernement dans la communauté. • Comprendre pourquoi la fiscalité est nécessaire.
Une Nouvelle Entreprise Les habitants déterminent le usage pour un magasin.	<ul style="list-style-type: none"> • Définir des choix • Utiliser un modèle décisionnel. • Reconnaître la nécessité de prendre des décisions



A Community Economic Development Volunteer works on an environmental education project with youth in Senegal.

Introduction to Agency Performance

The performance section presents the agency's progress on the five strategic goals, 14 performance goals, and 40 performance indicators outlined in the agency's FY 2012 annual performance plan.

This is the fourth year of agency operations under the Peace Corps FY 2009-2014 strategic plan.

The development of the FY 2012 annual performance plan offered the agency an opportunity to assess agency performance during the first three years of operations under the strategic plan and recalibrate the performance plan to reflect evolving agency priorities and set more ambitious performance targets. The FY 2012 annual performance plan is the result of a highly participatory process through which the agency has reaffirmed its commitment to performance improvement. The strategic plan and performance plan can be found at www.peacecorps.gov/open.

This section includes a discussion of the work that supports the agency's strategic goals. The rationale for each indicator is included and describes how it measures performance goals. Subsequent discussion links the major agency activities associated with the indicator to the results achieved. Information is provided on how the agency will strengthen performance moving forward. Finally, the data source for each performance indicator is also included.

The FY 2012 annual performance plan includes several new and revised indicators. As a result, trend data that compares performance targets to results over the past five years are not available for all indicators. Prior year trend data are provided when available, and baseline data are offered in cases where prior indicator results are not available and data from other, similar measures exist. Trend information indicates improvement, maintaining performance, or declining performance from the previous year.

Performance Management

The agency is strongly committed to performance improvement through the use of high-quality data. The Peace Corps' deputy director serves as the chief operating officer and oversees the agency's performance management efforts. The Office of Strategic Information, Research, and Planning (OSIRP) is responsible for performance planning and reporting and works closely with offices across the agency to collect and analyze data to improve agency operations. The director of OSIRP serves as the performance improvement officer for the agency. The agency actively participates in the federal government's Performance Improvement Council and the Small Agency Council's Performance Improvement Committee in order to remain current with governmentwide performance improvement guidelines and best practices.

The agency ensures data are available and used by agency leadership and senior managers to inform decision making through the following processes:

- **Quarterly strategic plan performance review sessions.** Review sessions are chaired by the agency's chief operating officer and facilitated by the performance improvement officer. Senior management from across the agency review performance data at the end of each quarter to share best practices and develop strategies to meet performance targets when areas for improvement are identified.
- **Integrated Planning and Budget System (IPBS).** Through the IPBS, headquarters offices and posts develop strategic and operational plans to ensure that their activities are aligned with and advance the agency's strategic

goals. IPBS plans are developed during the agency's budget formulation process; budgets are informed by the resource requirements of the IPBS plans.

- **Country Portfolio Review.** Each year, the agency conducts a comprehensive review of active Peace Corps posts based on external and internal data. The Country Portfolio Review informs decisions about new country entries, country graduations (closures), and the allocation of Volunteers and other resources.

Verification and Validation of Performance Data

The agency's FY 2012 performance results are based on reliable and valid data that are complete as of the end of the fiscal year. The agency places great value and emphasis on continuously improving its performance reporting procedures and processes.

Data collection and reporting consistency is ensured by the use of detailed indicator data reference sheets, which include operational definitions, data sources, and a comprehensive methodology for measuring each performance indicator. Independent reviews of the performance data submitted by headquarters offices and posts ensure the data are complete and accurate. The major data sources are detailed below.

Annual Volunteer Survey

The Annual Volunteer Survey (AVS) is a voluntary survey that provides direct feedback from the Volunteers regarding agency activities. In FY 2012, 87 percent of Volunteers completed and submitted the AVS—the highest response rate in the history of the survey. The consistently high response rate from Volunteers ensures that the responses obtained reliably represent all Volunteers.

The demographic profile of the survey respondents is compared to all Volunteers in service to confirm that the respondents are representative of the Volunteer population as a whole. In FY 2012, the AVS respondents were appropriately representative of the Volunteers. Responses to AVS questions are entered by the Volunteers themselves and housed in an external, electronic survey database. Faulty data are cleaned prior to analysis and constitute only a small percentage of the overall responses. Analyzed data are used to inform agency management about the Volunteers' perspectives on key issues. The high response rate from Volunteers and the verification and validation measures ensure the high level of AVS data accuracy needed for its intended use.

The AVS reflects the viewpoint of Volunteers and can often be influenced by external events. The agency carefully analyzes any variation in AVS results; however, nominal percentage point movements may not be meaningful or significant. In analyzing AVS results, the agency is mindful to look at longer-term trends to account for normal, expected variations in responses.

Peace Corps Database Systems

The agency maintains several database systems to collect Volunteer and program information. Only authorized staff members who have been properly trained can access key systems, maintaining data integrity and ensuring that the data entry methodology is followed. Regular reconciliation processes between agency units enable users to verify and test performance data to isolate and correct data entry or transfer errors. Internal, automated system processes also ensure data is appropriately transferred between different applications. The required level of

accuracy to provide current and historical information about programs and Volunteers is met through database rules and business processes. Where data limitations do exist, largely due to data entry compliance in isolated systems, they are noted in the appropriate indicator section.

Overseas Posts

Overseas posts submit data for performance indicators through an online survey at the end of the fiscal year. Country directors or program managers from all overseas posts responded to the survey in FY 2012, thus providing valid representative performance data. The survey was designed with clear logic and data validation rules to minimize data entry error. The data were independently reviewed and anomalies were addressed and corrected to improve data quality. The survey gathers the activities of overseas posts. As all posts responded to the survey in FY 2012 and high data quality was established, the required level of accuracy was met.

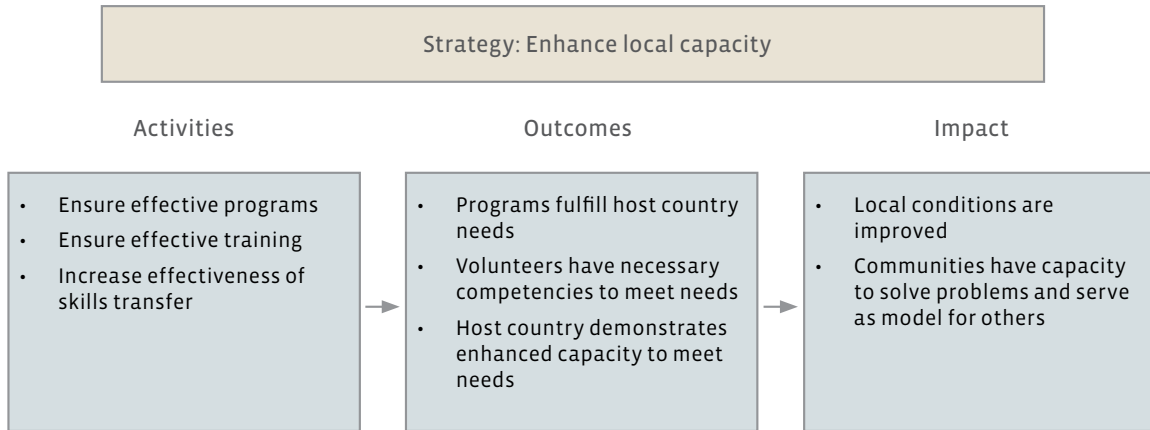


An Education Volunteer teaches students healthy habits through outdoor exercise in Togo.

Annual Performance Results

Strategic Goal 1: Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs

Performance Management Framework



The Peace Corps facilitates Volunteers’ capacity-building efforts by partnering with host country communities and organizations to develop programs that respond to local needs, training Volunteers in the skills they need to be successful, and maintaining a focus on skills transfer to local people. Implementing the Focus In/Train Up strategy—an agencywide effort to focus on highly effective interventions and provide Volunteers with world-class training—was a major priority this year to improve performance on this goal.

The agency was successful in enhancing local capacity in FY 2012. Seven of 11 performance targets were met, and eight indicators either improved or maintained the level of performance from last year.

Through the President’s Emergency Plan for AIDS Relief (PEPFAR), implementing agencies—including the U.S. Agency for International Development, the Centers for Disease Control and Prevention, the Department of Defense, and the Peace Corps—are working closely to reach millions across the globe. Secretary of State Hillary Rodham Clinton announced the United States goal of creating an AIDS-free generation, which President Barack Obama echoed on World AIDS Day 2011 with his commitment to expand treatment to 6 million people globally by the end of 2013.

Performance Goal Results

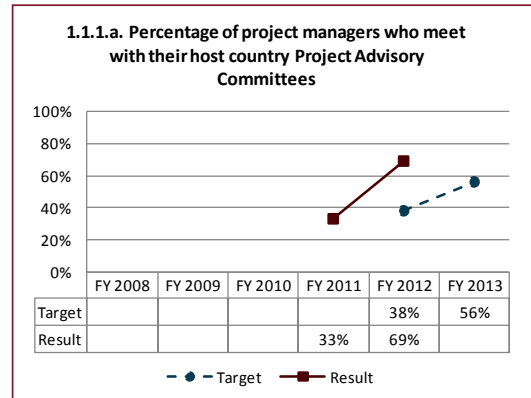
Performance Goals	Performance Indicators	FY 2012 Target	FY 2012 Result	Target Met	Trend
1.1.1: Ensure the effectiveness of in-country programs	1.1.1.a. Percentage of project managers who meet with their host country Project Advisory Committees	38%	69%	✓	▲
	1.1.1.b. Percentage of posts that provide annual progress reports to their host country agency sponsors and partners for all of their projects	95%	83%	✗	▼
	1.1.1.c. Percentage of projected length of service actually served by Volunteers	85%	88%	✓	▲
	1.1.1.d. Percentage of Volunteers who report their satisfaction with site selection and preparation as adequate or better	76%	72%	✗	▲
1.2.1: Ensure the effectiveness of in-country training	1.2.1.a. Percentage of Volunteers who meet local language requirements for service per post testing standards	86%	89%	✓	▲
	1.2.1.b. Percentage of Volunteers who report training as adequate or better in preparing them technically for service	82%	82%	✓	▲
	1.2.1.c. Percentage of Volunteers who report training as adequate or better in preparing them to work with their counterparts/community partners	80%	82%	✓	▲
	1.2.1.d. Percentage of posts that provide monitoring and evaluation training to their Volunteers	85%	91%	✓	▶
1.3.1: Increase the effectiveness of skills transfer to host country individuals, organizations, and communities	1.3.1.a. Percentage of Volunteers who report their primary project work transferred skills to host country individuals and organizations adequately or better	85%	87%	✓	▲
	1.3.1.b. Percentage of projects documenting measurable impact in building the capacity of host country nationals	85%	83%	✗	▼
	1.3.1.c. Percentage of partner organizations at post that report their assigned Volunteer fulfilled their requested need for technical assistance	70%	63%	✗	▼
✓ Target met ✗ Target not met ▲ Improving ▶ Maintaining ▼ Declining					

Performance Goal 1.1.1: Ensure the effectiveness of in-country programs

Indicator 1.1.1.a: Percentage of project managers who meet with their host country Project Advisory Committees

FY 2012 Target	FY 2012 Result	Target Met	Trend
38%	69%	✓	▲

Rationale: Effective projects ensure local support by taking into account the needs of the host country and local beneficiaries. Project Advisory Committees (PACs) are composed of agency staff, host country government officials, and local counterparts. They serve as advisory bodies to program managers to design, monitor, and assess projects.



Discussion of Result: *The target was met.* In FY 2012, the agency held PAC meetings for 130 out of 188 projects (69 percent). This measure ensures local partners are continuously consulted throughout the cycle of a project—from design to implementation to evaluation. The use of PACs was identified as a best practice by certain posts and by including this indicator in the annual performance plan for the first time, the agency is now actively promoting their use worldwide.

In FY 2012, improvement was achieved by providing additional resources to posts to hold PAC meetings, particularly in the Africa region. Additionally, the Inter-America and Pacific region distributed guidance to posts on how to appropriately budget for PAC meetings.

While all projects were developed in collaboration with host country stakeholders, the continuous monitoring and evaluation of existing projects by host country partners through PAC meetings did not occur for all projects. Several posts that did not conduct PAC meetings in FY 2012 will be hosting them next year after full implementation of Focus In/Train Up.

Strengthening Future Performance: The agency will continue to provide encouragement and guidance to all overseas posts and share best practices among countries for operating PACs. Additionally, this is a new indicator and performance in FY 2012 was higher than expected. The target for FY 2013 will be five percentage points higher than the average of the FY 2011 and FY 2012 results to encourage continued high performance.

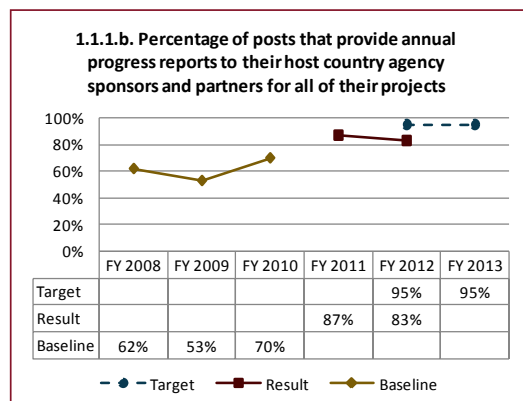
Data Source: Overseas posts data call

The agency’s first global strategic partnership with a corporation was announced in September 2012. The Peace Corps and Mondelez (formerly Kraft Foods) will promote sustainable agriculture and community development.

Indicator 1.1.1.b: Percentage of posts that provide annual progress reports to their host country agency sponsors and partners for all of their projects

FY 2012 Target	FY 2012 Result	Target Met	Trend
95%	83%	✗	▼

Rationale: Annual progress reports describe the achievements of all projects at a post to host country agency sponsors and partners. By reporting annually to local stakeholders on the progress of projects, the agency documents the impact of its Volunteers and advances an ongoing dialogue with the host country on how best to increase project effectiveness.



Discussion of Result: *The target was not met.* Out of 65 posts, 54 posts provided annual reports to their host country partners for all of their projects, a reduction from FY 2011. The indicator target was increased in FY 2012 to strengthen the improvements made last year and expand the reports to include all projects; however, the expected progress was not realized.

Performance on this indicator in the Africa region highlights the challenges of producing annual reports. In the Africa region, 68 percent of posts provided annual reports to their host country partners, compared to 83 percent worldwide. For posts where more than one language is spoken, common in Africa, translation is often difficult and expensive, a contributing factor in the feasibility of developing annual reports. Posts in Africa also spent twice as many hours creating annual reports compared to the other regions.

When posts are able to overcome these challenges, they use the annual reports to share their successes, develop appropriate expectations, and build a culture of transparency and collaboration with local partners.

Strengthening Future Performance: The agency will share best practices, including the use of low-cost solutions, across posts to improve how results are reported to local stakeholders. The agency will also develop a standardized template for posts’ annual reports that ensures that all critical elements are included while providing flexibility to meet the unique needs of each post.

Data Source: Overseas posts data call

Indicator 1.1.1.c: Percentage of projected length of service actually served by Volunteers

FY 2012 Target	FY 2012 Result	Target Met	Trend
85%	88%	✓	▲

Rationale: Projects are designed to require a specific amount of Volunteer service time for effective implementation. A high percentage of projected length of service actually served indicates Volunteers are in the field for a sufficient amount of time to meet program goals.

Discussion of Result: *The target was met.* This is the first year the agency has set a performance target for this indicator. Offering one perspective on “early terminations” of Volunteers serving in the field, this indicator replaces the “average length of service” measure included in previous performance plans to reduce the effect of outliers in the data and provide an indicator that is more reflective of agency operations.

The result in FY 2012 is consistent with the overall downward trend of early terminations over the last several years—a positive development for the agency.

The agency works to reduce the number of Volunteers who leave service early. The unexpected departure of a Volunteer can have a negative effect on the Volunteer’s project and the goals established in collaboration with the host country. Moreover, it represents a lost investment for the Peace Corps, which devotes resources to recruit and train individuals for service. The agency reduces early terminations by utilizing a rigorous Volunteer selection process and by ensuring Volunteers receive the necessary training and support to be safe, healthy, and successful in their service.

Strengthening Future Performance: The agency will continue to analyze and disseminate early termination measures to agency decision makers in order to identify opportunities for improvement in individual regions, posts, and programs.

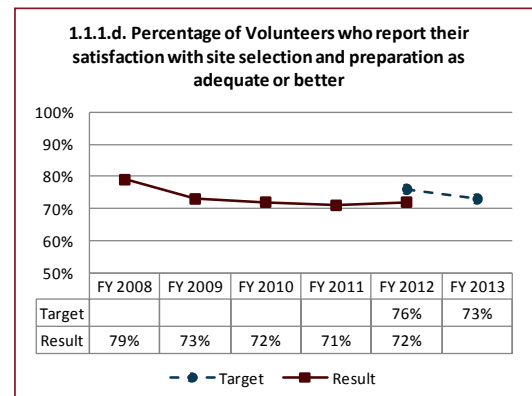
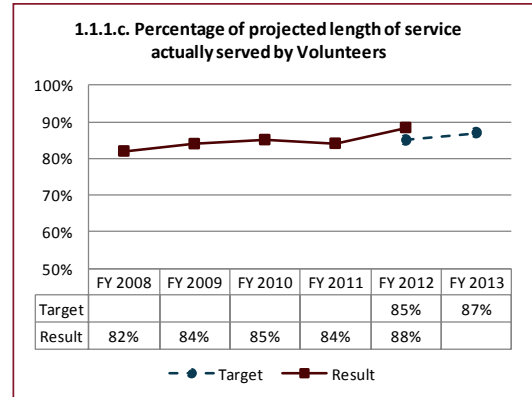
Data Source: Peace Corps Database Management System

Indicator 1.1.1.d: Percentage of Volunteers who report their satisfaction with site selection and preparation as adequate or better

FY 2012 Target	FY 2012 Result	Target Met	Trend
76%	72%	✗	▲

Rationale: To create an environment for effective projects, the agency must select work sites that provide meaningful work opportunities and support the health and safety of Volunteers. The appropriate selection and preparation of work sites is crucial to the effectiveness of a Volunteer and the success of the overall project.

Discussion of Result: *The target was not met.* The decline in Volunteers’ satisfaction with site selection and preparation from FY 2008 to FY 2010 resulted in the agency including the measure as an indicator in the FY 2012 annual performance plan. This is evidence of both the importance of improving site selection and the agency’s use of performance measurement to drive performance improvement. While the target was not met in FY 2012, the result is an improvement over the previous year.



Ensuring the appropriate selection and preparation of Volunteer sites has been a challenge in the agency for a number of years. Constraints have included inadequate staffing levels, inconsistent application of site selection and preparation protocols, and host country restrictions on where Volunteers can serve. Effective site selection and preparation includes three major components: identifying appropriate sites, setting appropriate expectations with Volunteers, and regularly monitoring sites to provide support to Volunteers.

Activities in FY 2012 contributed to effective site selection and preparation and laid the groundwork for performance improvement in the future. The Inter-America and Pacific region consolidated and disseminated guidance on site selection and preparation, and the agency will provide worldwide guidance in FY 2013. Realizing the lack of information on the site selection process often contributes to poor expectations on the part of Volunteers, some posts in Africa shared the site selection and preparation process with Volunteers. Other posts are leveraging their Volunteer leaders to provide support to Volunteers through site monitoring.

Strengthening Future Performance: The agency will collect data on how the new site selection and preparation guidance is utilized in order to identify areas for improvement. An additional area of inquiry will be the relationship between site selection and preparation and Volunteer-to-staff ratios. Finally, the aggressive implementation of critical recommendations from Peace Corps safety and security officers, several of which relate to posts' adherence to site selection criteria, will also improve future performance.

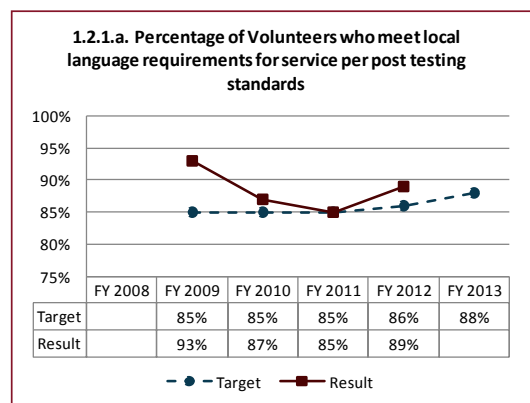
Data Source: Annual Volunteer Survey

Performance Goal 1.2.1: Ensure the effectiveness of in-country training

Indicator 1.2.1.a: Percentage of Volunteers who meet local language requirements for service per post testing standards

FY 2012 Target	FY 2012 Result	Target Met	Trend
86%	89%	✓	▲

Rationale: Volunteers must achieve sufficient language ability to maintain their safety and security, integrate into their community, and work effectively. A high percentage of Volunteers who meet local language requirements indicates that training has been effective in preparing Volunteers for service.



Discussion of Result: *The target was met.* The Peace Corps provides language instruction for Volunteers in 181 languages through local language instructors. While some Volunteers may not be required to learn a new language, others learn multiple languages during their service.

In FY 2012, the agency improved the quality of its language training by building on the skills of language instructors through training-of-trainers sessions and increasing the number of language proficiency index certification workshops provided to instructors. The agency held 22 workshops in FY 2012, compared to 10-15 provided in previous years.

Challenges to improving performance on this indicator include the high turnover of certified language instructors and data-collection issues. Language instructors are often only contracted during Volunteers’ three-month pre-service training, contributing to high turnover as instructors secure other full-time work. High turnover is an issue particularly in the Africa region, where the largest number of languages is taught.

The response rate for language scores has also been low; in FY 2012, only 83 percent of Volunteers who were tested had their language scores recorded in the data-collection tool. All Volunteers who complete language training are tested for language ability; in many cases, language scores exist on paper but have not yet been transferred into the agency’s database. The low response rate can be improved through training and follow-up with language instructors. This year, the agency started the process of contacting posts to enter outstanding data and putting training in place to ensure all language scores are entered into the database.

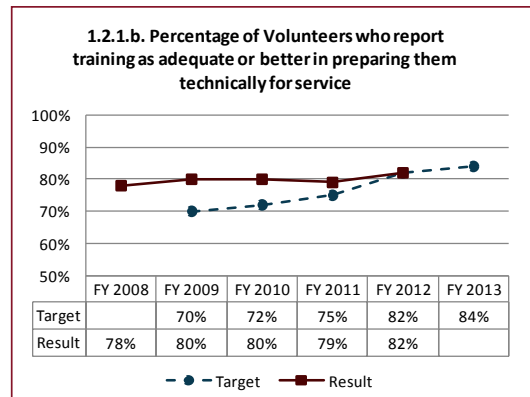
Strengthening Future Performance: The agency is exploring options to improve language-instructor retention. The Africa region, for example, is reviewing how to move training classes and pre-service training dates to provide longer-term employment for language instructors. To improve data collection, the agency will develop and train language instructors on the standard operating procedures for when and how to enter language test data into the agency’s database.

Data Source: Peace Corps Enterprise Database

Indicator 1.2.1.b: Percentage of Volunteers who report training as adequate or better in preparing them technically for service

FY 2012 Target	FY 2012 Result	Target Met	Trend
82%	82%	✓	▲

Rationale: The agency selects Volunteers with the maturity, commitment, resilience, skills, and experience necessary to be successful and provides technical training to prepare Volunteers for local, project-specific work. Volunteers’ perceptions of how well their technical training has prepared them for service are an important indicator of the effectiveness of that training. Volunteers who have been adequately trained in technical areas have the competencies necessary to address host country needs.



Discussion of Result: *The target was met.* This year, the agency strengthened its technical training through the continued implementation of the Focus In/Train Up strategy. The agency completed new technical training packages for the Education, Community Economic Development, and Youth in Development sectors and is aggressively developing training materials for the remaining sectors and technical areas.

The agency also explored alternative training structures to improve delivery and respond to increased demands for training. Examples include the following:

- Providing pre-departure online training on global health and HIV/AIDS issues to individuals selected for service in the health sector through the agency’s partnership with the President’s Emergency Plan for AIDS Relief (PEPFAR).
- Testing a two-phase pre-service training model in the Africa region. During the first phase, Volunteers go through cross-cultural and language training to learn critical community-integration skills. After building an understanding of local development issues at their eventual work sites, Volunteers return for technical training during the second phase. The new model is expected to better prepare Volunteers technically for service as they will be learning technical skills in the context of their individual work sites.

Strengthening Future Performance: As the agency fully implements Focus In/Train Up, standard training packages will be developed for all sectors. Additionally, the agency will continue to innovate by conducting pilot studies of alternative training structures.

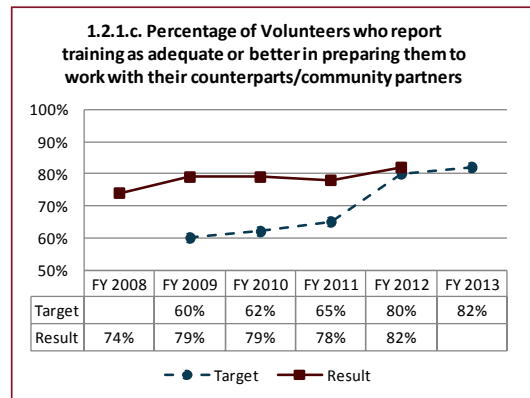
Data Source: Annual Volunteer Survey

Indicator 1.2.1.c: Percentage of Volunteers who report training as adequate or better in preparing them to work with their counterparts/community partners

FY 2012 Target	FY 2012 Result	Target Met	Trend
80%	82%	✓	▲

Rationale: Volunteers build local capacity by working closely with local counterparts and partners. Volunteers’ perceptions on the adequacy of their counterpart training are helpful in assessing the effectiveness of that training.

Discussion of Result: *The target was met.* The target for this indicator was adjusted upward this year to encourage performance improvement and the response was positive.



Counterparts and community partners connect Volunteers to local communities, and Volunteers must maintain these relationships to ensure the sustainability of their work. The agency trains Volunteers on how to work successfully with local counterparts and partners with a focus on managing cultural differences.

For example, the agency held a training session in FY 2012, Understanding My Work Partner, for program managers to build staff skills in supporting Volunteers’ efforts to form positive work relationships with their counterparts.

Strengthening Future Performance: The full implementation of Focus In/Train Up will improve Volunteer training, including the new training module on working with counterparts.

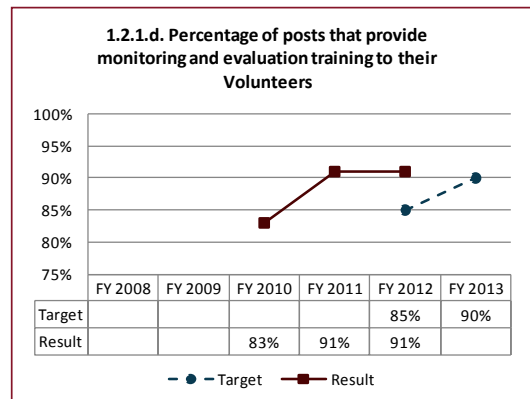
Data Source: Annual Volunteer Survey

Indicator 1.2.1.d: Percentage of posts that provide monitoring and evaluation training to their Volunteers

FY 2012 Target	FY 2012 Result	Target Met	Trend
85%	91%	✓	▶

Rationale: When Volunteers are adequately trained in monitoring and evaluation, they will be better able to carry out their projects by more accurately assessing their achievement of project goals and making modifications in their approach when necessary.

Discussion of Result: *The target was met.* In FY 2012, 59 posts (91 percent) provided monitoring and evaluation (M&E) training to their Volunteers. Achievement in providing M&E training to Volunteers was supported by the development of standard sector indicators through the Focus In/Train Up strategy.



Posts offered six standardized M&E sessions, developed through Focus In/Train Up:

- Accomplishing Peace Corps’ First Goal
- Why we Monitor and Evaluate
- How to Use Sector M&E Tools
- How we Report our Work
- How we Share our Progress
- How we Analyze Data

In a survey of posts, the most popular session was Accomplishing Peace Corps’ First Goal (74 percent of posts), followed by Why we Monitor and Evaluate (72 percent).

The agency also offered training outside of the Focus In/Train Up strategy. Several posts (83 percent) offered Using Participatory Analysis for Community Action. Posts offered up to seven M&E sessions, with an average of three per post.

Strengthening Future Performance: The standardized M&E training package was adopted by posts at a higher than anticipated level at this early stage of Focus In/Train Up implementation, thereby exceeding the target. The agency will raise the target next year.

Data Source: Overseas posts data call

Peace Corps Volunteers may be able to defer Stafford, Perkins, Federal Direct, and consolidation loans and may qualify to cancel 15 percent of each Perkins Loan per years of service, up to 70 percent total.

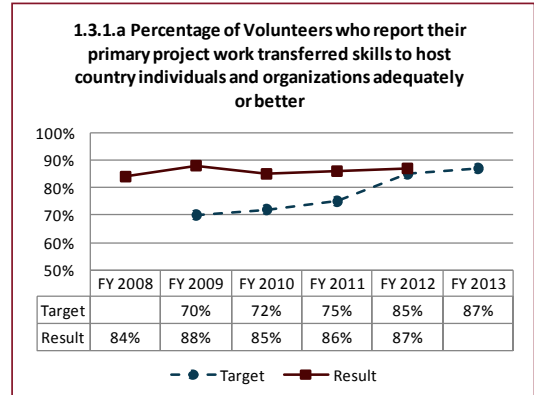
Performance Goal 1.3.1: Increase the effectiveness of skills transfer to host country individuals, organizations, and communities

Indicator 1.3.1.a: Percentage of Volunteers who report their primary project work transferred skills to host country individuals and organizations adequately or better

FY 2012 Target	FY 2012 Result	Target Met	Trend
85%	87%	✓	▲

Rationale: Volunteers build local capacity by transferring skills to host country individuals and organizations. Volunteers’ perceptions of their work indicate the effectiveness of their capacity-building efforts.

Discussion of Result: *The target was met.* The result in FY 2012 is consistent with Volunteers’ perceptions since 2008, suggesting that Volunteers continue to feel that they are prepared for and placed in environments where they can effectively transfer skills to local partners.



The Annual Volunteer Survey is the data source for this indicator; data from other sources provide additional context regarding the success of Volunteers’ skill transfer activities.

For example, Host Country Impact Studies collect and analyze direct impact information from host country counterparts, beneficiaries, and host families, providing critical insights into Volunteers’ success in transferring skills. In the three studies completed in FY 2012 (El Salvador, Ghana, and Paraguay), 93 percent of host country national respondents said the training provided by Volunteers enhanced their skills. When asked about the training held by the Volunteer, one counterpart in El Salvador remarked, “The training helped a lot because it helped me to do my work better. My students respect me now, not because I am assistant principal, but because I am a leader.”

Information from Volunteers on their activities provides another direct measure of capacity building. However, gathering activity and outcome information directly from Volunteers remains difficult. Using the Volunteer Reporting Tool, Volunteers report their progress against project goals and objectives. But data quality and accessibility issues resulting from inconsistent use and a decentralized data infrastructure have prevented the agency from fully collecting and analyzing Volunteer work through the reporting tool. Improvements to the reporting tool began in FY 2012 and are scheduled to go into effect in FY 2014.

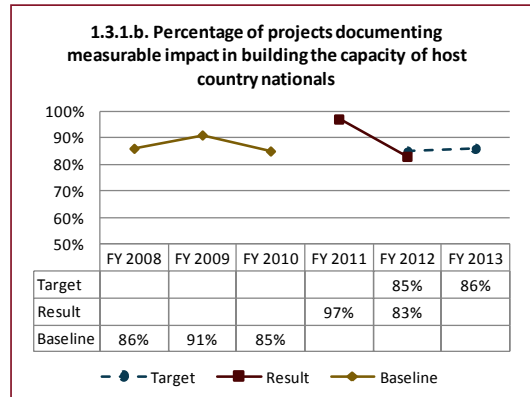
Strengthening Future Performance: In FY 2012, the agency began the Volunteer Reporting Tool redesign project to improve the reporting interface, standardize reporting methods, and improve accessibility to Volunteer activity and outcome data. When the redesign project is complete and data quality improves, future performance plans can include goals and indicators directly related to Volunteer activities and outcomes.

Data Source: Annual Volunteer Survey

Indicator 1.3.1.b: Percentage of projects documenting measurable impact in building the capacity of host country nationals

FY 2012 Target	FY 2012 Result	Target Met	Trend
85%	83%	✘	▼

Rationale: The use of multiple sources, including host country beneficiaries, to verify the impact of Volunteers’ capacity-building efforts will give posts a better understanding of the results of Volunteer activity. As a result, project managers can replicate successes and address challenges in skill transfer.



Discussion of Result: *The target was not met.* This indicator was strengthened in FY 2012 to include the use of multiple sources in documenting the impact of capacity building—moving beyond the collection of data to a more rigorous analysis of Volunteers’ impact.

Of the 188 Peace Corps projects operational in FY 2012, the agency was able to document the impact of Volunteers’ capacity-building efforts through multiple sources in 156 projects (83 percent). The Volunteer Reporting Tool was the most often utilized source for collecting data on the impact of Volunteers’ activities (82 percent), followed by Project Advisory Committees (77 percent), and site visits (55 percent). In many cases, posts used planned, routine visits with counterparts, beneficiaries, and partners to collect data on Volunteer impact.

Posts noted several challenges in demonstrating the impact of Volunteers in FY 2012, including limited data-collection tools, minimal M&E capacity on the part of staff and Volunteers, the lack of baseline data, and limited staff time.

The rollout of standard M&E training for Volunteers will build their capacity in this area. Staff acquired skills through M&E training provided by the agency in FY 2012. Ideally, a larger investment at posts, such as hiring dedicated M&E staff members regionally or at each post, could be made to fully institutionalize M&E into Peace Corps projects. However, this is unlikely in the near term due to resource constraints. Instead, the agency relies on building Volunteer and staff skills through M&E training, improving data-collection tools, and exploring baseline data collection to improve performance on this indicator.

The lack of baseline data is a major challenge. Without baseline data related to Volunteers’ work, the agency is unable to adequately measure the change in host country national capacity that occurs as a result of the work of Volunteers. In FY 2012, baseline data collection was included in the new country entry guide to make baseline data collection a standard operating procedure when the agency enters new countries.

Strengthening Future Performance: Improvements to the Volunteer Reporting Tool, monitoring and evaluation training for Volunteers and staff, and full implementation of standard indicators through Focus In/Train Up will enhance the agency’s capacity to collect and analyze information on the impact of Volunteers. The agency will also

begin the collection of baseline data when feasible. These efforts will be strengthened through the development of an agencywide evaluation framework.

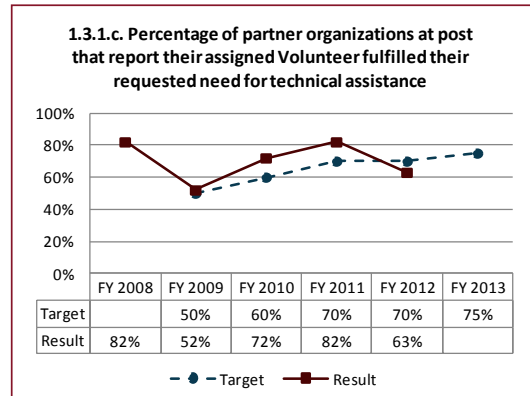
Data Source: Overseas posts data call

Indicator 1.3.1.c: Percentage of partner organizations at post that report their assigned Volunteer fulfilled their requested need for technical assistance

FY 2012 Target	FY 2012 Result	Target Met	Trend
70%	63%	✗	▼

Rationale: Positive feedback from partner organizations about the work of Volunteers indicates that the Peace Corps is effective in transferring skills to local beneficiaries.

Discussion of Result: *The target was not met.* Volunteers partnered with over 4,000 organizations in FY 2012, and 63 percent reported their assigned Volunteer fulfilled the requested need for technical assistance—a significant drop from last year. Eighteen posts that reported on this indicator last year did not provide information this year. Several of these posts noted that information is collected informally and that storage of the data is limited and paper-based.



Posts have consistently reported difficulties with collecting and storing information gathered from partner organizations and local beneficiaries. The agency does not currently utilize a centralized database for collecting and storing feedback from counterparts. Instead, posts develop their own, often paper-based, solutions, including: site visit forms, surveys, and rating tools. As Volunteers often work with counterparts in remote areas of the host country with limited access to phone and Internet, posts typically collect data for this indicator during routine interactions with partner organizations, including site visits (66 percent), training events (42 percent), and Project Advisory Committees (31 percent).

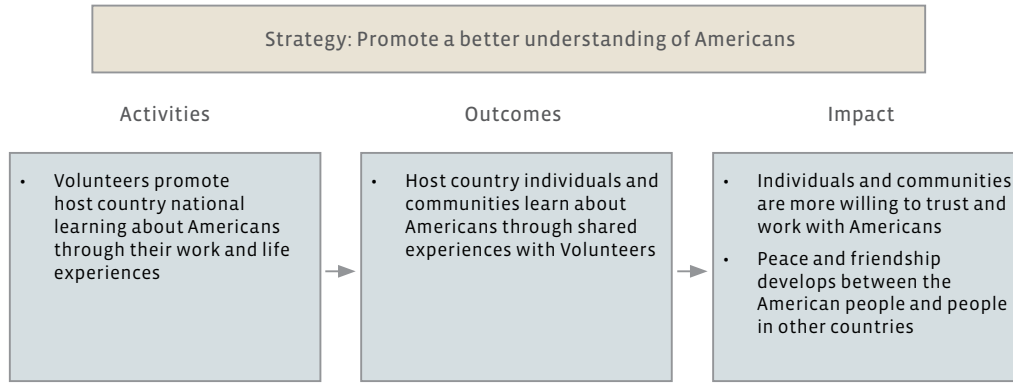
Information collected from beneficiaries remains the most direct measure of the impact of Volunteers. While data-collection challenges exist, the agency continues to search for additional opportunities to collect impact information directly from beneficiaries, including fielding additional Host Country Impact Studies and developing a counterpart survey.

Strengthening Future Performance: The agency is currently developing a methodology and data-collection tool for surveying local counterparts that will be piloted in FY 2013. When operational, the counterpart survey will include a standardized set of questions to ask local partners, producing rich and comparable information on the impact of Volunteers. The agency is also planning to include a feature in the overseas posts database that will enable posts to collect and store information from local partners.

Data Source: Overseas posts data call

Strategic Goal 2: Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers

Performance Management Framework



Volunteers promote a better understanding of Americans by becoming an integral part of the communities where they serve—forging long-lasting friendships based on mutual respect and working collaboratively to accomplish the goals of the local community.

Information from the Host Country Impact Studies suggests that Volunteers were successful in promoting a better understanding of Americans in FY 2012. This year, two of three performance targets were met, and all indicators improved or maintained performance from last year. The indicator measuring results from the Host Country Impact Studies (2.1.1.c) was monitored; sufficient Host Country Impact Studies were not conducted in FY 2012 to generalize the results to agency efforts worldwide.

Performance Goal Results

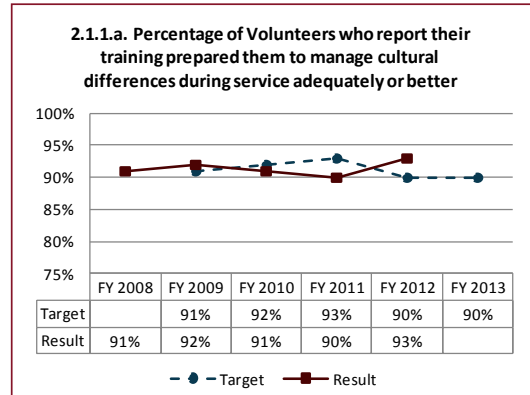
Performance Goal	Performance Indicators	FY 2012 Target	FY 2012 Result	Target Met	Trend
2.1.1: The work and life experiences of Volunteers in-country promote host country national learning about Americans	2.1.1.a. Percentage of Volunteers who report their training prepared them to manage cultural differences during service adequately or better	90%	93%	✓	▲
	2.1.1.b. Percentage of posts conducting supervisory and counterpart training on working effectively with Volunteers	95%	99%	✓	▶
	2.1.1.c. Percentage of host country nationals who report positive opinions of Americans through their interactions with Volunteers	Monitor	87%	—	—
	2.1.1.d. Percentage of Volunteers who report their activities and interactions help promote a better understanding of Americans on the part of the peoples served	72%	68%	✗	▲
✓ Target met ✗ Target not met ▲ Improving ▶ Maintaining ▼ Declining					

Performance Goal 2.1.1: The work and life experiences of Volunteers in-country promote host country national learning about Americans

Indicator 2.1.1.a: Percentage of Volunteers who report their training prepared them to manage cultural differences during service adequately or better

FY 2012 Target	FY 2012 Result	Target Met	Trend
90%	93%	✓	▲

Rationale: To promote a better understanding of Americans in the communities where they serve, Volunteers must first learn how to live and work in communities with cultures different than their own. Training provided by the Peace Corps builds skills in managing cultural differences and living and working in a culturally appropriate manner.



Discussion of Result: *The target was met.* The agency works to maintain performance at the 90 percent level or better. This allows the agency to focus its resources on improving training where it is most needed, rather than in making modest improvements to an already high-performing area.

This year, the agency continued training Volunteers on managing cultural differences and in the Annual Volunteer Survey, Volunteers responded that Managing Cultural Differences was one of the most helpful training sessions provided by the Peace Corps. The Inter-America and Pacific region also established staff positions dedicated to Volunteer support, including providing guidance on living and working in other cultures.

Strengthening Future Performance: The agency will continue to provide Volunteers with standardized cross-cultural training sessions to prepare them to appropriately manage cultural differences in their communities. Cross-cultural training will also be integrated into Volunteers’ technical training. The success of these trainings will continue to be built upon the agency’s ongoing efforts to recruit and select individuals who have the necessary cross-cultural agility to be successful during service.

Data Source: Annual Volunteer Survey

Indicator 2.1.1.b: Percentage of posts conducting supervisory and counterpart training on working effectively with Volunteers

FY 2012 Target	FY 2012 Result	Target Met	Trend
95%	99%	✓	▶

Rationale: Supervisors and counterparts who receive training on working effectively with Volunteers better understand American culture and the Peace Corps’ approach to development. When supervisors and counterparts are well-equipped to help Volunteers adjust to the local community and pursue their project objectives, Volunteers are better positioned to promote local learning about Americans.

Discussion of Result: *The target was met.* Almost all posts offered counterpart trainings in FY 2012. These trainings help build relationships by providing both Volunteers and counterparts with strategies for working effectively together. The counterpart training complements the sessions provided to Volunteers on working effectively with their counterparts and community partners (discussed in indicator 1.2.1.c).

Counterpart training participants reported several benefits of the sessions held in FY 2012 to posts. Participants learned about the cultural similarities and differences between themselves and Volunteers. This learning not only helped counterparts identify ways to effectively interact, support, and work with Volunteers, but it also enhanced their understanding of Americans. A participant in Belize noted, “I have had previous experience with Americans, but insights into American culture have been gained. This leads to deepened appreciation.”

Counterpart training sessions in FY 2012 also helped to set appropriate expectations for counterparts about Volunteers and the work that counterparts and Volunteers would undertake together. These sessions were focused on detailing the Peace Corps’ approach to development, reviewing project plans, and defining roles and responsibilities. The post in Burkina Faso asked counterparts to identify their expectations of Volunteers during one of the counterpart sessions. Staff discussed the types of work Volunteers typically do, helping to clarify the roles of Volunteers and counterparts. In the Republic of Georgia, Volunteers and counterparts delivered training sessions together, building their working relationship.

Strengthening Future Performance: The agency will share best practices for facilitating counterpart training with all posts. The counterpart survey discussed in indicator 1.3.1.c will provide data directly from counterparts on a number of topics, including the effectiveness of counterpart training.

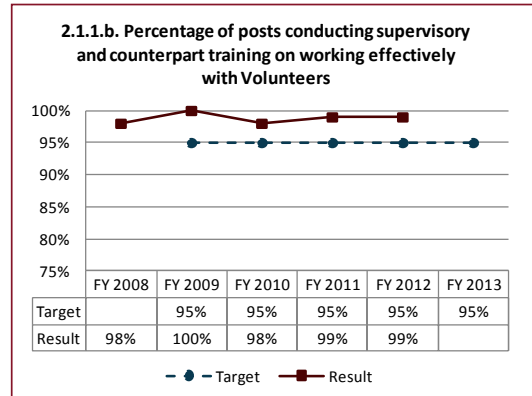
Data Source: Overseas posts data call

Indicator 2.1.1.c: Percentage of host country nationals who report positive opinions of Americans through their interactions with Volunteers

FY 2012 Target	FY 2012 Result
Monitor	87%

Rationale: A positive change in host country nationals’ opinions of Americans through interactions with Volunteers indicates that host country nationals are learning about Americans.

Discussion of Result: Three Host Country Impact Studies were completed in FY 2012: the youth development program in El Salvador, the rural health and sanitation program in Paraguay, and the education program in Ghana. In total, over 400 host country nationals were interviewed.



Results from the FY 2012 studies suggest that the combination of frequent social and professional interactions between Volunteers and host country nationals builds relationships of trust and increases understanding, leading to changes in opinions. After hosting a Volunteer in her home, one individual in Paraguay remarked, “I had no knowledge of Americans, but now I know something. They are good people and like to help others, regardless of social class.”

Study participants noted several Volunteer characteristics as factors in forming positive opinions of Americans, such as adaptability, a strong work ethic, and the willingness to learn the local language and live within their communities. A beneficiary in Ghana noted, “The interpersonal relations were perfect. I went out with one [Volunteer] to eat local food; he had become a local guy mixing freely with everyone to my delight and surprise.”

Host Country Impact Studies are invaluable, independent evaluations of the impact of Volunteers based on information collected directly from host country counterparts, beneficiaries, and host families. They are significantly less costly than impact evaluations typically conducted in other development organizations. However, due to resource constraints, only a few studies can be completed each year. Consequently, results cannot be generalized to agency efforts worldwide, and targets are not set for this indicator. However, results are monitored and the insights gathered from the studies help to inform management decisions.

Since 2008, 24 studies have been completed. Published studies, as well as short summaries, can be found at www.peacecorps.gov/open/evaluations. The agency plans to publish all completed studies in FY 2013.

Strengthening Future Performance: In FY 2013, the agency plans to conduct a meta-analysis of completed Host Country Impact Studies to aggregate results across regions and sectors. In addition, one Host Country Impact Study is being planned in Ethiopia in FY 2013 and other studies will be conducted if resources are made available. An increase in the number of Host Country Impact Studies would provide additional evidence and allow for greater insight into the impact of Volunteers in building capacity and promoting a better understanding of Americans.

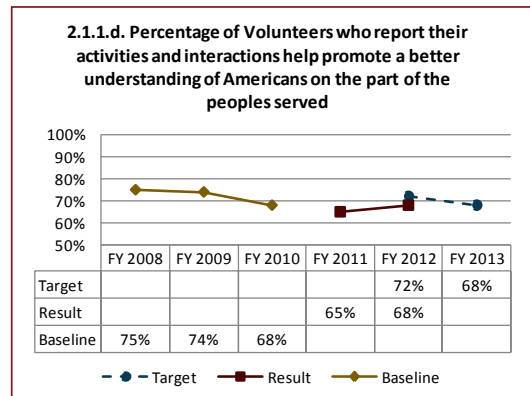
Data Source: Host Country Impact Studies

Indicator 2.1.1.d: Percentage of Volunteers who report their activities and interactions help promote a better understanding of Americans on the part of the peoples served

FY 2012 Target	FY 2012 Result	Target Met	Trend
72%	68%	✗	▲

Rationale: Volunteers’ perceptions of the impact of their activities and interactions are one measure of the degree to which they are promoting host country nationals’ learning about Americans.

Discussion of Result: *The target was not met.* This indicator was modified in FY 2012 to include Volunteers’ perceptions of the impact of both their *activities* and *interactions*. Previous indicators only measured *work* and did not consider the effect of Volunteers’ daily interactions with local people.



Volunteers regularly report a more modest view of their impact in promoting a better understanding of Americans when compared to direct assessment by host country beneficiaries themselves. As reported in indicator 2.1.1.c, 87 percent of host country nationals reported positive opinions of Americans through their interactions with Volunteers. However, only 68 percent of Volunteers reported they believe they promoted a better understanding of Americans.

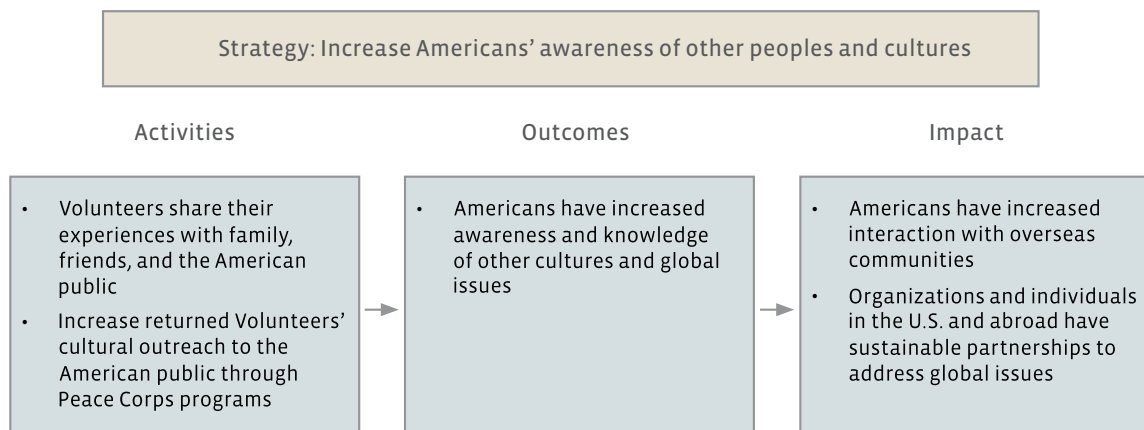
The reason for this discrepancy is currently unknown but it may be due to the latent nature of outcomes and impacts which are not always fully evident until after Volunteers leave their communities. The agency is reaching out to program managers and Volunteers to determine what opportunities for improvement exist. The post in Togo, for example, is planning to use this data to discuss with Volunteers why the gap exists between their perceptions and those of the people with whom they live and work.

Strengthening Future Performance: Information gathered from program managers and Volunteers will inform how the agency moves forward to ensure Volunteers have a more accurate understanding of their impact. In addition, completion of a new monitoring and evaluation training session through Focus In/Train Up and new standard indicators are intended to provide Volunteers with the skills required to better recognize, assess, and report on impact.

Data Source: Annual Volunteer Survey

Strategic Goal 3: Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans

Performance Management Framework



During and after their term of service, Volunteers share their unique experiences with family, friends, and the American public to increase Americans' awareness of other cultures. The agency manages programs and hosts events through various media to facilitate Volunteers' and returned Volunteers' efforts to promote a better understanding of host country individuals, peoples, and cultures.

In FY 2012, three of five performance targets were met, and two indicators either improved or maintained the same level of performance from last year. In an effort to improve programs to increase Americans' awareness of

other cultures, the agency initiated the development of a comprehensive Third Goal strategy this year, including the creation of a new Office of Third Goal and Returned Volunteer Services. Performance is expected to improve as the Third Goal strategy is fully developed and implemented.

Performance Goal Results

Performance Goals	Performance Indicators	FY 2012 Target	FY 2012 Result	Target Met	Trend
3.1.1: Volunteers share their in-country experiences with family, friends, and the American public	3.1.1.a. Percentage of Volunteers who report active participation in the Coverdell World Wise Schools/Correspondence Match Program	40%	15%	✗	▼
	3.1.1.b. Number of individuals and organizations supporting the Peace Corps Partnership Program	10,000	13,892	✓	▲
	3.1.1.c. Percentage of Volunteers who report sharing their experiences with family, friends, and/or the American public	98%	99%	✓	▶
3.1.2: Increase returned Peace Corps Volunteers' cultural outreach to the American public through Peace Corps programs	3.1.2.a. Number of returned Peace Corps Volunteers participating in agency-initiated activities	10,000	10,809	✓	▼
	3.1.2.b. Number of educational institutions where returned Peace Corps Volunteers engage in Third Goal activities	760	656	✗	▼

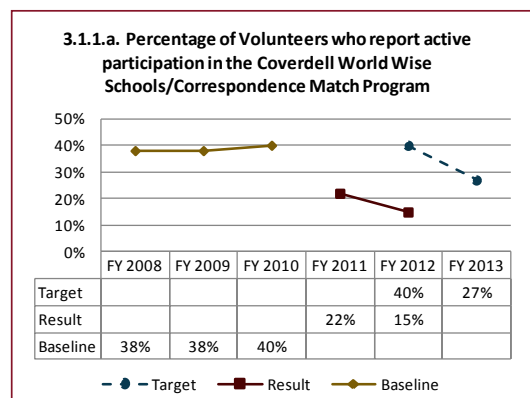
✓ Target met ✗ Target not met ▲ Improving ▶ Maintaining ▼ Declining

Performance Goal 3.1.1: Volunteers share their in-country experiences with family, friends, and the American public

Indicator 3.1.1.a: Percentage of Volunteers who report active participation in the Coverdell World Wise Schools/Correspondence Match Program

FY 2012 Target	FY 2012 Result	Target Met	Trend
40%	15%	✗	▼

Rationale: The Coverdell World Wise Schools/Correspondence Match Program provides opportunities for American youth and teachers to learn about the customs and cultures of different countries through cross-cultural educational curriculum and interactions with currently serving Volunteers.



Discussion of Result: *The target was not met.* Volunteers have consistently reported low levels of participation in the program due to a variety of factors, including lack of or difficulty of communication with the American teachers with whom they were matched. To better measure and promote the desired outcome, this indicator was strengthened to measure Volunteers’ active participation in the program rather than enrollment.

In FY 2012, the agency began the process of collecting and analyzing data on the Correspondence Match program to identify opportunities to improve active participation on the part of Volunteers. A survey of participating American teachers indicated that while the program was effective (86 percent of respondents noted an increase in their understanding of other cultures as a result of the program), there were challenges in communicating with their Volunteer partners. The agency also fielded a survey to Volunteers to gather their perspectives on the Correspondence Match program; the results are not yet complete.

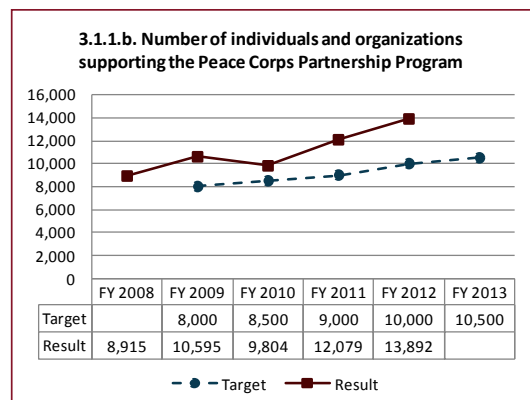
Strengthening Future Performance: The agency will continue to experiment with content-delivery alternatives that will reach the learners directly, such as including more educational materials on the website (<http://www.peacecorps.gov/wws/>). Information gathered from the teacher and Volunteer surveys will also inform additional improvements to the program.

Data Source: Annual Volunteer Survey

Indicator 3.1.1.b: Number of individuals and organizations supporting the Peace Corps Partnership Program

FY 2012 Target	FY 2012 Result	Target Met	Trend
10,000	13,892	✓	▲

Rationale: Individuals and organizations donating to a community-driven, Volunteer-developed Peace Corps Partnership Program project learn about host country communities and the issues they face. Donors build an understanding about different people and cultures and about global development issues.



Discussion of Result: *The target was met.* The Peace Corps Partnership Program (<http://donate.peacecorps.gov>) connects donors in the United States with Volunteers and their host communities overseas. Donors contribute to various types of projects initiated by communities and supported by Volunteers across the world. In FY 2012, 13,892 donors to the program made 14,179 donations for a total of over \$2.4 million. Notably, the number of Volunteer projects supported under the Peace Corps Partnership Program increased from 822 in FY 2011 to 969 in FY 2012.

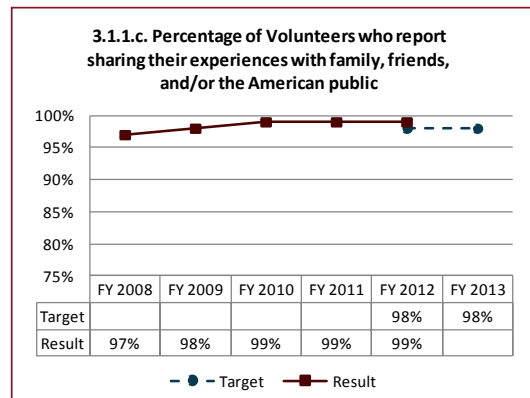
The agency expanded on the gains made last year during the Peace Corps’ 50th anniversary. The donor base continues to grow as individuals and organizations see the impact of their contributions through interactions with Volunteers.

Strengthening Future Performance: The Peace Corps Partnership Program will explore the use of social media to encourage and request donations to Volunteer projects, expanding opportunities for donors to become more directly involved in addressing global issues.

Data Source: Office of Strategic Partnerships

Indicator 3.1.1.c: Percentage of Volunteers who report sharing their experiences with family, friends, and/or the American public

FY 2012 Target	FY 2012 Result	Target Met	Trend
98%	99%	✓	▶



Rationale: When Volunteers share their experiences with family, friends, and the American public, the American people develop a better understanding of other cultures and global issues.

Discussion of Result: *The target was met.* Volunteers share their experiences with the American public through a variety of means, including mail, electronic media, and hosting American visitors in their country of service. Increasingly, Volunteers are sharing their experiences through electronic means. In FY 2012, 74 percent of Volunteers shared their experiences through social media, compared to 67 percent in FY 2011. Additionally, 54 percent of Volunteers utilized personal websites or blogs.

The agency encourages Volunteers to share their experiences through initiatives such as the Peace Corps Digital Library (<http://collection.peacecorps.gov/>). Volunteers and others in the larger Peace Corps community can upload photos or stories related to their service to the Digital Library. In FY 2012, 646 stories and photos were uploaded by current and returned Volunteers.

Strengthening Future Performance: As technology evolves, the agency will continue to explore new ways to facilitate Volunteers sharing of their experiences with the American public.

Data Source: Annual Volunteer Survey

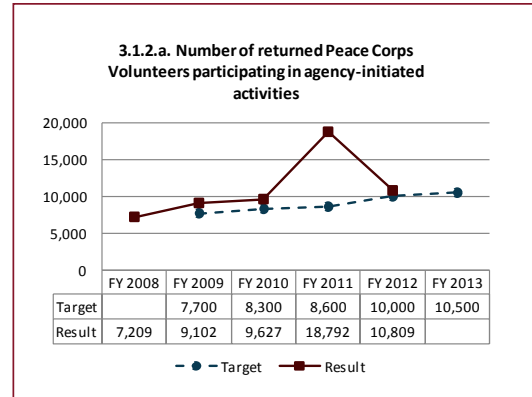
Performance Goal 3.1.2: Increase returned Peace Corps Volunteers' cultural outreach to the American public through Peace Corps programs

Indicator 3.1.2.a: Number of returned Peace Corps Volunteers participating in agency-initiated activities

FY 2012 Target	FY 2012 Result	Target Met	Trend
10,000	10,809	✓	▼

Rationale: When returned Peace Corps Volunteers participate in agency-initiated activities, they share their experiences with the American public, increasing awareness of other peoples, cultures, and global issues.

Discussion of Result: *The target was met.* Volunteers do not finish serving America or their host country at the end of their term of official service. Instead, they become returned Peace Corps Volunteers with an ongoing responsibility to build a better understanding of peoples across the world.



Returned Volunteers take this responsibility seriously and engage in outreach efforts independently and through local returned Volunteer groups and organizations such as the National Peace Corps Association. The agency also sponsors a number of activities that provide returned Volunteers with opportunities to share their experiences with the American public.

In FY 2012, returned Volunteers shared their experiences at Peace Corps general information sessions throughout the United States. The agency held two national career conferences and four regional events to help recently returned Volunteers learn how to share their experiences with friends, family, employers, and the public. Additionally, the agency collaborated with the National Peace Corps Association at Third Goal expos in Nashville and Minneapolis to promote cross-cultural understanding.

The agency also improved the Third Goal website this year to collect more detailed information on activities and events held by returned Volunteers and friends of the Peace Corps (<https://www.peacecorps.gov/resources/returned/thirdgoal/register/>). Individuals who registered their event received a packet of materials to assist in their efforts to share their stories with the American people.

Strengthening Future Performance: Several offices in the agency will coordinate efforts to engage individual returned Volunteer groups nationwide in pledging to host a number of general information sessions over the year. The joint events will provide an opportunity for returned Volunteers to share their experiences and aid in the agency’s efforts to recruit skilled and diverse individuals for service.

Data Source: Office of Third Goal and Returned Volunteer Services and Office of Volunteer Recruitment and Selection

Indicator 3.1.2.b: Number of educational institutions where returned Peace Corps Volunteers engage in Third Goal activities

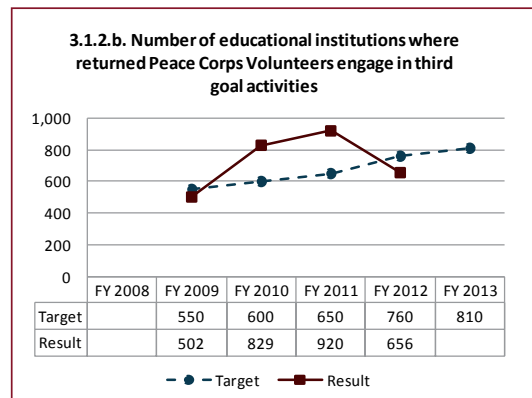
FY 2012 Target	FY 2012 Result	Target Met	Trend
760	656	✘	▼

Rationale: Through Peace Corps programs with educational institutions, returned Volunteers promote a better understanding of global issues and other cultures on the part of American youth, students, and faculty.



Discussion of Result: *The target was not met.* This indicator tracks the number of educational institutions involved in the Coverdell World Wise Schools Speakers Match Program and the Coverdell Fellows Program.

Through the Speakers Match program, K-12 schools and youth organizations ask returned Volunteers to visit and share their experiences. In FY 2012, returned Volunteers spoke at 585 educational institutions. To expand awareness of the program, the agency collaborated with various educational resource groups to post on their websites a link to the Coverdell World Wise Schools website (<http://www.peacecorps.gov/wws/>). The website includes resources for educators as well as interactive content for students.



The Coverdell Fellows Program connects returned Volunteers with graduate programs in colleges and universities across the country. Through the program, returned Volunteers earn a graduate degree while completing an internship in an underserved American community. In the process, they continue their Peace Corps service by volunteering in communities at home and sharing their experience as Volunteers with their colleagues, friends, and the individuals they are serving. In FY 2012, the agency collaborated with 71 graduate schools through the Coverdell Fellows Program.

Strengthening Future Performance: The agency will expand opportunities for returned Volunteers by reaching out to new potential partners for the Coverdell World Wise Schools Speakers Match and Coverdell Fellows programs.

Data Source: Office of Third Goal and Returned Volunteer Services and Office of Strategic Partnerships

Strategic Goal 4: Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries

Performance Management Framework



The agency meets the skill needs of local communities by recruiting and selecting individuals who have the skills, experience, and maturity to be successful Peace Corps Volunteers. Operations are organized so that Volunteers with the requested skills are recruited, selected, and fielded at the appropriate times. Priority is also placed on ensuring that Volunteers reflect the diversity of America as this contributes to a better understanding of Americans on the part of the host country.

In FY 2012, three of six performance targets were met, and four indicators either improved performance or maintained the same level of performance as last year. While there were successes in recruiting individuals from underrepresented ethnic groups, performance in FY 2012 was constrained by inefficient Volunteer Delivery System (VDS) operations resulting from necessary programming changes. Looking forward, the process and technology changes that will be obtained through the VDS redesign project will result in more efficient and effective operations.

In August 2012, the Peace Corps signed an agreement under the Water and Development Alliance (WADA)—a long-standing public-private partnership between the U.S. Agency for International Development and The Coca-Cola Company—to improve local capacity to deliver sustainable water supply, sanitation, and hygiene services for the reduction of waterborne disease around the world. Through the agreement, the Peace Corps will raise awareness and build capacity among Peace Corps and community trainers around sustainable water supply and sanitation services, as well as improved hygiene behaviors. The program will focus especially on women in the communities and countries served. The agency will launch the program in West Africa and will adapt it for use worldwide. Acting Peace Corps Director Carrie Hessler-Radelet said: “Our volunteers’ intimate knowledge of cultural and community practices, plus their commitment to sustainable health projects, make this training-focused partnership a perfect fit for Peace Corps”.

Performance Goal Results

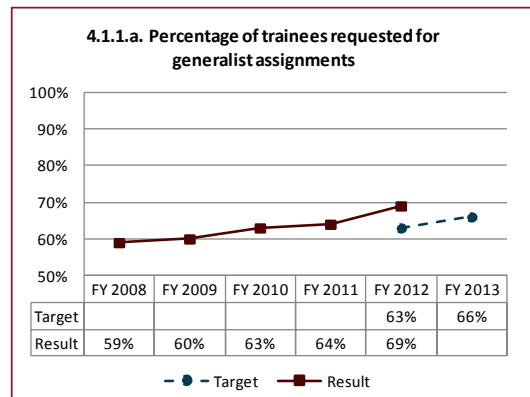
Performance Goals	Performance Indicators	FY 2012 Target	FY 2012 Result	Target Met	Trend
4.1.1: Recruit Volunteers who balance the needed manpower and technical needs at post with the available applicant pool and its skills	4.1.1.a. Percentage of trainees requested for generalist assignments	63%	69%	✓	▲
	4.1.1.b. Percentage of trainee requests filled by trainee inputs	95%	97%	✓	▶
4.1.2: Manage Volunteer recruitment functions in an effective and efficient manner	4.1.2.a. Nominee attrition rate	27%	28%	✗	▲
	4.1.2.b. Number of days from application to invitation	137	177	✗	▼
4.2.1: Recruitment and Volunteer placement efforts reflect the diversity of Americans	4.2.1.a. Percentage of applications from individuals age 50 and older	8%	6.6%	✗	▼
	4.2.1.b. Percentage of applications from individuals of diverse ethnicities	25%	27%	✓	▲

✓ Target met ✗ Target not met ▲ Improving ▶ Maintaining ▼ Declining

Performance Goal 4.1.1: Recruit Volunteers who balance the needed manpower and technical needs at posts with the available applicant pool and its skills

Indicator 4.1.1.a: Percentage of trainees requested for generalist assignments

FY 2012 Target	FY 2012 Result	Target Met	Trend
63%	69%	✓	▲



Rationale: This indicator is designed to balance overseas posts’ needs for skilled Volunteers with the applicants traditionally interested in Peace Corps service: recent college graduates with limited professional experience.

Discussion of Result: *The target was met.* The target was met in FY 2012 as a result of the ongoing implementation of Focus In/Train Up as well as close intra-agency collaboration throughout the year determining applicant supply and developing realistic trainee requests.

Setting targets for trainees requested for generalist assignments encourages the development of projects where Volunteers can be “trained-up” to meet the technical needs of host country partners. While progress was made in this area, clear communication between overseas posts and headquarters regarding the supply of applicants remains a challenge.

Strengthening Future Performance: Process and technological improvements through the VDS redesign project will make applicant supply and trainee request information more readily available and inform decision making related to balancing the skill needs of posts with the available applicant pool.

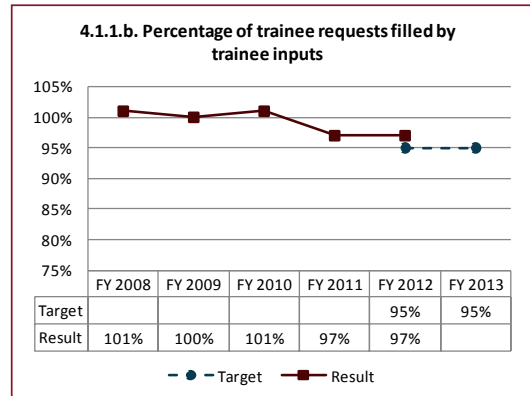
Data Source: Peace Corps Enterprise Database

Indicator 4.1.1.b: Percentage of trainee requests filled by trainee inputs

FY 2012 Target	FY 2012 Result	Target Met	Trend
95%	97%	✓	▶

Rationale: The agency responds to trainee requests by recruiting and selecting individuals for Peace Corps service (trainee inputs). This indicator measures the result of the agency’s efforts to meet posts’ human resource and technical needs.

Discussion of Result: *The target was met.* Despite meeting the target, the applicant supply does not yet fully meet the demand for trainees in certain areas, particularly in specialized education and agriculture assignments. As a result, some unfilled trainee requests are expected. While the agency met this target in FY 2012, performance is declining.



The reduced level in recruitment resources from FY 2011 continued in FY 2012, contributing to a drop in applications. The agency received 10,091 applications this year, compared to 12,206 last year, a 17 percent drop. A sustained drop in applications in future years will restrict the agency’s ability to field skilled Volunteers at the levels requested by posts.

Late changes to posts’ trainee requests also contributed to the lower level of performance in FY 2012. The VDS operates on a structured schedule to ensure the efficient delivery of qualified and suitable trainees to posts at the requested time. Late changes to trainee requests, while often unavoidable, can disrupt this process. For example, significant changes to Volunteer presence were made in El Salvador, Guatemala, Honduras, and Mali in order to better ensure the safety and security of Volunteers. These changes reverberated through the VDS as displaced Volunteers and prospective applicants were moved to other country programs.

Strengthening Future Performance: The agency will monitor application numbers and analyze the reasons behind the drop in applications. This effort will be informed by improved data on applicant characteristics and recruitment campaigns available through the VDS redesign project. Additionally, efforts to better align data-collection activities with planning processes will provide actionable information to decision makers at the appropriate time, reducing the number of late trainee request changes. VDS operations will be managed through the redesigned Program Advisory Group, an intra-agency working group composed of senior Peace Corps staff.

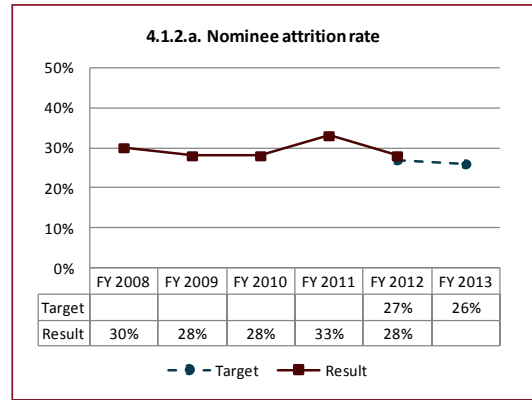
Data Source: Peace Corps Enterprise Database

Performance Goal 4.1.2: Manage Volunteer recruitment functions in an effective and efficient manner

Indicator 4.1.2.a: Nominee attrition rate

FY 2012 Target	FY 2012 Result	Target Met	Trend
27%	28%	✗	▲

Rationale: *Nominees* are applicants who have been determined to be eligible, suitable, and skilled for Peace Corps service. Significant agency resources are spent processing nominees through the VDS. A higher percentage of nominees who become trainees indicates greater effectiveness and efficiency of Volunteer recruitment functions.



Discussion of Result: *The target was not met.* While a certain percentage of applicants are expected to drop out of the process, the agency works to reduce dropouts to the extent possible. The Peace Corps has minimal influence over some of the reasons that applicants cite for dropping out, such as: financial or family responsibilities, choosing to attend graduate school, or simply no longer being interested in service. However, the agency can reduce some dropouts related to poor communication or lengthy processing times, for example.

The agency’s performance on this indicator in FY 2012 can be primarily attributed to volatility in the VDS related to late trainee request changes. As mentioned in performance goal 4.1.1, changes to trainee requests outside of the structured schedule of the VDS can be highly disruptive. Significant changes to programs may reduce or increase the need for applicants with particular skill-sets. As a result, nominated applicants may need to change programs or be removed from consideration. The resulting uncertainty about their departure date and assignment is a contributing factor in some applicants’ decisions to drop out.

Strengthening Future Performance: The VDS redesign project will allow for more frequent and informative communication with applicants throughout the process—a key improvement in the effort to retain nominees. Changes to the medical review process will also reduce processing time and the financial burden on the majority of applicants.

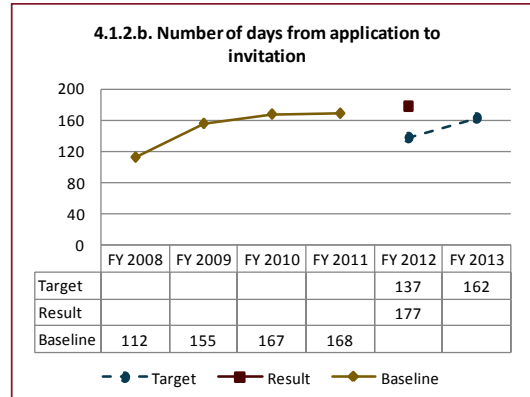
Data Source: Peace Corps Enterprise Database

Indicator 4.1.2.b: Number of days from application to invitation

FY 2012 Target	FY 2012 Result	Target Met	Trend
137	177	✗	▼

Rationale: Reducing the processing time for applicants at critical stages in the VDS contributes to higher retention of applicants and reduces congestion in the system.

Discussion of Result: *The target was not met.* This indicator was improved to measure the average number of days elapsed at three stages of the application process identified as known bottlenecks in the VDS: from the time applications are submitted to interview date, receipt of medical documentation to medical qualification, and medical qualification to invitation. Due to process changes associated with the VDS redesign project, this indicator only measures applicant processing time prior to the launch of the new application system on August 15, 2012.



The agency set aggressive targets for each component and, while targets were not met, progress was made in reducing the number of days elapsed in the medical review process. Compared to a target of 50 days, medical staff processed applicants’ medical documentation in an average of 55 days—an improvement over the FY 2011 result of 69 days. To move applicants more efficiently through the system, the agency made adjustments to medical screening guidelines, including the assignment of a mental-health provider to review mental-health cases.

In FY 2012, applicants moved from application to interview in an average of 55 days, compared to the target of 38 days. The medical qualification to invitation segment took 67 days; the target was 49 days. Both segments relate to the applicant assessment and selection process, and the low performance level can be attributed to the instability of trainee requests in the VDS, as discussed earlier in this report.

Strengthening Future Performance: The new Peace Corps application and electronic applicant processing system—a significant milestone in the VDS redesign project—became operational at the end of FY 2012, and the agency will modify the measurement of this indicator to respond to new process changes. Significant components of the applicant assessment and selection process will change, requiring the agency to re-evaluate where opportunities exist to drive performance improvement in the new process.

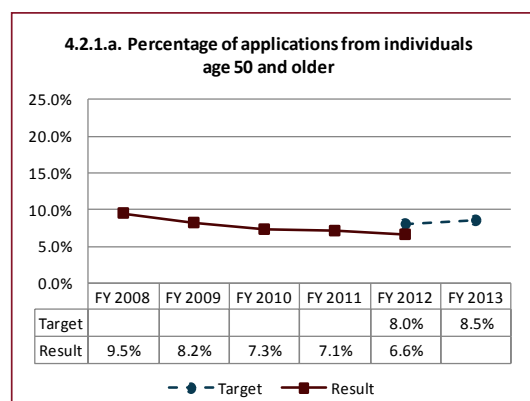
Data Source: Peace Corps Enterprise Database

Performance Goal 4.2.1: Recruitment and Volunteer placement efforts reflect the diversity of Americans

Indicator 4.2.1.a: Percentage of applications from individuals age 50 and older

FY 2012 Target	FY 2012 Result	Target Met	Trend
8%	6.6%	✗	▼

Rationale: The majority of Peace Corps applicants are recent college graduates with limited professional experience. Increasing applications from individuals age 50 and older will provide posts with Volunteers with greater professional experience who better represent the diversity of America.



Discussion of Result: *The target was not met.* In FY 2012, 662 individuals age 50 and older applied to serve as Peace Corps Volunteers, 6.6 percent of all applications. Of the Volunteers serving in FY 2012, 7 percent were age 50 and older.

The resources allocated to the recruitment of individuals age 50 and older have been reduced significantly over the last few years due to shifts in agency priorities and resource constraints. Performance on this indicator has declined as a result.

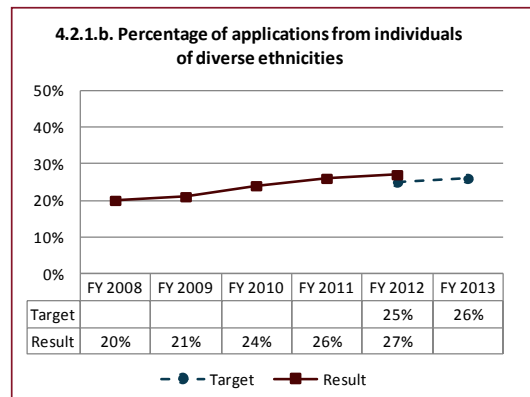
This year, the agency worked with partners to maintain a presence in the age 50 and older community. Notably, the agency deepened its collaboration with AARP, a domestic strategic partner, in marketing and outreach.

Strengthening Future Performance: Moving forward, the agency will leverage existing relationships in an effort to maintain an acceptable level of performance.

Data Source: Peace Corps Enterprise Database

Indicator 4.2.1.b: Percentage of applications from individuals of diverse ethnicities

FY 2012 Target	FY 2012 Result	Target Met	Trend
25%	27%	✓	▲



Rationale: Increasing the number of applications from individuals of underrepresented ethnic groups will result in a Volunteer population that more accurately reflects the diversity of America.

Discussion of Result: *The target was met.* The agency made diversity recruitment a priority, and performance continues to improve. In FY 2012, 27 percent of applications came from individuals of diverse ethnicities, defined as individuals who disclosed the following race and ethnic designations in the submission of their Peace Corps application: Hispanic or Latino, Black or African American, Native Hawaiian or Other Pacific Islander, Asian, and/or American Indian or Alaska Native.

Improvement in the number of applications received from African Americans and Hispanics/Latinos is noteworthy. Applications from African Americans increased from percent of all applications in FY 2011 to 8.2 percent in FY 2012. Hispanic/Latino applicants increased from 8.9 percent in FY 2011 to 10.2 percent in FY 2012.

The Peace Corps devoted significant attention to diversity recruitment in FY 2012, including increasing the number of diversity-focused events with partner organizations, boosting attendance at these events through targeted marketing and outreach, and maintaining contact with participants through national webinars.

The agency intensified outreach to national Pan-hellenic organizations to attract more college-educated and service-minded individuals of diverse backgrounds. In FY 2012, the agency signed a memorandum of

understanding with Alpha Kappa Alpha Sorority Inc. The agency also collaborated with Hispanic communities through activities with organizations such as the National Council of La Raza and the Hispanic Association of Colleges and Universities.

The agency has had success in encouraging applications from these ethnic groups. However, retaining applicants through the application process to become Volunteers remains a challenge. In FY 2012, 27 percent of applicants were from these ethnic groups, compared to 22 percent of the Volunteer population. The agency has taken a number of steps to better understand and address this issue.

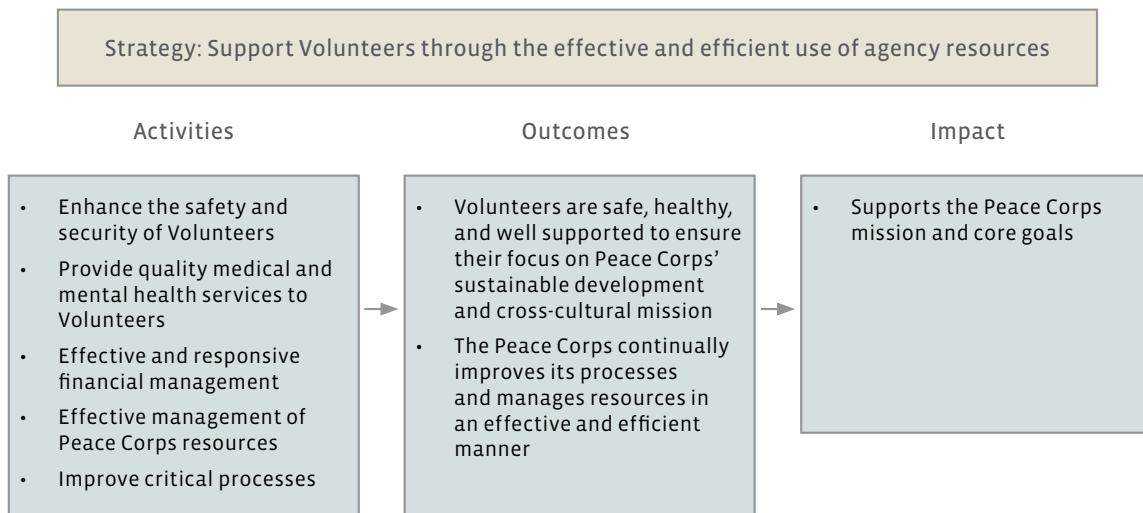
For example, to provide a more hands-on approach to applicant support and communication, one regional recruitment office implemented a discussion series, Impact Your World, where returned Volunteers, current applicants, and interested individuals from diverse ethnicities meet regularly to discuss Peace Corps service and the application process. The group continues to increase in size and provides an alternative method for communicating with and supporting the unique needs of individual applicants.

Strengthening Future Performance: Future efforts to improve the ethnic diversity of Volunteers will focus on implementing and improving existing programs, including the Impact Your World series and expanding engagement with partner organizations. The agency will work on improving the retention of applicants to increase the number of Volunteers serving from underrepresented ethnic groups. The agency will also continue to be actively engaged in the President’s initiative to promote diversity and inclusion in the federal workforce.

Data Source: Peace Corps Enterprise Database

Strategic Goal 5: Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources

Performance Management Framework



The Peace Corps maximizes Volunteers’ well-being by employing rigorous safety and security prevention and response systems and providing Volunteers with high-quality medical and mental-health services. The agency effectively and efficiently manages its human and financial resources and continuously reviews critical work processes for additional areas of improvement.

The agency continued to build on improvements made in the last few years, further enhancing the safety, security, and medical support provided to Volunteers. In FY 2012, five of 13 performance targets were met, and out of the nine indicators where trend information is available, seven indicators either improved or maintained last year’s level of performance. The indicator related to gathering unreported crime (5.1.1.e) is monitored, and a target is not set.

Performance Goal Results

Performance Goals	Performance Indicators	FY 2012 Target	FY 2012 Result	Target Met	Trend
5.1.1: Enhance the safety and security of Volunteers	5.1.1.a. Percentage of Peace Corps Volunteers who report their safety and security training is effective or very effective	71%	71%	✓	▲
	5.1.1.b. Percentage of posts that have their safety and security systems reviewed by a Peace Corps safety and security officer	33%	32%	✗	▲
	5.1.1.c. Percentage of all critical Volunteer safety and security recommendations made by Peace Corps safety and security officers implemented by posts by the agreed upon time	85%	75%	✗	—
	5.1.1.d. Percentage of Volunteers who report they feel more than adequately safe or very safe where they live and work	90%	82%	✗	▲
	5.1.1.e. Ratio of unreported serious crimes to reported serious crimes	Monitor results			
5.1.2: Provide quality medical and mental health services to trainees and Volunteers	5.1.2.a. Percentage of Peace Corps Volunteers who rate their satisfaction with health care received from Peace Corps medical officers as adequate or better	93%	93%	✓	▶
	5.1.2.b. Percentage of Peace Corps Volunteers who report the emotional support they received from staff as adequate or better	82%	81%	✗	▲
	5.1.2.c. Percentage of Peace Corps Volunteers who report adequate or better support in coping with stress from living and working in their community	75%	72%	✗	▼

Performance Goals	Performance Indicators	FY 2012 Target	FY 2012 Result	Target Met	Trend
5.2.1: Provide effective and responsive financial management that accurately reflects domestic and overseas operations	5.2.1.a. Percentage of posts and headquarters offices that manage resources within approved budgets and operational plans	95%	78%	✗	▼
	5.2.1.b. Percentage of posts and headquarters offices whose Integrated Planning and Budgeting System (IPBS) strategic goals support the agency's strategic plan goals	95%	96%	✓	▲
5.2.2: Ensure the effective management of Peace Corps resources	5.2.2.a. Conduct a Country Portfolio Review process to assess and formulate financial and Volunteer resource allocations at all posts	Complete annually	Completed	✓	—
	5.2.2.b. Percentage of posts and headquarters offices that adhere to agencywide staffing policies and procedures	85%	54%	✗	—
	5.2.2.c. Percentage of posts and headquarters offices that benefit from collaboration with agency strategic partners	75%	85%	✓	▲
5.2.3: Ensure optimal performance of critical Peace Corps processes	5.2.3.a. Identify at the beginning of the fiscal year and complete by the end of the fiscal year improvements to one mission-critical work process	Complete annually	Not completed	✗	—

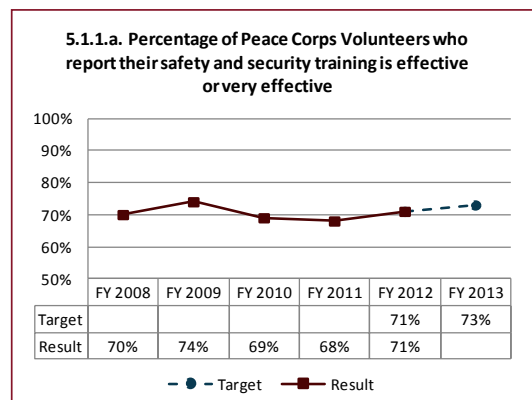
✓ Target met
✗ Target not met
▲ Improving
▶ Maintaining
▼ Declining

Performance Goal 5.1.1: Enhance the safety and security of Volunteers

Indicator 5.1.1.a: Percentage of Peace Corps Volunteers who report their safety and security training is effective or very effective

FY 2012 Target	FY 2012 Result	Target Met	Trend
71%	71%	✓	▲

Rationale: Safety and security training throughout Volunteers' service is designed to build awareness of cross-cultural issues related to personal safety, in-country risks and ways to mitigate those risks, and reporting procedures should a crime occur. Volunteers' perceptions are one indication of the effectiveness of the agency's safety and security training.



Discussion of Result: *The target was met.* Volunteers have consistently given high ratings to their safety and security training, and performance continues to improve even with the higher standard set in the target this year (the indicator measures “effective or very effective” responses compared to the “adequate or better” standard utilized in years past).

In FY 2012, the agency began implementing four standardized safety and security training sessions on personal security, sexual-assault awareness, reporting procedures, and bystander intervention. This year, 92 percent of posts implemented all of the new sessions; the remaining posts will begin using the new curriculum as they host pre-service and in-service training in the coming months.

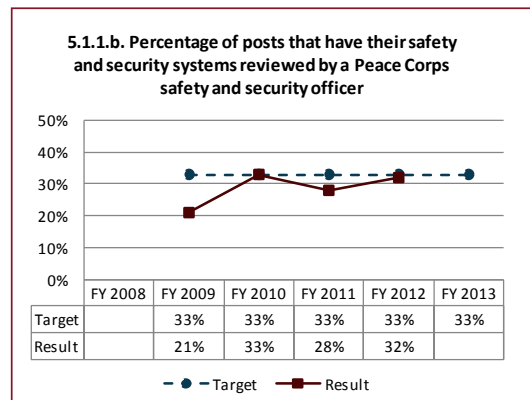
Strengthening Future Performance: With standardized training, the agency will be able to evaluate the effectiveness of its training worldwide. The agency will also work to integrate safety and security topics into other training sessions to extend the reach of the information and place it within the appropriate context.

Data Source: Office of Safety and Security

Indicator 5.1.1.b: Percentage of posts that have their safety and security systems reviewed by a Peace Corps safety and security officer

FY 2012 Target	FY 2012 Result	Target Met	Trend
33%	32%	X	▲

Rationale: Each post’s safety and security system is designed to prepare for and support the safety and security needs of Volunteers. Posts’ safety and security systems are reviewed to ensure they are implemented in accordance with agency policy and reflect the current safety conditions of the country.



Discussion of Result: *The target was not met.* In FY 2012, regional Peace Corps safety and security officers reviewed the safety and security systems of 21 posts (32 percent of posts). This indicator was designed to ensure that the safety and security systems of all posts are reviewed every three years. The basic components of post safety and security systems include site selection, preparation, and monitoring; training; emergency planning and communication; and incident management. Issues identified in the review process are reviewed by the agency and corrective action is taken. The agency’s response to recommendations by safety and security officers is tracked through indicator 5.1.1.c.

Strengthening Future Performance: The agency is reviewing options for an improved data-management system to track when reviews have taken place and to collect and monitor recommendations made by safety and security officers in a more efficient manner.

Data Source: Office of Safety and Security

Indicator 5.1.1.c: Percentage of all critical Volunteer safety and security recommendations made by Peace Corps safety and security officers implemented by posts by the agreed upon time

FY 2012 Target	FY 2012 Result	Target Met
85%	75%	✗

Rationale: Peace Corps safety and security officers develop recommendations for improvement based on reviews of posts’ safety and security systems. The timely implementation of recommendations is essential to providing a system that supports the safety and security of Volunteers.

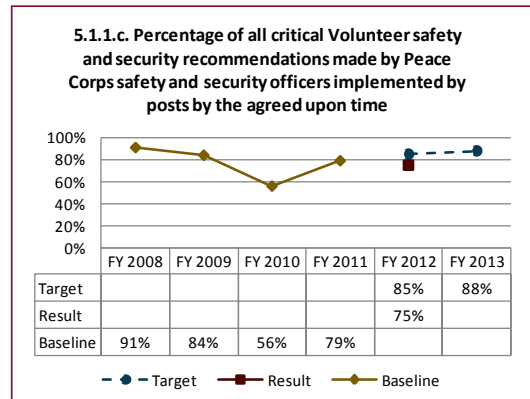
Discussion of Result: *The target was not met.* This

indicator was improved to measure the implementation of the most critical recommendations for improvements to safety and security systems. Recommendations are considered “critical” when they identify corrective actions that must be implemented to ensure the safety and security of Volunteers, such as actions that reduce the likelihood or impact of adverse threats or events. A response team composed of safety and security and program staff met throughout the year to identify which recommendations should be considered critical. An implementation timeline was developed for each critical recommendation. Of the 201 critical recommendations due in FY 2012, 150 were implemented (75 percent).

Scheduling conflicts at post are often cited as a challenge to the timely implementation of recommendations. Data management is also difficult and time-consuming as analysts track the status of numerous recommendations at different stages of implementation by manually entering data into spreadsheets.

Strengthening Future Performance: An improved data management system would enable the agency to better track recommendations, including critical recommendations, thereby reducing the staff time currently required to manage the process.

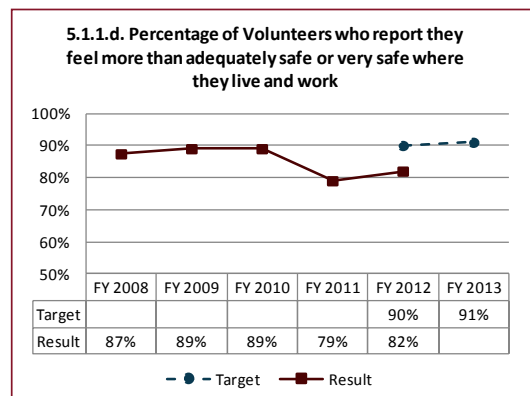
Data Source: Office of Safety and Security



Indicator 5.1.1.d: Percentage of Volunteers who report they feel more than adequately safe or very safe where they live and work

FY 2012 Target	FY 2012 Result	Target Met	Trend
90%	82%	✗	▲

Rationale: When Volunteers report that they feel safe where they live and work, they are providing an indication of the success of the systems the agency has developed to ensure the safety and security of Volunteers.



Discussion of Result: *The target was not met.* Traditionally, a high percentage of Volunteers have reported that they feel safe where they live and work. In FY 2011, however, Volunteers' perceptions of their personal security dropped, due in part to the increased emphasis on safety and security by the agency, instances of civil strife in the countries where the Peace Corps operates, and other external factors. While the FY 2012 target was not met, performance improved from last year.

Analysis of responses to the Annual Volunteer Survey (AVS) provides some insights into the factors that contribute to Volunteers' sense of security. Volunteers who reported they feel safe also noted that they are well integrated into their community (91 percent) and satisfied with the site selection and development process (75 percent). The agency is responsible for selecting and monitoring Volunteer sites to ensure that there is appropriate work for the Volunteer, the community is supportive, and safety and security risks are minimal and controlled. Agency efforts to improve site selection and development are noted in indicator 1.1.1.d.

Additionally, 74 percent of Volunteers who reported they feel safe where they live and work also reported a high level of satisfaction with their safety and security training. Safety and security training provides Volunteers with skills to deal with cross-cultural issues and to mitigate risks. Improvements to safety and security training are detailed in indicator 5.1.1.a.

Strengthening Future Performance: Being integrated into the community and living and working in an appropriate site contribute greatly to the safety and security of Volunteers. In FY 2013, the agency will standardize site selection and development guidelines and work with posts to ensure adherence to site standards.

Data Source: Annual Volunteer Survey

Indicator 5.1.1.e: Ratio of unreported serious crimes to reported serious crimes

Rationale: An increase in the number of reported serious crimes with a corresponding decrease in unreported serious crimes indicates that Volunteers are more comfortable with the response and support from Peace Corps staff in the event a crime occurs. Improved reporting suggests that Volunteers are receiving the support they need and provides the agency with a more accurate account of safety and security issues in the country.

Discussion of Result: This indicator is modeled on a measure from the Department of Defense. The Peace Corps is in the process of building its ability to measure this indicator. "Reported" serious crimes are currently disclosed by the Volunteer to post or headquarters staff and catalogued in a secure agency database. "Unreported" serious crimes are not directly disclosed by the Volunteer to post or headquarters staff but instead, are reported anonymously.

The agency currently gathers unreported crime data from Volunteers through the AVS. The AVS is an anonymous survey that includes questions about crime incidents. While the AVS provides valid data on Volunteers' experiences and perceptions, it has not been designed specifically as a victimization survey. The agency is collaborating closely with the National Institute of Justice at the Department of Justice to develop a separate crime victimization survey modeled on standards utilized by the public health and criminal justice communities.

This is the first year the agency has included this indicator in its performance plan. When the crime victimization survey is established, the agency will monitor the results of the indicator to establish a baseline.

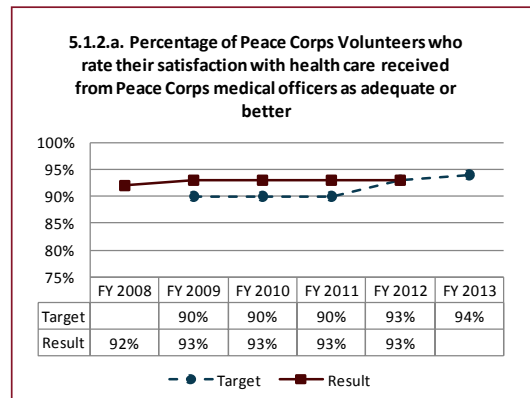
Strengthening Future Performance: The agency is planning to administer an anonymous crime victimization survey to more accurately measure unreported serious crime.

Data Source: Office of Safety and Security

Performance Goal 5.1.2: Provide quality medical and mental health services to trainees and Volunteers

Indicator 5.1.2.a: Percentage of Peace Corps Volunteers who rate their satisfaction with health care received from Peace Corps medical officers as adequate or better

FY 2012 Target	FY 2012 Result	Target Met	Trend
93%	93%	✓	▶



Rationale: Volunteers reporting on their satisfaction with the health care they receive from Peace Corps medical officers is a direct indication of the quality of the medical and mental health care being provided by the Peace Corps.

Discussion of Result: *The target was met.* Peace Corps medical officers are the primary caregivers of medical and mental-health services to Volunteers. Volunteers’ satisfaction with medical officers is a result of the agency’s sustained focus on improving an already high level of performance.

For the past few years, the agency has been implementing an ambitious quality improvement program through the Health Care Quality Assurance Council to systematically improve the medical and mental-health services provided to Volunteers. Utilizing FOCUS-PDSA, a quality improvement model used in health care and other industrial settings, combined with other data-collection methods, the agency has identified opportunities for improvement and executed action plans. Quality improvement teams engaged in the following efforts in FY 2012:

- **Use of the quality nurse line:** Volunteers can email nurses directly at headquarters if they have any concerns with their health care. Several email concerns were received in FY 2012 and appropriate clinical and/or administrative follow-up was conducted.
- **Quarterly medical chart reviews:** Training and standardization of practice was identified as an issue; in response, the agency instituted quarterly medical chart reviews. A sample of Volunteer medical charts is reviewed by a team of clinicians, and feedback is given to Peace Corps medical officers for improvement.
- **Medical supply stocking:** The agency is moving from a “just-in-case” to a “just-in-time” approach to medical supply stocking, which will save the agency resources by reducing unused and expired medical supplies. The agency also worked with the U.S. Army to facilitate a continuing medical education course for first responders and develop jump bags containing emergency medical supplies.

- **Analysis of Volunteer satisfaction with health care:** Indicator results from FY 2011 were disaggregated by post to identify the areas with lowest satisfaction. The results were cross-analyzed with other administrative data, and the agency found that the posts with the highest medical staff turnover had the lowest Volunteer satisfaction. The analysis indicated that stability of health-care providers is a major factor in Volunteer satisfaction and the agency has redoubled its efforts to improve the retention of Peace Corps medical officers.
- **Peace Corps medical officer mentoring:** Recently hired Peace Corps medical officers are being mentored by medical staff at headquarters to ensure a more consistent level of medical care across all posts.

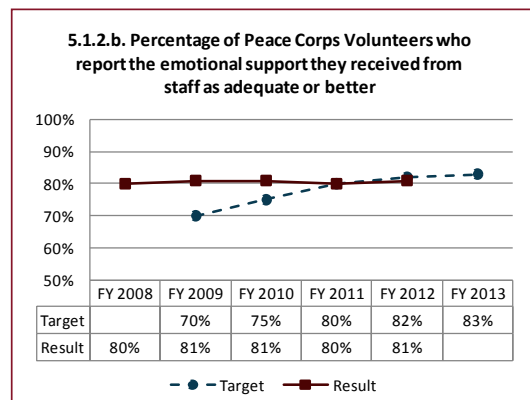
Strengthening Future Performance: The agency will continue to make gains in providing medical and mental-health services under the guidance of the Health Care Quality Assurance Council.

Data Source: Annual Volunteer Survey

Indicator 5.1.2.b: Percentage of Peace Corps Volunteers who report the emotional support they received from staff as adequate or better

FY 2012 Target	FY 2012 Result	Target Met	Trend
82%	81%	✘	▲

Rationale: Volunteers experience a range of emotions as they address the complexities of development work in their communities—from a sense of accomplishment and pride to loneliness, isolation, and frustration. A high level of satisfaction with their care indicates quality mental and medical-health services are being provided to Volunteers in support of their emotional health.



Discussion of Result: *The target was not met.* Volunteers consistently report satisfaction with the emotional support provided by Peace Corps staff. Due to the importance of supporting the emotional needs of Volunteers, the agency set a stretch target to encourage high performance. While the target was not met in FY 2012, the result is an improvement from last year and constitutes a high level of performance.

All agency staff members are responsible for providing emotional support to Volunteers, including country directors, program managers, and medical officers. The agency provides emotional support to Volunteers by training Volunteers on how to deal with the unique stressors of Peace Corps service, building the skills of American and host country staff to support the emotional needs of Volunteers, and building structures to provide support in the wake of traumatic events.

The agency engaged in all of these activities in FY 2012, including holding mental-health training sessions for post staff, standardizing peer support network training, increasing the number of consultations provided to Volunteers by counselors in the Counseling and Outreach Unit, and providing support to victims of crime through the Office of Victim Advocacy.

Strengthening Future Performance: The agency is launching an initiative to explore how the Peace Corps can further improve its support of the emotional and mental-health needs of its Volunteers. The initiative will be informed by the responses to the 2012 Annual Volunteer Survey about the most stressful factors facing Volunteers.

Data Source: Annual Volunteer Survey

Indicator 5.1.2.c: Percentage of Peace Corps Volunteers who report adequate or better support in coping with stress from living and working in their community

FY 2012 Target	FY 2012 Result	Target Met	Trend
75%	72%	✘	▼

Rationale: Volunteers encounter unique stressors during service that can influence their mental and medical health. Volunteers reporting a high level of support indicate that the Peace Corps is providing quality health care.

Discussion of Result: *The target was not met.* This indicator was improved to measure the range of stressors

associated with Volunteer service. Volunteers reported dealing with several stressors while living and working in their communities, including working with community partners (20 percent), communicating in the local language (17 percent), and dealing with isolation and loneliness (16 percent). More than half of all Volunteers (55 percent) reported that their local diet limited their ability to maintain their physical health. Another 29 percent noted that a lack of physical exercise was also a factor in maintaining their health.

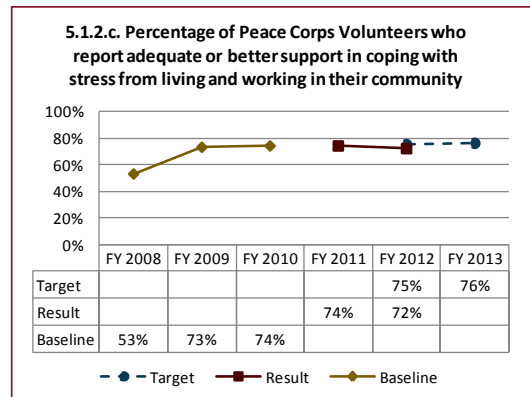
While a majority of Volunteers encounter some level of stress while living and working in their communities, one in five indicated that they have no need for support to cope with stress.

The agency supports Volunteers through training on appropriate coping mechanisms and providing direct support through medical officers, country directors, program managers, and counseling staff.

Resiliency among Volunteers and staff is important in responding to everyday stressors. In FY 2012, Peace Corps medical officers attended a continuing medical education session on Volunteer resiliency to learn how to empower Volunteers. The agency also started a discussion on how to better support the needs of Peace Corps staff in coping with stress.

Strengthening Future Performance: The agency’s work to improve site selection and preparation may reduce potential stress factors before Volunteers arrive. Having a well-prepared site may also reduce stress between Volunteers and their counterparts and local community members who will be more fully aware of the Peace Corps’ unique mission and approach to development.

Data Source: Annual Volunteer Survey



Performance Goal 5.2.1: Provide effective and responsive financial management that accurately reflects domestic and overseas operations

Indicator 5.2.1.a: Percentage of posts and headquarters offices that manage resources within approved budgets and operational plans

FY 2012 Target	FY 2012 Result	Target Met	Trend
95%	78%	✘	▼

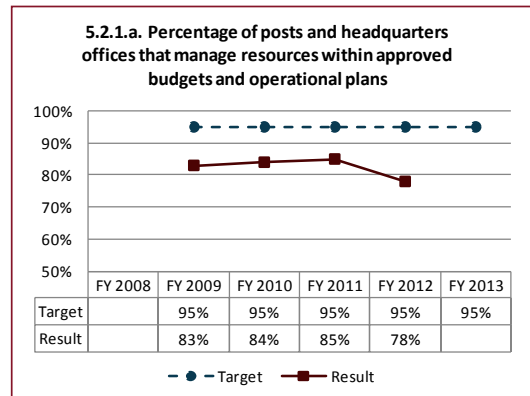
Rationale: Effective financial management includes formulating and executing budgets in a manner consistent with operational plans.

Discussion of Result: *The target was not met.* The Peace Corps formulates and executes its budget by organizational unit. Each unit submits an operational plan prior to the start of the fiscal year that lays out expected funding for the year based on historical operational cost information and current and future fiscal reality.

Budget analysts work with organizational units throughout the year to formulate accurate operational plans, adjust budgets based on need, and to spend appropriately. The constant collaboration between budget and program staff ensures agency operations are budgeted properly.

Strengthening Future Performance: The agency will review methods for improving the linkage between performance planning and budgeting to ensure operational plans accurately reflect agency priorities.

Data Source: Office of the Chief Financial Officer

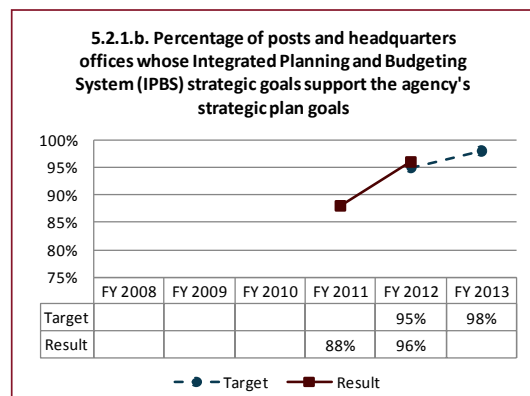


Indicator 5.2.1.b: Percentage of posts and headquarters offices whose Integrated Planning and Budgeting System (IPBS) strategic goals support the agency’s strategic plan goals

FY 2012 Target	FY 2012 Result	Target Met	Trend
95%	96%	✔	▲

Rationale: When the activities and goals of posts and headquarters offices are aligned with the agency’s strategic goals, the agency is supporting efforts that advance its mission.

Discussion of Result: *The target was met.* In conjunction with the annual budget process, each post and headquarters office submits a three-year strategic plan through the Integrated Planning and Budgeting System (IPBS). Posts and headquarters offices are given the opportunity to



identify which agency strategic goals their organizational goals support. In FY 2012, all headquarters offices and 58 of 61 eligible posts submitted IPBS strategic plans that supported the agency’s strategic goals.

Strengthening Future Performance: In FY 2012, the agency piloted a standardized electronic IPBS strategic plan template for headquarters offices to improve the analysis of strategic plans and to ensure all critical information is captured. The new template will be rolled out to posts in FY 2013.

Data Source: Office of Strategic Information, Research, and Planning

Performance Goal 5.2.2: Ensure the effective management of Peace Corps resources

Indicator 5.2.2.a: Conduct a Country Portfolio Review process to assess and formulate financial and Volunteer resource allocations at all posts

FY 2012 Target	FY 2012 Result	Target Met
Complete annually	Completed	✓

Rationale: Financial and Volunteer resources allocated to posts represent a significant portion of the agency’s budget. By conducting a standardized, annual process for reviewing the agency’s major investments, the agency is demonstrating its effective management of resources.

Discussion of Result: *The target was met.* The Country Portfolio Review process includes three major components: data collection, analysis, and the development of recommendations. Each of these components was completed as part of the Country Portfolio Review process in FY 2012. As much of this process extends across multiple fiscal years, work has already begun on aspects of the Country Portfolio Review to be completed in FY 2013.

The Peace Corps uses external data developed by third-party international institutions such as the United Nations in conjunction with internal data collected by the agency. The Country Portfolio Review contains high-quality objective and subjective input, including survey data that directly incorporates the perspectives of Volunteers and staff in the field. The review completed in FY 2012 included data from nearly 90 categories for all Peace Corps posts.

The Country Portfolio Reviews completed in FY 2011 and FY 2012 informed the agency’s Volunteer and financial allocation decisions. More specific details on these decisions are provided in the Research and Evaluation section.

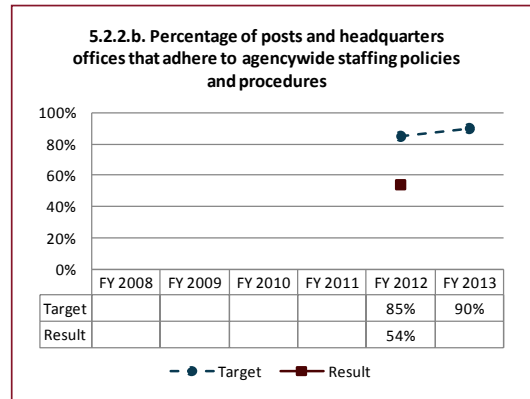
Strengthening Future Performance: The agency will better align the Country Portfolio Review process with the agency’s budget formulation process so that the results of the review can be used to inform long-term resource planning.

Data Source: Office of the Director

Indicator 5.2.2.b: Percentage of posts and headquarters offices that adhere to agencywide staffing policies and procedures

FY 2012 Target	FY 2012 Result	Target Met
85%	54%	X

Rationale: Agencywide staffing policies and procedures are consistent with federal government standards and compatible with local labor requirements. The implementation of these policies and procedures demonstrates the agency’s ability to effectively manage its human capital.



Discussion of Result: The target was not met. As a result

of the standardization of personnel practices for all employees in FY 2011, the agency modified this indicator to measure the actual implementation of staffing policies and procedures—a higher performance standard. The indicator focuses on ensuring that all employees are aware of staffing policies and procedures through new employee orientation and that they receive mid-year and year-end performance appraisals.

This is the first year of measuring this indicator, and performance was lower than expected. In FY 2012, 72 percent of eligible posts fully implemented all three of the measured staffing policies and procedures for all of their employees. While several headquarters offices implemented all three staffing policies and procedures for the majority of their employees, no office fully met the indicator.

The agency was successful in providing an orientation for new employees. Ninety-five percent of headquarters offices and 94 percent of overseas posts held new employee orientations for all of their new employees. New employee orientations take place during the first three days of work for all new employees and include sessions on Peace Corps’ personnel practices. The orientation provided for new employees at the post in Armenia was notable, and included—in addition to an overview of staffing policies and procedures—the history of the Peace Corps in Armenia, videos of Volunteers working in the country, and visits to Volunteer sites.

Completion of mid-year and year-end performance appraisals by the end of the fiscal year was more challenging. While 92 percent of posts completed year-end performance appraisals for all employees, only 59 percent of headquarters offices met this requirement. Further, 76 percent of posts completed mid-year appraisals, but no office conducted mid-year appraisals for all of their employees.

While the timely submission of employee performance appraisals was an issue, there is clear evidence of gaps in the reporting system where some appraisals were not properly recorded. Constraints in the reporting system may be a major factor in the low level of reported performance in FY 2012.

Strengthening Future Performance: Through the quarterly strategic plan performance review sessions in FY 2013, the agency will identify the challenges in meeting the targets for this indicator and coordinate efforts to improve performance, including developing an improved reporting system. Additionally, in FY 2012, the agency noted that the new employee orientations provided to staff in domestic regional recruitment offices did not

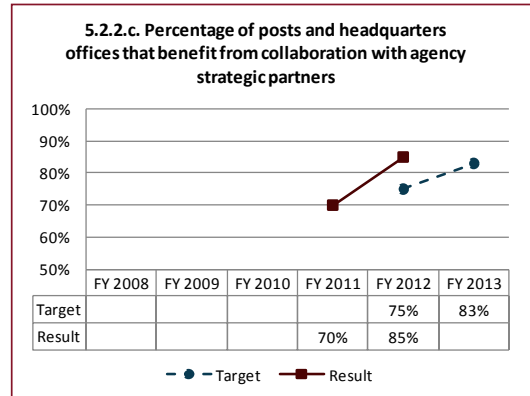
sufficiently address employee benefits. As a result, the agency will provide supplemental online training on staffing policies and procedures, including benefits, to staff in domestic regional recruitment offices in FY 2013.

Data Source: Overseas posts and headquarters offices data call

Indicator 5.2.2.c: Percentage of posts and headquarters offices that benefit from collaboration with agency strategic partners

FY 2012 Target	FY 2012 Result	Target Met	Trend
75%	85%	✓	▲

Rationale: The agency collaborates with external strategic partners to increase the reach and impact of Volunteers in the field in support of common goals and national initiatives. An increase in the percentage of posts and headquarters offices that benefit from strategic partnerships indicates the agency is leveraging them more effectively.



Discussion of Result: *The target was met.* The agency collaborated with the following international strategic partners in FY 2012:

- CHF International
- Food and Agriculture Organization of the United Nations
- Grassroot Soccer
- International Alliance for Youth Sports
- Malaria No More
- Millennium Challenge Corporation
- Population Services International
- Save the Children
- Special Olympics
- United Nations Volunteers
- U.S. Agency for International Development—Global Education Framework
- U.S. Agency for International Development—Global Food Security
- U.S. Agency for International Development—Small Project Assistance
- U.S. Centers for Disease Control and Prevention
- U.S. Environmental Protection Agency
- U.S. President’s Emergency Plan for AIDS Relief
- U.S. Department of State—Energy and Climate Partnership of the Americas
- VSO (Volunteer Service Organization) International
- World Cocoa Foundation
- World Food Program

These strategic partners provided assistance in training, volunteer assignments, material development, and the provision of logistical and strategic support. For example, with support from U.S. Agency for International Development under the Global Education Framework agreement, the Peace Corps is developing curricula to train Volunteers on integrating a gender perspective into their work. The training sessions will introduce Volunteers to topics such as training teachers to promote inclusiveness and gender awareness and how to respond to gender-based violence in their schools.

While the agency has benefited from several strategic partnerships over the years, there are costs associated with partnering with other organizations, including administrative costs and reporting requirements for Volunteers and staff.

Strengthening Future Performance: The agency will continue annual reviews of its strategic partnerships to ensure that only those relationships where the benefit to the Peace Corps outweighs the cost are maintained. Additionally, the agency will pursue additional partnerships in sectors, regions, and headquarters offices where a mutually beneficial opportunity for collaboration exists.

Data Source: Overseas posts and headquarters offices data call

Performance Goal 5.2.3: Ensure optimal performance of critical Peace Corps processes

Indicator 5.2.3.a: Identify at the beginning of the fiscal year and complete by the end of the fiscal year improvements to one mission-critical work process

FY 2012 Target	FY 2012 Result	Target Met
Complete annually	Not completed	X

Rationale: Identifying and completing improvements to at least one mission-critical work process each year provides the agency with the opportunity to direct its focus on a specific area of performance improvement, contributing to more efficient and effective operations.

Discussion of Result: *The target was not met.* This indicator requires the identification of one mission-critical work process for improvement at the strategic plan performance review session for the first quarter of the fiscal year (typically held in January/February). The improvements are also required to be completed by the end of the fiscal year. While neither requirement was met this year, the mission-critical work process that was ultimately selected demonstrated significant progress in FY 2012, and the effort will be sustained through the next year and beyond.

At the strategic plan performance review session for the second quarter of FY 2012, the chief operating officer announced the selection of the work process to be improved: the development of an applicant and Volunteer quality feedback loop between overseas posts and headquarters. The selection was a result of consultations with posts and headquarters offices throughout the first half of the fiscal year.

The project is a cross-agency effort that addresses recommendations made by the Peace Corps Inspector General to develop and implement a method to measure Volunteer quality, develop standards for applicant assessment, and create a mechanism for gathering feedback on Volunteer performance and suitability from post staff.

In FY 2012, the agency developed and piloted a standardized applicant assessment tool for use by headquarters staff and domestic regional recruitment offices. Additionally, the agency developed and began piloting a Volunteer performance evaluation tool to be administered by overseas staff. In FY 2013, these assessment and evaluation tools will be integrated into the redesigned Volunteer Delivery System.

When the project is complete, the applicant and Volunteer quality feedback loop will, for the first time, directly connect how applicants are assessed for Peace Corps service with their success in the field. The feedback loop will provide critical insights into why Volunteers succeed and which competencies contribute to their success.

Strengthening Future Performance: At the end of each fiscal year, the agency solicits ideas from posts and headquarters offices on what mission-critical process should be improved during the next year. In FY 2013, the agency will act more quickly on this information and announce the selected mission-critical process at the strategic plan review session for the first quarter.

Data Source: Office of the Director



A Youth Development Volunteer (right) works with an English and German conversation club in Azerbaijan.

Research and Evaluation

The Peace Corps conducts regular studies throughout the year to evaluate the agency's progress toward its goals, ensure processes are operating efficiently, and inform resource allocation decisions. Research and evaluation activities are conducted at overseas posts and in various headquarters offices. Published agency studies can be found at www.peacecorps.gov/open/evaluations.

In FY 2012, the Peace Corps initiated the development of an overarching evaluation framework, significantly strengthening its evaluation processes. When paired with procedural guidance, the new framework will codify the agency's current best practices and add new structures and activities to improve evaluation at the agency and better demonstrate the impact of Volunteers' work. Further, it will successfully connect the evaluation work currently being conducted in disparate offices and provide a clear delineation of the roles and responsibilities of both headquarters offices and overseas posts. The new evaluation framework will be completed in FY 2013.

In FY 2012, the agency conducted the following major research and evaluation activities:

- Annual Volunteer Survey
- Country Portfolio Review
- Host Country Impact Studies
- Evaluations by Overseas Posts and Headquarters Offices

The Office of Inspector General also conducted various audits and evaluations.

While the specific purposes of the agency's research and evaluation work varied in FY 2012, the findings from the studies were used to assess progress toward the agency's strategic goals and identify actions to further improve agency performance. The results supported evidence-based decision-making and served to identify promising practices.

Annual Volunteer Survey

The Annual Volunteer Survey (AVS) is the agency's primary vehicle for ensuring that the voice of the Volunteer is heard by agency leadership. The rich information provided through the AVS informs management decisions at all levels—from overseas posts to headquarters. The FY 2012 AVS recorded the highest response rate in the history of the survey, with 87 percent of Volunteers participating. This high overall response rate—and the fact that all but three posts achieved at least a 70-percent response rate (with 35 percent achieving a rate between 90-98 percent)—signifies that the data is highly representative of the total Volunteer population.

The AVS asks Volunteers to assess the impact of their work, the effectiveness of their training, in-country staff support, their personal health and safety, and their overall satisfaction with their service. In FY 2012, the AVS included an expanded set of health-related questions to gather more information about factors affecting Volunteers' physical and emotional health.

Findings

The results of the FY 2012 AVS provided the agency with critical insights into Volunteers' views and their in-country experiences. Results indicated that the training and support prepared Volunteers to stay safe, healthy, and productive in their work. Key results are listed below:

- Volunteers reported they effectively transferred knowledge and skills to help build the capacities of the host country individuals with whom they worked (87 percent) (Strategic Goal 1).
- Responses from Volunteers suggest that the training and support provided by the agency prepared them for service; 80 percent of Volunteers reported they were adequately or better prepared for Peace Corps service when they arrived in their country, and 96 percent reported that they were adequately or better prepared to meet the challenges of Peace Corps service at the time they took the survey, at least one month after arriving in-country (Strategic Goals 1, 2, 4, and 5).
- More than half (54 percent) of the Volunteers felt very integrated into their communities (Strategic Goals 1, 2, and 5).
- A number of Volunteers (39 percent) who were about to complete their service reported they plan to participate in other volunteer activities in the United States. In this way, Volunteers will be bringing their volunteer experience home, yielding additional benefits to the United States through their continued service at home (Strategic Goal 3).

Actions Taken

AVS results are used for potential and views across posts and, over time, identifying trends and informing Peace Corps staff about Volunteers' suggestions on how the agency can more effectively meet host country needs. Analysis of the results from prior years revealed that Volunteers' satisfaction with the selection and preparation of their work locations had decreased. As a result, the agency included a new performance indicator in its FY 2012 annual performance plan to ensure a focus on improving site selection and preparation and to measure progress.

AVS data was used in FY 2012 to better ensure the safety and security of Volunteers—the agency's highest priority. In the FY 2011 AVS, Volunteers' perceptions of their safety and security in El Salvador, Guatemala, and Honduras were lower than their peers in other countries. That information, coupled with other programmatic data compiled through the Country Portfolio Review, led the agency to realign operations in those countries in FY 2012.

Country Portfolio Review

The agency completed its second annual Country Portfolio Review in the first quarter of FY 2012. The Country Portfolio Review addresses a key recommendation of the Comprehensive Agency Assessment, a major evaluation of agency operations completed in FY 2010. The assessment challenged the agency to “target the Peace Corps' resources and country presence across countries according to specific country selection criteria to maximize grassroots development impact and strengthen relationships with the developing world.”

The Country Portfolio Review represents one of the initial stages of the annual planning and budgeting cycle and is used to inform decisions on potential new country entries and possible country phase-outs, as well as the allocation of Volunteers and resources.

The review includes data from internal and external sources in areas such as country need, safety and security, medical infrastructure, host country commitment and engagement, post operations, program impact, cost, and congruence with U.S. development priorities (Strategic Goals 1, 2, and 5).

Findings

Through the Country Portfolio Review completed in FY 2012, the agency found that it is implementing the vast majority of its programs in host countries that have a demonstrated need for the Peace Corps' approach to development and have interested host country partners. The review also identified countries that had achieved a high level of development, indicating that some country programs could be graduated (closed) to enable the agency to focus its limited resources on areas of the world with greater need.

The review also provided additional data on known operational challenges, including difficult safety and security environments in some countries and variations in the level of in-kind and cash contributions from host governments to the Peace Corps country programs.

Actions Taken

The Country Portfolio Reviews in FY 2011 and FY 2012 informed the agency's decision to increase the Volunteer population in Africa and to graduate (close) programs in Bulgaria, Romania, Cape Verde, Antigua/Barbuda, and St. Kitts/Nevis in FY 2013.

Data from the Country Portfolio Review also informed the decision to suspend the program in Honduras due to the in-country security environment.

The Peace Corps is working to better align the Country Portfolio Review with the budget formulation process so that the results of the review can be used to inform agency resource planning. The agency also instructed posts to review in-kind and cash contribution levels.

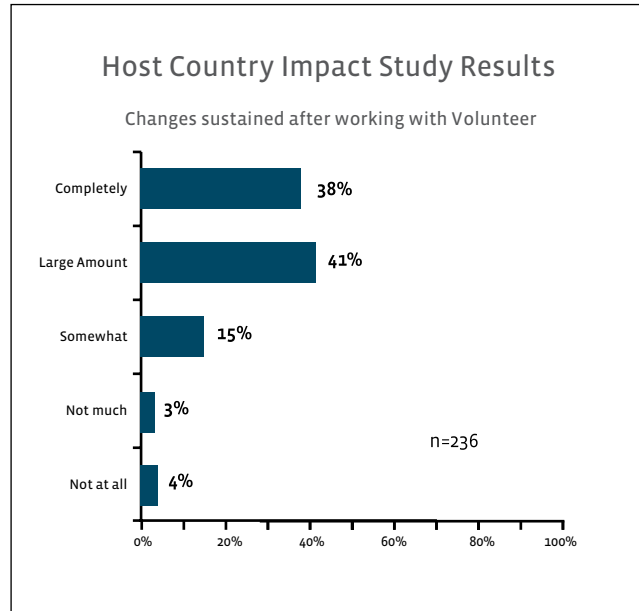
Peace Corps Volunteers from 11 African countries gathered in Senegal for 10 days in late September to share the most effective strategies for combating malaria across the continent. Via video conferencing, Volunteers engaged some of the world's foremost authorities on malaria prevention and discussed methods to bring the latest research back to their communities.

Host Country Impact Studies

In FY 2008, the agency initiated a series of Host Country Impact Studies. These country- and project-specific impact evaluations are designed to measure how effectively Volunteers' activities are meeting the technical needs of host countries and promoting a better understanding of Americans (Strategic Goals 1 and 2). The agency has completed 24 Host Country Impact Studies since FY 2008. Three studies were completed this year—one each in El Salvador, Ghana, and Paraguay. More than 400 beneficiaries, counterparts, and host families were interviewed in these three studies.

Findings

The studies completed in FY 2012 confirmed that Volunteers are meeting the Peace Corps goals of building local capacity and increasing the understanding of Americans on the part of local people. The results also showed that respondents felt strongly that most of the changes had been sustained after the Volunteers left their communities. A unique factor of the Peace Corps’ successful approach to local development is the day-to-day interaction between the Volunteers and the communities in which they live, which respondents identified as a key catalyst for both mobilizing and sustaining community change.



- Ninety-five percent of the counterparts and 88 percent of the beneficiaries engaged in daily or weekly interaction with Volunteers.
- Seventy-five percent of the counterparts and 83 percent of the beneficiaries reported using the new skills they gained in their professional lives on a daily basis.
- Seventy-nine percent of host country individuals reported they had completely or largely sustained the changes made as a result of working with the Volunteer.
- Ninety-six percent of counterparts and beneficiaries would definitely like another Volunteer to serve in their community.

Actions Taken

In FY 2012, the agency conducted a survey of the posts that participated in earlier Host Country Impact Studies to determine how the results have been utilized in their programs. More than half of the posts used the findings related to skill transfer, sustainability, and capacity building to refocus or redesign their Volunteer projects and activities. When asked how their training programs were changed, 48 percent of posts responded they adjusted technical training for Volunteers as a result of insights gained from their Host Country Impact Study.

Posts underscored the importance of sharing the results of the studies with Volunteers. Ninety-one percent of posts indicated they had shared the results with their Volunteers. One post noted that information from the Host Country Impact Studies can serve to motivate Volunteers, demonstrating that their efforts make a difference in people’s lives and are appreciated.

Host Country Impact Studies are the agency’s primary mechanism for demonstrating the long-term impact of Volunteers and, in FY 2012, the agency created short summaries of the studies to make the results more accessible to the public. Published studies and the summaries can be found at www.peacecorps.gov/open/evaluations.

Responses from Host Country Impact Study Participants in FY 2012

Local capacity building (Strategic Goal 1)

“I behave differently from what I used to do. Now I believe in consensus building, consultation, and open dialogue. I now go in for the problems facing my community rather than wait for the problems to come to me.”

—Beneficiary in Ghana

“The Volunteer gave excellent training. On a scale of 1 to 10, I’d rate it a 10. Something that I admire about the Volunteers is that they are pragmatic and practical in their style of teaching. I have learned to be more efficient in my work as well, and it is a model for me and the school that I direct.”

—Counterpart in El Salvador

Opinions of Americans changed (Strategic Goal 2)

“I had not known about Americans, but because of working with the Volunteer I noted that they are good people. He liked to work in groups and help wherever he could.”

—Beneficiary in Paraguay

Evaluations Conducted by Overseas Posts

Posts conduct evaluations to improve their country programs and increase the impact of their Volunteers (Strategic Goals 1, 2, and 3). In FY 2012, 38 percent of posts completed at least one evaluation, including process evaluations (28 percent), outcome evaluations (20 percent), impact evaluations (6 percent), and cost benefit analyses (5 percent). Process evaluations assessed whether a project was operating as intended and if it was meeting community needs. Outcome evaluations described how well a program achieved its intended results. Impact studies provided an independent assessment of the agency’s programs to determine whether projects were meeting their intended outcomes. Cost benefit analyses assessed the cost of meeting a single goal or objective.

Findings

Evaluations conducted by posts identified successes and challenges in meeting project objectives. Multiple posts cited high satisfaction among local partners regarding the work of the Volunteers. At the same time, posts were constrained in collecting impact information from partners. One post noted that projects are informally evaluated at partner and community meetings. Another post mentioned that additional work is needed to collect baseline data and crafting indicators. Findings from evaluations completed by posts in FY 2012 confirm the need for greater monitoring and evaluation resources at overseas posts.

Actions Taken

Posts used information gathered from evaluations to modify their programs and operations to better meet the Peace Corps goals. Several posts engaged in project reviews as part of the Focus In/Train Up strategy, resulting

in significant changes to programming. For example, a review in the Armenia program resulted in adding a youth component in the Community Economic Development sector, better responding to local needs. In the Dominican Republic, the education project changed from information technology education to literacy, and the business project was modified to focus more on business education rather than organizational development.

Posts used evaluation findings to:

- Refocus the project or program areas (26 percent)
- Redesign training (26 percent)
- Adjust their Integrated Planning and Budget System submission (23 percent)
- Redesign the project or program areas (20 percent)
- Redesign the project or program implementation (17 percent)
- Discontinue the project or program (9 percent)

Evaluations Conducted by Headquarters Offices

The headquarters offices conducted essential program evaluations in support of Strategic Goals 1, 2, and 3, as well as cost-benefit evaluations and operational assessments related to Strategic Goals 4 and 5.

Fifteen headquarters offices (75 percent) conducted over 300 evaluation activities in FY 2012, including process evaluations (52 percent), cost-benefit analyses (42 percent), outcome evaluations (5 percent), and impact studies (1 percent). Examples of evaluation activities completed by headquarters offices are provided below.

Findings and Actions Taken

- **Annual review of global partnerships:** In FY 2012, the agency reviewed seven of its 20 global partnerships. The review identified the partnerships that are meeting the needs of the agency as well opportunities for improvement. The agency used the information from reviews of partnerships to determine the best use of partnership resources and to look for new partnership opportunities.
- **Analysis of medical evacuations:** Volunteers are medically evacuated from their country of service when the Peace Corps can no longer fully support their medical needs at post. Analysis showed that medical evacuations and consultations from care providers have increased in recent years. As a result, the agency has allocated additional resources to support and care for medically evacuated Volunteers. The new medical evacuation support team, based at the headquarters in Washington, D.C., meets Volunteers at the airport, ensures they receive the care they need, and connects them with local resources. In a survey conducted in FY 2012 of medically evacuated Volunteers, 98 percent responded that they were very satisfied with the services provided by the agency.
- **Staging event evaluation:** The agency assessed trainees' satisfaction with their staging event—the domestic pre-service orientation for Volunteers as they depart for service. Trainees were highly satisfied, with 94 percent noting that they found it helpful. However, participants also reported that they would like more interaction with fellow trainees and more country-specific information. The agency has adjusted the staging event curriculum to respond to these requests.

- **Cost-benefit analyses on delivery of medical care:** The agency analyzed several options for delivering medical care to Volunteers in a more cost-effective manner. One study compared various malaria-prevention options utilizing projected numbers of Volunteers and inflation rates for the calculation of medical costs. The agency also evaluated the current policy for post-service schistosomiasis testing. As a result of the evaluation, the agency changed the policy and now provides preventative medicine for the condition to Volunteers at the end of their service rather than conducting tests after service.

Small Project Assistance (SPA) Program Evaluation

The agency conducted a major evaluation of the SPA program, a joint collaboration between the Peace Corps and the U.S. Agency for International Development (USAID) to support development projects in local communities. The evaluation included two components: a survey of Peace Corps and USAID program managers on management processes and in-country evaluations of the programs in Senegal and Ukraine.

Program managers indicated a high level of confidence in the effectiveness of the SPA program. The management survey revealed that Peace Corps post staff (95 percent of respondents) and USAID mission staff (79 percent) believe that SPA projects are both relevant to the community and provide lasting benefits. Results from the two country evaluations support the conclusion that SPA projects help to advance local development. In Ukraine, 96 percent of the project beneficiaries and partners indicated they both acquired and applied new skills or knowledge in their work. Further, 91 percent of the organizations reported they continued the project activities after the completion of the project. In the Senegal study, 78 percent of the partners interviewed stated their capacity was built through their active involvement in the SPA projects' planning, implementation, and monitoring phases.

The recommendations from the evaluation were reviewed and incorporated into the new SPA agreement, which contains the requirement to promote independent, in-country evaluations of the impact of the SPA program. The program will also conduct baseline studies, visit project sites to monitor projects, and undertake regional evaluations.

Audits and Evaluations Conducted by Office of the Inspector General

The Peace Corps Office of Inspector General (OIG) regularly conducts audits and evaluations of the effectiveness of programs that support Volunteers. The objectives of OIG audits and evaluations vary by project, but most aim to recommend improvements that will increase the effectiveness and efficiency of operations and strengthen the agency's ability to implement country programs that increase host country capacity. OIG audits focus on fiscal accountability and the effectiveness of internal control over worldwide and domestic Peace Corps resources. OIG evaluations analyze the program operations of the Peace Corps at both overseas posts and domestic offices. OIG audits and evaluations are submitted to agency management, which then takes appropriate action to address the concerns that have been identified. OIG audits and evaluations can be found at www.peacecorps.gov/oig.

During FY 2012, the OIG issued six audit reports and six evaluation reports concerning 11 country programs. The audits were conducted in Costa Rica, Jordan, Lesotho, Mali, and Tonga and a limited scope audit of China was conducted from headquarters. These reports covered administrative and financial operations at overseas posts. Other OIG FY 2012 audit work included: an audit of the mid-Atlantic regional recruiting office, an audit of the Peace Corps budget formulation process, a review of the agency's compliance with the Federal Information Security Management Act, and oversight of the independent auditor's annual audit of the agency's financial statements.

OIG country program evaluations were conducted in China, Fiji, Indonesia, Kyrgyz Republic, Peru, and Uganda. The program evaluation reports addressed issues such as the extent to which the post has developed and implemented programs that met agency goals and provided adequate training, health care, and support and oversight to Volunteers to enable them to increase host country capacity and promote cross-cultural understanding. During FY 2012, the OIG evaluations unit also issued a report on the impacts of the five-year rule on agency operations and a review of the Peace Corps' implementation of guidelines related to Volunteer victims of rape and sexual assault.

Program Evaluations Conducted by Office of Inspector General

Major Findings and Recommendations:

Impacts of the Five-Year Rule on Operations of the Peace Corps

The Five-Year Rule, a personnel rule unique to the Peace Corps, limits staff appointments to a maximum of five years. While it has enabled the agency to hire returned Volunteers and prevent employees from making life-long careers at the agency, it has also created challenges for the agency. The OIG evaluation determined that a comprehensive examination of the Five-Year Rule is needed to address the negative effects that excessive employee turnover and brief employee tenure have had on the operations of the Peace Corps. The agency is still working to address the five recommendations issued in this report.

Review of Peace Corps' Implementation of Guidelines Related to Volunteer Victims of Rape and Sexual Assault

The OIG completed a review of agency guidelines related to response to Volunteer sexual-assault victims and reported that the Peace Corps accomplished a number of initiatives in 2011 that addressed concerns raised by victims. The agency established a response framework predicated on compassion, safety, open communication, and respect for victim privacy and it issued new guidance and provided training for staff. However, the OIG determined that Volunteers who reported sexual-assault incidents not classified as a rape or major sexual-assault were not consistently receiving the care or support that some of them needed. The report recommended that agency guidelines include procedures for response to all sexual assault incidents; that staff roles and resources be more clearly described; and that all staff with response roles attend training on the guidelines and protocols. The report identified additional steps the agency should take to ensure consistency and accountability in the response effort, including establishing a centralized case management system. The agency is working to address the 12 recommendations issued in this report.

China

The OIG evaluation of China included findings and recommendations intended to achieve improvements in the following areas:

- Remove obstacles that were impeding office communications
- Increase the effectiveness of the Volunteer leader program
- Clarify Volunteers' emergency consolidation point locations
- Improve the accuracy of Volunteer site locator forms
- Increase staff support for the peer support network

Some actions taken by the agency in response to the evaluation include adjusting the Volunteer leaders' position responsibilities and developing a process to select appropriate staff members to serve on a Volunteer support committee.

Fiji

The OIG evaluation of Fiji included findings and recommendations intended to achieve improvements in the following areas:

- Develop stronger relationships with government partners and ensure the country agreement is up-to-date
- Provide improved technical training, particularly for small business Volunteers
- Improve consistency in post leadership's actions and the timeliness and transparency of decisions
- Provide additional emotional and mental-health support for Volunteers
- Prepare Volunteers for weather-related emergencies
- Adhere to the post's health and safety criteria for Volunteer housing
- Increase medical officers' participation in Volunteer site development

Some of the many actions taken by the agency in response to the evaluation include implementing improvements to the post's site identification and approval system, which now includes more involvement from medical officers; creating a photo file to help ensure that housing criteria are met; conducting staff development training focused on Volunteer support; and requiring Volunteers to develop a personal safety plan after arriving at their site.

Indonesia

The OIG evaluation of Indonesia included findings and recommendations intended to achieve improvements in the following areas:

- Provide new country entry and re-entry posts with adequate time to ensure important health- and safety-related activities are completed before trainees arrive
- Differentiate programming staff responsibilities
- Improve technical and secondary local language training
- Prepare Volunteers to respond to emergencies when cell phones may not be operable
- Ensure Volunteers are aware of their emergency consolidation point locations
- Distribute important emergency action plan (EAP) updates to staff and Volunteers

In response to the report, the agency is reviewing new country entry procedures and timelines to ensure that key Volunteer health and safety activities are completed before trainees arrive in-country. The post has reviewed staff positions to clarify duties, and it has hired additional training staff who began implementation of a new core curriculum for its technical training program.

Kyrgyz Republic

The OIG evaluation of Kyrgyz Republic included findings and recommendations intended to achieve improvements in the following areas:

- Increase staff's participation in the EAP revision process and their understanding of EAP roles and responsibilities
- Prepare staff and Volunteers to respond to a variety of emergency situations, including earthquakes and events that interrupt telephone communications
- Encourage Volunteers to complete intended community integration activities
- Improve the timeliness and usefulness of staff's feedback on Volunteer performance reports
- Assist Volunteers in identifying viable work partners
- Conduct more effective budgeting and resource planning
- Improve staff morale by reviewing statements of work and pay grades
- Address deficiencies in grants management

Since the completion of the evaluation, the post has conducted an EAP training session for staff, provided additional training for Volunteers on the agency's performance reporting tool, and implemented earthquake training.

Peru

The OIG evaluation of Peru included findings and recommendations intended to achieve improvements in the following areas:

- Ensure that Volunteers are placed in sites where they can achieve their project goals
- Improve technical and language training
- Adhere to the post's health and safety criteria for Volunteer housing
- Ensure that Volunteers are aware of their emergency consolidation points
- Develop and utilize site criteria that sufficiently consider travel-related risks for Volunteers

In response to the evaluation, the post conducted a thorough review of the accessibility of Volunteers' sites and closed sites that presented an unacceptable level of travel risk. The post also updated its site development manual to include programmatic site selection criteria and adjusted the timing of site assignments so Volunteers could receive more site-specific training.

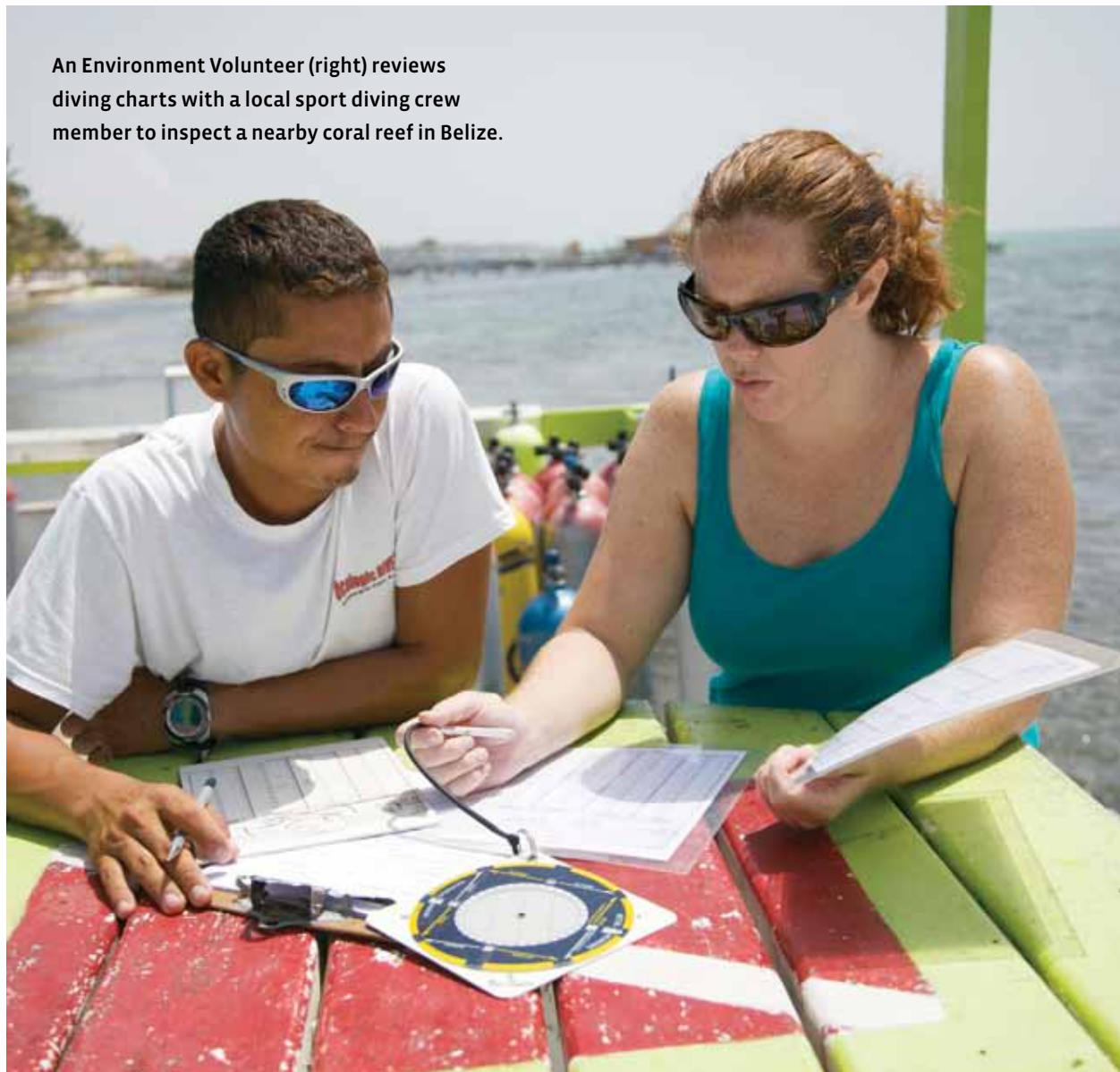
Uganda

The OIG evaluation of Uganda included findings and recommendations intended to achieve improvements in the following areas:

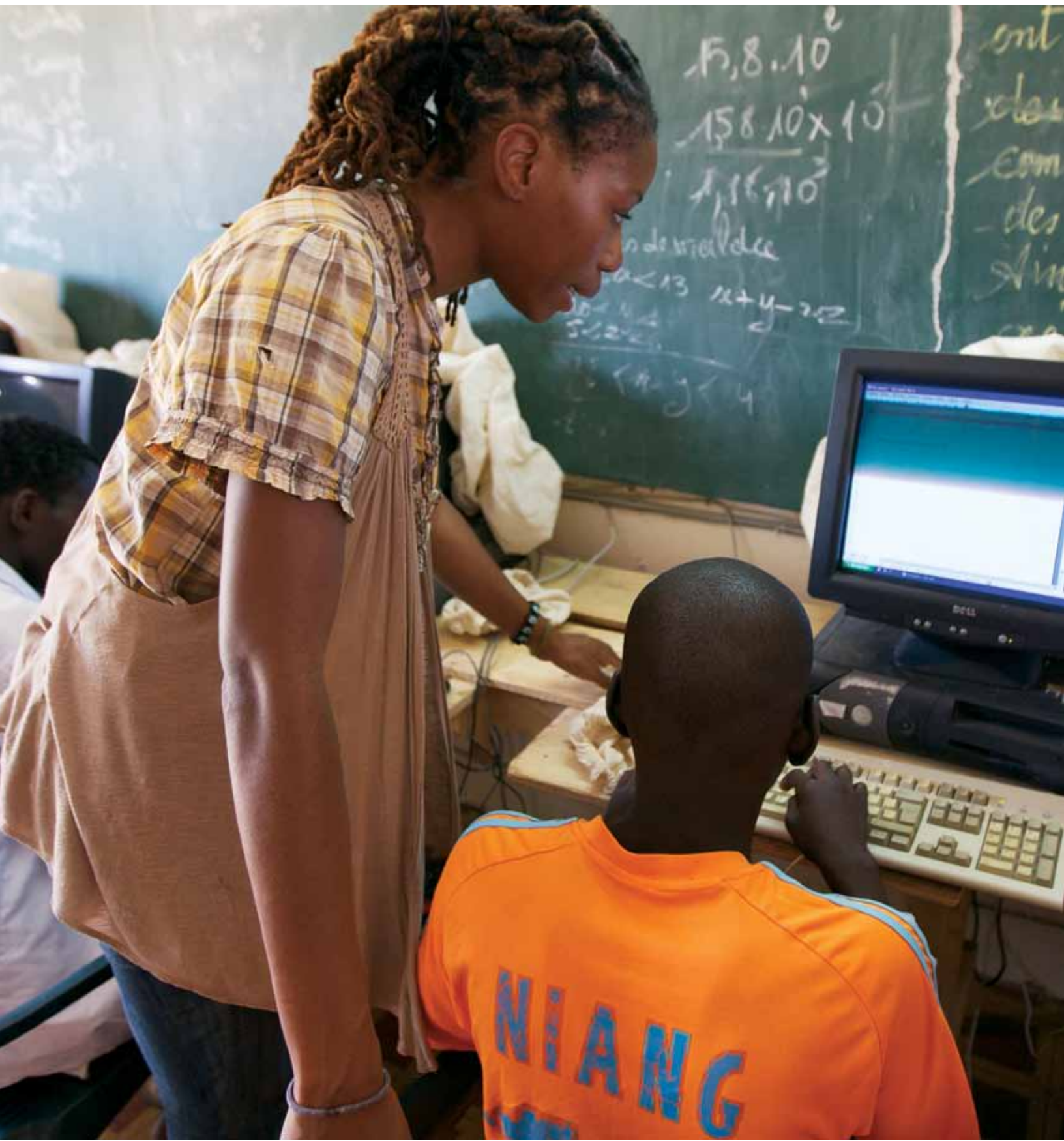
- Stabilize post operations after a period of leadership turnover
- Ensure that Volunteers are aware of their emergency consolidation points
- Develop stronger relationships with project stakeholders and communicate annual project progress to them
- Improve technical training
- Ensure the post has an up-to-date medical evacuation plan that is understood by staff
- Bring the post into compliance with agency safety and security policies
- Develop and utilize site criteria that sufficiently consider the availability of post-approved transportation options

- Improve organization of the education project
- Increase the medical officers' participation in site identification and site visits

In response, the agency provided headquarters support that helped the post develop a strategy to improve operations programming. The post also adopted a new pre-service training model, modified technical training, and developed a process to ensure that Volunteers are aware of their emergency consolidation point and have experience traveling to that location.



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A Health Volunteer gives computer lessons to youth as secondary project in Senegal.

Message from the Chief Financial Officer

For the sixth consecutive year, an unqualified (clean) audit opinion on the financial statements was issued by independent auditors, CliftonLarsonAllen. No material weaknesses or federal system noncompliances were identified during the financial statement audit or through management reviews within the agency.

Quality reporting in the FY 2011 Performance and Accountability Report earned the agency its fifth award of the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting.

This year the agency received its annual appropriation of \$375 million during the first fiscal quarter and operated with a far more level funding stream despite receiving \$25.8 million less than the FY 2010 funded level. The FY 2011 appropriation was \$374.3 million. Some system initiatives completed this year, notably DOVE (Database of Volunteer Experience) and MAXx (Medical Application Exchange System), continued important steps toward fully updating the Volunteer Delivery System. These systems manage the outreach, recruitment, evaluation, placement, support and return of the Volunteers, and handle the medical requirements for pre-service applicants. The relative steady funding stream of these last two years minimized the ramping up and down in the number of Volunteers, helping to limit the volatility in the recruitment systems that require long lead times.

We processed more than 400 thousand financial transactions in 77 currencies in 76 countries during FY 2012 to support the more than 8,000 Volunteers. Each year, the financial management staff in the headquarters and those supporting financial management throughout the three regions and the worldwide posts continue their tireless efforts to ensure that the Volunteers are fully supported in their work efforts within the local communities around the world.

During this fiscal year, agency managers worked to correct the two significant deficiencies in internal control and the 26 associated audit recommendations identified during the FY 2011 financial statement audit through Senior Assessment Team meetings and monitoring the corrective action plan. The agency's property accountability system deployed in late FY 2011 continues to experience operational and accountability issues in working toward gaining agencywide control over the \$35 million Property, Plant, and Equipment assets. Progress on the corrective action plan and implementing the new system was not sufficient to resolve the two significant deficiencies in Property, Plant, and Equipment and Information System Security which remain open following the FY 2012 audit.

The 24 outstanding audit recommendations associated with these two significant deficiencies and their currently projected completion dates are shown in Appendix 1, Audit Significant Deficiencies. Those unresolved audit recommendations carried over from prior years are also identified in the Appendix.

Financial management improvements implemented during FY 2012 included the following:

- Converting 100 percent of the African posts to electronic funds transfer
- Implementing a "Do Not Pay" program in compliance with U.S. Treasury regulations in conjunction with the Office of Acquisitions and Contract Management to identify prohibited vendors and ensure no business is conducted with excluded vendors

- Decommissioning the Electronic Certification System for the processing of overseas payments to Volunteers and vendors as required by the U.S. Department of State
- Reassessing and strengthening agency accounts payable and receivables processes at the post level to ensure the accurate and prompt collection of debts
- Implementing a strengthened encryption and transmission application for all overseas transactions to allow for greater security and data protection for all payments
- Consolidating the accounts receivable and cash management functions to include collections, eliminating the need for one director position
- Making greater use of the agency's budget formulation and financial analysis software, Hyperion Planning, resulting in significantly improved analytics, forecasting, and allocation of scarce agency resources
- Completing the rollout of the application for posts and the Office of Safety and Security to track employment security certifications
- Recovering \$9.6 million through open obligation reviews by closing or adjusting obligations in current and expired funds

Beginning in FY 2013, the recently implemented DOVE system will allow the extraction of important information—personal contact information, Next of Kin, Emergency Contacts, Life Insurance, and Savings Bonds—directly from the Volunteers' applications, eliminating the previous manual keying process and potential duplicate entries and keying errors.

When the annual 2012 W-2s are issued to the Volunteers, all taxable allowance information will be included for the first time. This eliminates the requirement for the Volunteers to manually calculate portions of their taxable income for federal and state taxes.

The agency's budget formulation and financial analysis software, Hyperion Planning, developed and implemented over the past two fiscal years to manage the agency's appropriated funding is being expanded to cover the President's Emergency Plan for AIDS Relief (PEPFAR) funding. When the project is completed this next fiscal year, the FY 2013 Implementation Plans for PEPFAR will be submitted to the U.S. Global AIDS Coordinator of the Department of State and the posts' financial operations will be improved by reporting, analyzing, and managing projections of multiple funds through a single financial system.

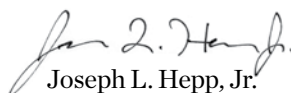
A new personal services contractor application was completed in FY 2012, and worldwide deployment is planned in FY 2013, allowing posts to enter contractor data at their locations, automatically computing payroll elements, and eliminating error-prone manual re-entry at the headquarters. This application will allow online approval in the headquarters, improving the efficiency and transparency of the contractor payment process. As with other financial system applications implemented at the Peace Corps, internal control requirements were evaluated and included in the system design to ensure automated compliance of internal control processes to the maximum extent possible.

We have laid out solid steps to achieve the administration's directed savings in agency operations related to conferences and travel during FY 2013. Those savings will improve the transparency of and accountability for spending this next fiscal year and will further reduce any wasteful spending, if found.

The agency continues to operate as one program with the single purpose of providing trained Volunteers to host countries to promote world peace and friendship. Consistent with the Inspector General's Peace Corps Budget Formulation Process audit conducted in FY 2012, studies are underway to assess the feasibility of more closely linking performance and budgeting through cost allocation if proven to be cost effective. Accurate correlation of actual costs with applied overhead to the strategic goals and outputs remains unachievable without capturing significantly more granular direct costs and implementing indirect cost allocation models within the financial system for cost-stratification purposes.

Audited financial statements and notes that follow in this section are reliable and complete and were prepared in accordance with generally accepted accounting principles for federal government entities.

Moving forward, we will continue to seek new improvements in financial management and will work harder toward resolving outstanding significant audit deficiencies.



Joseph L. Hepp, Jr.
Chief Financial Officer
November 15, 2012

Financial Statements
Peace Corps
Balance Sheet
As of September 30, 2012 and 2011
(In Thousands)

	<u>2012</u>	<u>2011</u>
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2 and 3)	\$ 180,689	\$ 175,205
Accounts Receivable (Note 4)	2,324	1,336
Total Intragovernmental	<u>183,013</u>	<u>176,541</u>
Accounts Receivable, Net (Note 4)	221	72
General Property, Plant, and Equipment, Net (Note 5)	35,176	43,888
Other		
Prepaid Volunteer Living Allowances (Note 6)	2,220	3,106
Other Assets (Note 7)	3,369	2,835
Subtotal Other	<u>5,589</u>	<u>5,941</u>
Total Assets	<u><u>\$ 223,999</u></u>	<u><u>\$ 226,442</u></u>
Liabilities		
Intragovernmental		
Accounts Payable	\$ 1,544	\$ 2,937
Other		
Unfunded FECA Liability (Note 8)	30,558	30,737
Other Liabilities (Note 9)	429	785
Subtotal Other	<u>30,987</u>	<u>31,522</u>
Total Intragovernmental	<u>32,531</u>	<u>34,459</u>
Accounts Payable	10,559	7,091
Federal Employee and Veterans Benefits (Note 8)	139,531	133,121
Other		
Other Employment Related Liability (Note 8)	4,660	11,573
Non-Entity Funds (Note 2)	55,739	53,904
Accrued Funded Payroll and Leave	5,762	6,786
Unfunded Annual Leave (Note 8)	9,415	9,136
Other Liability (Note 9)	820	770
Subtotal Other	<u>76,396</u>	<u>82,169</u>
Total Liabilities	<u>259,017</u>	<u>256,840</u>
Commitments and Contingencies (Note 10)		
Net Position		
Unexpended Appropriations	103,531	97,955
Cumulative Results of Operations	(138,549)	(128,353)
Total Net Position	<u>\$ (35,018)</u>	<u>\$ (30,398)</u>
Total Liabilities and Net Position	<u><u>\$ 223,999</u></u>	<u><u>\$ 226,442</u></u>

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Net Costs
For the Years Ended September 30, 2012 and 2011
(In Thousands)

	<u>2012</u>	<u>2011</u>
Program Costs:		
Gross Costs	\$ 392,669	\$ 395,293
Less: Earned Revenue (Note 11)	<u>6,969</u>	<u>5,033</u>
Net Cost of Operations	<u>\$ 385,700</u>	<u>\$ 390,260</u>

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Changes in Net Position
For the Years Ended September 30, 2012 and 2011
(In Thousands)

	<u>2012</u>	<u>2011</u>
Cumulative Results of Operations:		
Beginning Balances	\$ (128,353)	\$ (142,436)
Budgetary Financing Sources:		
Appropriations Used	368,702	397,809
Donations and Forfeitures of Cash and Cash Equivalents	41	-
Other Financing Sources (Non-Exchange):		
Donations and Forfeitures of Property	(81)	170
Transfers-In/Out Reimbursement	990	(154)
Imputed Financing (Note 16)	5,852	6,518
	<hr/>	<hr/>
Total Financing Sources	375,504	404,343
Net Cost of Operations	385,700	390,260
Net Change	<hr/> <u>(10,196)</u>	<hr/> <u>14,083</u>
Cumulative Results of Operations	(138,549)	(128,353)
Unexpended Appropriations:		
Beginning Balances	97,955	121,532
Budgetary Financing Sources:		
Appropriations Received	375,000	375,000
Other Adjustments	(722)	(767)
Appropriations Used	(368,702)	(397,810)
	<hr/>	<hr/>
Total Budgetary Financing Sources	5,576	(23,577)
Total Unexpended Appropriations	<hr/> <u>103,531</u>	<hr/> <u>97,955</u>
Net Position	<hr/> <u>\$ (35,018)</u>	<hr/> <u>\$ (30,398)</u>

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Budgetary Resources
For the Years Ended September 30, 2012 and 2011

(In Thousands)

	<u>2012</u>	<u>2011</u>
Budgetary Resources:		
Unobligated Balance, Brought Forward, Oct 1	\$ 51,089	\$ 58,532
Recoveries of Prior Year Unpaid Obligations	9,590	12,594
Other Changes in Unobligated Balance (+ or -)	(709)	(20)
Unobligated Balance from Prior Year Budget Authority, Net	59,970	71,106
Appropriations (Discretionary and Mandatory)	375,000	374,250
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	18,091	6,323
Total Budgetary Resources	<u>\$ 453,061</u>	<u>\$ 451,679</u>
Status of Budgetary Resources:		
Obligations Incurred (Note 12)	\$ 386,590	\$ 400,590
Unobligated Balance, End of Year:		
Apportioned	58,968	46,240
Exempt from Apportionment	41	-
Unapportioned	7,462	4,849
Total Unobligated Balance, End of Year	<u>66,471</u>	<u>51,089</u>
Total Budgetary Resources	<u>\$ 453,061</u>	<u>\$ 451,679</u>
Change in Obligated Balance:		
Unpaid Obligations, Brought Forward, Oct 1 (Gross)	\$ 71,165	\$ 90,315
Uncollected Customer Payments from Federal Sources, Brought Forward, Oct 1 (-)	(1,233)	(1,026)
Obligated Balance, Start of Year (Net), Before Adjustments (+ or -)	69,932	89,289
Obligations Incurred	386,590	400,590
Outlays (Gross) (-)	(379,287)	(407,145)
Change in Uncollected Customer Payments from Federal Sources (+ or -)	(9,138)	(207)
Recoveries of Prior Year Unpaid Obligations (-)	(9,590)	(12,594)
Obligated Balance, End of Year		
Unpaid Obligations, End of Year (Gross)	68,878	71,165
Uncollected Customer Payments from Federal Sources, End of Year (-)	(10,371)	(1,233)
Obligated Balance, End of Year (Net)	<u>\$ 58,507</u>	<u>\$ 69,932</u>
Budget Authority and Outlays, Net:		
Budget Authority, Gross (Discretionary and Mandatory)	\$ 393,091	\$ 380,574
Actual Offsetting Collections (Discretionary and Mandatory) (-)	(8,953)	(6,116)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory) (+ or -)	(9,138)	(207)
Budget Authority, Net (Discretionary and Mandatory)	<u>\$ 375,000</u>	<u>\$ 374,251</u>
Outlays, Gross (Discretionary and Mandatory)	<u>\$ 379,287</u>	<u>\$ 407,145</u>
Actual Offsetting Collections (Discretionary and Mandatory) (-)	<u>(8,953)</u>	<u>(6,116)</u>
Agency Outlays, Net (Discretionary and Mandatory)	<u>\$ 370,334</u>	<u>\$ 401,029</u>

The accompanying notes are an integral part of these statements

Notes to the Financial Statements

Note 1 Significant Accounting Policies

a) Reporting Entity

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

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

b) Basis of Presentation

The financial statements present the financial position, the net cost of operations, and changes in net position, along with budgetary resources activities of the agency pursuant to the requirements of 31 U.S.C. 3515 (b). They have been prepared using Peace Corps' books and records in accordance with agency accounting policies, the most significant of which are summarized in this note. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements are presented in accordance with the applicable form and content requirements of OMB Circular A-136, Financial Reporting Requirements, issued August 2012. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

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

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

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

c) Basis of Accounting

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

d) Fund Accounting Structure

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

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

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

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

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

e) Budget Authority

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

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

f) Revenues and Other Financing Sources

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

g) Fund Balance with the Treasury

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

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

The funds that make up post cashiers' imprest funds belong to the U.S. Treasury through DOS's accountability. These funds are routinely used to pay for small-value purchases of goods and services and are also used to make an occasional emergency payment. Per agreement with DOS, the Peace Corps is responsible for paying for any losses incurred by the cashiers that would normally fall on the account holder. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps' appropriation unexpended balance in U.S. Treasury records. As of September 30, 2012, cashier imprest funds represented by cash on hand, checks on hand, interim advances, and cashier checking account balances totaled approximately \$1.1 million in U. S. dollar equivalents.

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

h) Foreign Currency

Accounting records for the agency are maintained in U.S. dollars, while a significant amount of the overseas expenditures are in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollar equivalents, based on the budgeted rate of exchange as of the date of the transaction. Foreign currency payments are made by the U.S. disbursing officers located at the Department of State Financial Service Centers in Charleston, South Carolina, and Bangkok, Thailand.

i) Accounts Receivable

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

j) Advances and Prepayments

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

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

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

The agency capitalizes property, plant, and equipment that has an individual acquisition cost of \$25,000 or greater, a useful life of two years or more, is not intended for sale in the ordinary course of business, and is intended to be used or available for use by the entity. Aggregate purchases of General Property, Plant, and Equipment in the amount of \$500,000 or greater are capitalized. Software purchased for \$25,000 or developed for internal use at a cost of \$25,000 or greater is capitalized and amortized over its expected life (currently three to nine years). Vehicles in the amount of \$10,000 and over are capitalized. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method. The agency has established a policy that uses an estimated salvage value of 40 percent for the agency's vehicles based on their resale value in recent years.

Nonexpendable personal property is depreciated over three to 15 years. The agency operates land, buildings, and equipment that are provided by the General Services Administration and overseas. Rent for General Services Administration property is expensed. Deferred maintenance amounts are immaterial with respect to the financial statements.

l) Accounts Payable and Other Liabilities

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

m) Employee Benefits

- I. *Federal Employees' Compensation Act (FECA) Accrued Claims*—FECA provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases through the Department of Labor (DOL). The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Peace Corps. The Peace Corps reimburses DOL as funds are appropriated for this purpose, generally resulting in a two-year lag in payment. This is the liability for the actual claims paid by DOL to be reimbursed by the Peace Corps.

- II. *Future Workers Compensation Benefits*—The second component of FECA is the estimated actuarial liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually as of September 30, and the Peace Corps recognizes an unfunded liability to DOL for estimated future payments.
- III. *Accrued Leave*—A liability for annual leave is accrued as leave is earned and paid when leave is taken or employment terminates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.
- IV. *Employee Health Benefits and Life Insurance*—The agency's employees are eligible to participate in the contributory Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program. The agency contributes to each program to pay for current benefits.
- V. *Post-Retirement Health Benefits and Life Insurance*—Agency employees who may be eligible to participate in the Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program could continue to do so during retirement. The Office of Personnel Management (OPM) has provided the agency with cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The agency recognizes a current cost for these and other retirement benefits at the time of employment with the agency. The other retirement benefit expense is financed by OPM and offset by the agency through the recognition of an imputed financing source on the Statement of Changes in Net Position.
- VI. *Employee Retirement Benefits*—Peace Corps direct hire employees participate in one of three retirement systems: Civil Service Retirement System, Federal Employees Retirement System, or the Foreign Service Retirement and Disability System. Foreign Service National (FSN) employees at overseas posts who were hired prior to January 1, 1984, are covered under the Civil Service Retirement System. FSNs hired after that date are covered under a variety of local government plans in compliance with the host country's local laws and regulations.
- The Peace Corps recognizes its share of the cost of providing future pension benefits to eligible employees throughout their period of employment. The pension expense not covered by budgetary resources is calculated using actuarial factors provided by OPM and is considered imputed cost to the agency.
- VII. *Valuation of Host Country Resident Personal Services Contractor Severance and Retirement Liability*—The Peace Corps is generally liable for separation or retirement payments to eligible host country resident personal services contractors (PSCs) in countries that require payments under local labor laws. Until systems are in place to track this liability in a timely manner, the estimate of the current and future costs of the severance and retirement liability is determined annually.

n) Commitments and Contingencies

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

o) Use of Estimates

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

p) Interest on Late Payments

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

q) Intragovernmental Net Costs

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

r) Adjustments to Maintain Inherent Account Relationship Integrity

In order to correct the relationships between the proprietary and budgetary accounts, a high-level analysis was performed. Cash balances were adjusted to align with the U.S. Treasury fund balance to permit the agency to pass edit checks and submit FACTS II reports to Treasury. All of the adjustments for fiscal year 2012 were immaterial.

s) Allocation Transfer

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

t) Fiduciary Activities

Fiduciary activities consist of Host Country Contributions provided to the Peace Corps by the host country government which are accepted under the authority of Section 22 U.S.C. 2509(a)(4) of the Peace Corps Act. These contributions provide host country support for the Peace Corps and help defray expenses, enabling the agency to use its budget more effectively. The host country retains ownership though the funds are deposited in special foreign currency accounts in the U.S. Treasury. Any funds not used are returned to the host country.

Note 2 Non-Entity Assets

Non-entity assets are composed of trust fund, special fund, deposit fund, and clearing accounts. These funds are not available for the use of the Peace Corps and are not part of the Peace Corps' resources. The Peace Corps monitors collections, status, and distribution. Below, as information, are the U.S. Treasury fund balances of non-entity assets which are non-governmental.

Non-Entity Assets	September 30, 2012 <i>(In Thousands)</i>	September 30, 2011 <i>(In Thousands)</i>
Trust Fund		
FSN Separation Liability Trust Fund	\$ 5,396	\$ 6,972
Special Fund		
Host Country Residents Contractors Separation Liability Fund	22,600	18,140
Deposit Funds		
Volunteer Readjustment Allowance	26,724	27,712
Clearing Accounts		
Total Non-Entity Assets	55,739	53,904
Total Entity Assets	168,260	172,538
Total Assets	\$ 223,999	\$ 226,442

Trust Fund—The FSN Separation Liability Trust Fund represents the estimated accrued liability for separation pay (based on local labor law) of the FSN employees.

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

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

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

Note 3 Fund Balance with Treasury		
Fund Balances	September 30, 2012 <i>(In Thousands)</i>	September 30, 2011 <i>(In Thousands)</i>
Appropriated Funds	\$ 124,950	\$ 121,301
Total Non-Entity Assets (Note 2)	55,739	53,904
Total	\$ 180,689	\$ 175,205
Status of Fund Balance with Treasury		
	September 30, 2012 <i>(In Thousands)</i>	September 30, 2011 <i>(In Thousands)</i>
Unobligated Balance		
Available	\$ 58,968	\$ 46,240
Unavailable	7,462	4,849
Obligated Balance Not Yet Disbursed	58,520	70,212
Non-Budgetary Fund Balance with Treasury	55,739	53,904
Total	\$ 180,689	\$ 175,205

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

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

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

Note 4 Accounts Receivable, Net			
Accounts Receivable as of September 30, 2012 <i>(In Thousands)</i>	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 2,324	\$ -	\$ 2,324
Other	221	-	221
Total	\$ 2,545	\$ -	\$ 2,545
Accounts Receivable as of September 30, 2011 <i>(In Thousands)</i>	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 1,336	\$ -	\$ 1,336
Other	72	-	72
Total	\$ 1,408	\$ -	\$ 1,408

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

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

Annually, a determination of the amount of the Allowance for Doubtful Accounts will be established for material amounts exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts of nonfederal (public) debts are more likely than not to be totally uncollected. An allowance was not required by the agency as of September 30, 2012, since the threshold was not exceeded.

Note 5 General Property, Plant, and Equipment, Net				
Components of Fixed Assets as of September 30, 2012 (In Thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Land		\$ 43	\$ -	\$ 43
Buildings	10	73	14	59
Construction in Progress		651	-	651
General Property, Plant, and Equipment	5–10	4,454	1,058	3,396
Vehicles	5	24,830	8,584	16,246
IT Hardware	3–15	14,438	10,266	4,172
Leasehold Improvements	10	6,306	715	5,591
Internal-Use Software in Development		1,382	-	1,382
Internal-Use Software	3–9	33,838	30,202	3,636
Total		\$ 86,015	\$ 50,839	\$ 35,176
Components of Fixed Assets as of September 30, 2011 (In Thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Land		\$ 83	\$ -	\$ 83
Buildings	10	234	10	224
Construction in Progress		10,798	-	10,798
General Property, Plant, and Equipment	5–10	4,240	1,374	2,866
Vehicles	5	22,767	7,598	15,169
IT Hardware	3–15	16,406	9,898	6,508
Leasehold Improvements	10	402	221	181
Internal-Use Software in Development		248	-	248
Internal-Use Software	3–9	33,722	25,911	7,811
Total		\$ 88,900	\$ 45,012	\$ 43,888

As of September 30, 2012, Peace Corps' fixed assets include internally developed software and those assets that are reflected as active in the property management databases. These assets are located at headquarters in Washington, D.C., the eight regional offices, and the overseas posts. Values for all assets other than internally developed software were obtained from data extracted from the databases. Values for internally developed software were derived from the most reliable available data for each system. Peace Corps acquired land and building in Swaziland during FY 2010. Renovation of the headquarters building classified as Construction in Progress in FY 2011 has been completed and capitalized as Leasehold Improvements in FY 2012. There are no restrictions on the use or convertibility of General Property, Plant, and Equipment owned by the Peace Corps.

Note 6 Prepaid Volunteer Living Allowances		
	September 30, 2012 (In Thousands)	September 30, 2011 (In Thousands)
Prepaid Volunteer Living Allowances	\$ 2,220	\$ 3,106

Prepaid Volunteer Living Allowances—Payments of Volunteer living allowances are made prior to the entitlement month so the posts can ensure timely payments of the allowances to the Volunteers. These payments are pre-positioned so that Volunteers will not incur a financial burden for their living costs.

Note 7 Other Assets		
	September 30, 2012	September 30, 2011
	<i>(In Thousands)</i>	<i>(In Thousands)</i>
Travel Advances to Employees	\$ 442	\$ 382
Relocation Advances to Employees	2	35
Prepaid Rent	2,855	2,418
Other Advances	70	-
Total Other Assets	\$ 3,369	\$ 2,835

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

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

Note 8 Liabilities Not Covered by Budgetary Resources		
	September 30, 2012	September 30, 2011
	<i>(In Thousands)</i>	<i>(In Thousands)</i>
Intragovernmental Liabilities		
Unfunded FECA Liability	\$ 30,558	\$ 30,737
Liabilities		
Unfunded Annual Leave	9,415	9,136
Unfunded Employment-Related Liability	4,660	11,573
Federal Employee and Veterans Benefits	139,531	133,121
Total Liabilities Not Covered by Budgetary Resources	\$ 184,164	\$ 184,567

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

Unfunded Annual Leave—A liability for annual leave is accrued as leave is earned and paid when leave is taken or when the individual terminates. The balance represents the estimated value of annual leave for U.S.-hired employees earned but not used as of September 30, 2012. Payments are charged to the appropriation current at the time of payment. The valuation of the accrued annual leave for Foreign Service National employees and the Foreign National PSCs has been estimated for this financial statement. There were 183 Foreign Service Nationals and 1,944 Foreign National PSCs working for the Peace Corps at the end of the fiscal year. Annual leave earned is based on local labor law requirements. Annual leave is paid out of current appropriations when taken.

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

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

Note 9 Other Liabilities		
	September 30, 2012	September 30, 2011
	<i>(In Thousands)</i>	<i>(In Thousands)</i>
Intragovernmental		
Advances from Others	\$ 429	\$ 785
Other Liabilities		
Contingent Liability-General Counsel Cases	820	770
Total Other Liabilities	\$ 1,249	\$ 1,555

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

Note 10 Commitments and Contingencies

In the opinion of the management and legal counsel, the agency is liable for contingent liabilities related to administrative proceedings, legal actions, or claims that are probable and measurable in the amount of \$820,000 as of September 30, 2012.

Disclosure is required if there is a reasonable possibility that a loss may be incurred. The likelihood of a reasonable possibility of a loss related to administrative proceedings, legal actions, or claims is estimated to be \$450,000 as of September 30, 2012.

Note 11 Exchange Revenue

	September 30, 2012 <i>(In Thousands)</i>	September 30, 2011 <i>(In Thousands)</i>
Intragovernmental Earned Revenues	\$ 6,762	\$ 4,671
Earned Revenues from the Public	207	362
Total Exchange Revenues	\$ 6,969	\$ 5,033

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

Note 12 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable

	September 30, 2012 <i>(In Thousands)</i>		September 30, 2011 <i>(In Thousands)</i>	
	Direct	Reimbursable	Direct	Reimbursable
Category A	\$ 379,110	\$ 7,480	\$ 395,309	\$ 5,281
Total Obligations Incurred	\$ 379,110	\$ 7,480	\$ 395,309	\$ 5,281

All obligations incurred are Category A. The Peace Corps does not have any Category B or exempt from apportionment obligations in FY 2012.

Note 13 Undelivered Orders at End of the Period

	September 30, 2012 <i>(In Thousands)</i>	September 30, 2011 <i>(In Thousands)</i>
Undelivered Orders – End of Period	\$ 56,602	\$ 60,588

The undelivered orders are budgetary obligations with and without advances/prepayments placed against federal budget authority where no goods or services have been received.

Note 14 Fiduciary Activities				
Schedule of Fiduciary Activity <i>(In Thousands)</i>	HCC Cash 2012	HCC Cash 2011	HCC In-Kind 2012	HCC In-Kind 2011
Fiduciary Net Assets, Beginning	\$ 769	\$ 970	\$ -	\$ -
Contributions	1,021	1,173	4,743	4,523
Disbursements	(986)	(1,374)	(4,743)	(4,523)
Increase/(Decrease) in Fiduciary Net Assets	35	(201)	-	-
Fiduciary Net Assets, Ending	\$ 804	\$ 769	\$ -	\$ -
Schedule of Fiduciary Net Assets <i>(In Thousands)</i>				
	HCC Cash 2012	HCC Cash 2011	HCC In-Kind 2012	HCC In-Kind 2011
Fiduciary Net Assets				
Cash and Cash Equivalents	\$ 804	\$ 655	\$ -	\$ -
Less: Liabilities	-	(114)	-	-
Total Fiduciary Net Assets	\$ 804	\$ 769	\$ -	\$ -

Host Country Contributions are provided to Peace Corps by the host government and are accepted under the authority of Section 22 U.S.C. 2509(a) (4) of the Peace Corps Act. These contributions indicate host country support for the Peace Corps and help defray expenses, enabling the agency to use its budget more effectively. The host country retains ownership though the funds are deposited to special foreign currency accounts in the U.S. Treasury. In the event the funds are not used, funds are returned to the host country.

The agency received cash and in-kind contributions from host countries. In-kind contributions estimated at \$4.7 million in fair market value were received at posts through the end of September 30, 2012, for services, supplies, equipment, and facilities. The host country cash balance is \$.8 million as of September 30, 2012.

Note 15 Reconciliation of Net Cost of Operations to Budgetary Obligations			
As of September 30, 2012	Direct	Reimbursable (In Thousands)	Total
Resources Used to Finance Activities:			
Budgetary Resources Obligated:			
Obligations Incurred	\$ 379,110	\$ 7,480	\$ 386,590
Less: Spending Authority from Offsetting Collections and Recoveries	12,819	14,862	27,681
Obligations Net of Offsetting Collections and Recoveries	366,291	(7,382)	358,909
Less: Offsetting Receipts	(2,113)	-	(2,113)
Net Obligations	\$ 368,404	\$ (7,382)	\$ 361,022
Other Resources			
Donations and Forfeitures of Property	\$ (81)	\$ -	\$ (81)
Transfers in/out without reimbursement (+/-)	990	-	990
Imputed financing from costs absorbed by others	5,852	-	5,852
Net resources used to finance activities	\$ 6,761	\$ -	\$ 6,761
Total resources used to finance activities	\$ 375,165	\$ (7,382)	\$ 367,783
Resources Used to Finance Items Not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	\$ 4,419	\$ 7,382	\$ 11,801
Resources that fund expenses recognized in prior periods	6,410	-	6,410
Budgetary offsetting collections and receipts that do not affect net cost of operations	41	-	41
Resources that finance the acquisition of assets	(3,589)	(46)	(3,635)
Other resources or adjustments to net obligated resources that do not affect net cost of operations (+/-)	(3)	-	(3)
Total resources used to finance items not part of the net cost of operations	\$ 7,278	\$ 7,336	\$ 14,614
Total resources used to finance the net cost of operations	\$ 382,443	\$ (46)	\$ 382,397
Components Requiring or Generating Resources in Future Periods:			
Future Funded Expenses	(6,528)	-	(6,528)
Employer Contribution to Employee Benefits	(234)	-	(234)
Components not Requiring or Generating Resources:			
Depreciation and amortization	10,224	14	10,238
Other (+/-)	(173)	-	(173)
Total Components of Net Cost of Operations that will not require or generate resources	3,289	14	3,303
Net Cost of Operations	\$ 385,732	\$ (32)	\$ 385,700

Note 15 Reconciliation of Net Cost of Operations to Budgetary Obligations			
As of September 30, 2011	Direct	Reimbursable (In Thousands)	Total
Resources Used to Finance Activities:			
Budgetary Resources Obligated:			
Obligations Incurred	\$ 395,309	\$ 5,281	\$ 400,590
Less: Spending Authority from Offsetting Collections and Recoveries	13,637	5,281	18,918
Obligations Net of Offsetting Collections and Recoveries	381,672	-	381,672
Less: Offsetting Receipts	(1,209)	-	(1,209)
Net Obligations	\$ 382,881	\$ -	\$ 382,881
Other Resources			
Donations and Forfeitures of Property	\$ 170	\$ -	\$ 170
Transfers in/out without reimbursement (+/-)	(154)	-	(154)
Imputed financing from costs absorbed by others	6,518	-	6,518
Net resources used to finance activities	\$ 6,534	\$ -	\$ 6,534
Total resources used to finance activities	\$ 389,415	\$ -	\$ 389,415
Resources Used to Finance Items Not Part of the Net Cost of Operations:			
Change in budgetary resources obligated for goods, services and benefits ordered but not yet provided (+/-)	\$ 14,836	\$ -	\$ 14,836
Resources that fund expenses recognized in prior periods	(5,036)	-	(5,036)
Resources that finance the acquisition of assets	(22,948)	-	(22,948)
Other resources or adjustments to net obligated resources that do not affect net cost of operations (+/-)	640	-	640
Total resources used to finance items not part of the net cost of operations	\$ (12,508)	\$ -	\$ (12,508)
Total resources used to finance the net cost of operations	\$ 376,907	\$ -	\$ 376,907
Components Requiring or Generating Resources in Future Periods:			
Future Funded Expenses	3,481	-	3,481
Employer Contribution to Employee Benefits	824	-	824
Components not Requiring or Generating Resources:			
Depreciation and amortization	9,081	-	9,081
Other (+/-)	(33)	-	(33)
Total Components of Net Cost of Operations that will not require or generate resources	13,353	-	13,353
Net Cost of Operations	\$ 390,260	\$ -	\$ 390,260

Note 16 Imputed Financing		
	September 30, 2012 <i>(In Thousands)</i>	September 30, 2011 <i>(In Thousands)</i>
Federal Employees Health Benefit Program	\$ 4,260	\$ 4,681
Federal Employees Group Life Insurance Program	14	14
Civil Service Retirement System	787	775
Federal Employees Retirement System	719	974
Foreign Service Retirement and Disability System	72	74
Total Imputed Costs	\$ 5,852	\$ 6,518

Imputed financing recognizes actual costs of future benefits which include the Federal Employees Health Benefit Program, Federal Employees Group Life Insurance Program, and pension benefits that are paid by other federal entities.

Note 17 Disclosure on Contributions to the Peace Corps


Media Contributions Received—The agency was provided free donated space equivalent to \$16.1 million in print, radio, and television media through public service announcements for FY 2012. The National Association of Broadcasters provided the data used by Peace Corps to determine the value for media contributions. These donations are not included in the financial statements.

Inspector General's Audit Transmittal Letter



Office of Inspector General

To: Carolyn Hessler-Radelet, Acting Director

From: Kathy A. Buller, Inspector General 

Date: November 8, 2012

Subject: Audit of Peace Corps' Fiscal Year 2012 Financial Statements

This letter transmits the reports of CliftonLarsonAllen LLP (CLA) on its financial statement audit of the Peace Corps' Fiscal Year (FY) 2012 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and subjected them to audit.

Audit Reports on Financial Statements, Internal Control, and Compliance and Other Matters

We contracted with CLA, an independent certified public accounting firm, to audit the Peace Corps' financial statements as of September 30, 2012 and 2011. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards, OMB audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

CLA's audit report for FY 2012 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In the audit of the Peace Corps, CLA found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no material weaknesses in internal control.¹

¹ A material weakness is defined as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

- CLA's report on internal control identified two significant deficiencies:²
 - Internal control over property, plant, and equipment needs to be improved. Improvements needed are related to recording, tracking, and physical verification of property.
 - Information system security controls need improvement. The auditor cited security management, contingency planning, access controls, and configuration management as areas needing improvement.
- CLA found no instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

OIG Evaluation of CLA's Audit Performance

In connection with the contract, we reviewed CLA's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on Peace Corps' financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. CLA is responsible for the attached auditor's reports dated November 8, 2012 and the conclusions expressed in the reports. However, our review disclosed no instances where CLA did not comply, in all material respects, with U.S. generally accepted government auditing standards.

We would like to extend our thanks to the Peace Corps staff involved in issuing the financial statements within the established OMB milestones. Their professionalism, courtesy, and cooperation allowed us to overcome the many challenges associated with performance of the audit and our oversight of the audit process. If you or a member of the Peace Corps staff has any questions about CLA's audit or our oversight, please contact me or Assistant Inspector General for Audit Bradley Grubb, at 202-692-2914.

Attachment

cc: Stacy Rhodes, Chief of Staff
 Joseph Hepp, Chief Financial Officer
 Dorine Andrews, Chief Information Officer
 Daljit Bains, Chief Compliance Officer

² A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Auditor's Report



CliftonLarsonAllen

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditor's Report

To the Acting Director and Inspector General
Peace Corps

We have audited the accompanying balance sheets of Peace Corps as of September 30, 2012 and 2011, and the related statements of net cost and changes in net position, and the statements of budgetary resources ("financial statements") for the years then ended. The objective of our audit was to express an opinion on the fairness of these financial statements. In connection with our audit, we also considered the internal control over financial reporting and considered Peace Corps' compliance with laws and regulations. In our audit, we found:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S.);
- No material weakness in internal control over financial reporting (including safeguarding assets) and compliance with laws and regulation;
- Two significant deficiencies in internal control over financial reporting; and
- No instances of reportable noncompliance with selected provisions of laws and regulations tested.

The following sections and Exhibits discuss in more detail: (1) these conclusions, (2) our conclusions on Management's Discussion and Analysis (MD&A) and other accompanying information, (3) our responsibility for the audit, (4) management's responsibility for the financial statements, (5) Peace Corps' response and our evaluation of their response, and (6) the current status of prior year findings and recommendations.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peace Corps as of September 30, 2012 and 2011, and its net costs, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the U.S.

Report on Internal Control

In planning and performing our audit, we considered Peace Corps' internal control over financial reporting and compliance (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peace Corps internal control. Accordingly, we do not express an opinion on the effectiveness of Peace Corps' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a

INDEPENDENT AUDITOR'S REPORT (Continued)

deficiency or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, we identified two deficiencies in internal control described below and in Exhibit A that we consider to be significant deficiencies. A *significant deficiency* is a control deficiency, or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Significant Deficiencies

These control deficiencies, detailed in Exhibit A are summarized as follows:

1. Controls over property plant and equipment need improvement
2. Information systems security controls need improvement

Report on Compliance

In connection with our audit, we performed tests of Peace Corps' compliance with certain provisions of laws and regulations. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or OMB Bulletin No. 07-04 *Audit Requirements for Federal Financial Statements*, as amended (OMB Bulletin 07-04). However, the objective of our audit was not to provide an opinion on compliance with laws and regulations. Accordingly, we do not express such an opinion.

We noted certain other nonreportable matters involving internal control and its operations that we plan to communicate in a separate letter to Peace Corps management

Status of Prior Year's Control Deficiencies

We have reviewed the status of Peace Corps' corrective actions with respect to the findings and recommendations included in the prior year's Independent Auditors' Report, dated November 11, 2011. Many of the weaknesses described in the significant deficiencies (Exhibit A) are repeat findings over a number of years. Peace Corps has been unable to remediate these weaknesses in a timely manner. The status of prior year findings and recommendations is presented in Exhibit B.

Other Information

Accounting principles generally accepted in the U.S. require that Peace Corps' MD&A be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and

INDEPENDENT AUDITOR'S REPORT (Continued)

comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Message from the Director, Performance Section, Other Accompanying Information and Appendices listed in the table of contents is presented for additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Management's Responsibility for the Financial Statements

Peace Corps management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the U.S., (2) designing, implementing, and maintaining internal control to provide reasonable assurance that the broad control objectives of FMFIA are met, and (3) complying with other applicable laws and regulations.

Auditor's Responsibility

We are responsible for conducting our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB Bulletin 07-04 requires testing, and (3) performing limited procedures with respect to certain other information appearing in the Annual Report.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of Peace Corps and its operations, including its internal control related to financial reporting (including safeguarding of assets) and compliance with laws and regulations, (including execution of transactions in accordance with budget authority); (5) evaluated the effectiveness of the design of internal control; (6) tested the operating effectiveness of relevant internal controls over financial reporting and compliance; (7) considered the design of the process for evaluating and reporting on internal control and financial management systems under FMFIA; and (8) tested compliance with selected provisions of certain laws and regulations. The procedures selected depend on the auditors' judgment, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. We believe we obtained sufficient and appropriate audit evidence on which to base our opinion.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient

INDEPENDENT AUDITOR'S REPORT (Continued)

operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to Peace Corps. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 07-04 that we deemed applicable to Peace Corps' financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Agency Comments and our Evaluation

Management's response to our report is presented in Exhibit C. We did not audit Peace Corps' response and, accordingly, we express no opinion on it.

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



Arlington, Virginia
November 8, 2012

INDEPENDENT AUDITOR'S REPORT (Continued)**EXHIBIT A****SIGNIFICANT DEFICIENCY 1****CONTROLS OVER PROPERTY PLANT AND EQUIPMENT NEED IMPROVEMENT**

The Office of the Chief Financial Officer (OCFO) continues to make improvements to the Property, Plant & Equipment (PP&E) process but there remains an inability to account for assets accurately and timely by the Office of the Chief Information Officer (OCIO) and the Office of Management (OM).

The contract for the new property accountability software solution, BarTracks, was awarded in September 2010. It was deployed in the fourth quarter of fiscal year 2011 and fully implemented in the first quarter of FY 2012. BarTracks was to provide headquarters with a significantly improved oversight of Post property and to provide Post with an automated tool to properly account for its property. On August 25, 2011, new procedures were written to address implementation of BarTracks. These procedures were documented by OM in MS 511, Property Management, and Property Accountability Handbook and MS 527: Vehicle Acquisition, Disposal, and Management, and the Vehicle Fleet Management Handbook.

We found that disposed property is not properly recorded in BarTracks and in Odyssey. Our testing found that:

- Seven of ten (or 70% of) assets were without a serial number;
- One of ten (or 10% of) assets were without invoice number;
- Four of ten (or 40% of) assets were entered in the system 3 months after their in-service date;
- Another three of ten (or 30% of) assets were entered in the system 10 months after their in-service date (crossing fiscal years);
- Three of ten (or 30% of) assets were capitalized at a higher costs during the allocation process for shipping, freight and travel cost for multiple goods on one invoice; and
- Hours charged internally to software development projects are without support (only estimates used).

During our Post reviews, we also noted in-service date issues and delays with entering assets in Odyssey.

We also found that the asset listing contained numerous assets without identification numbers.

Recommendations

We recommend the Peace Corps Director ensure that:

- 1a. Current policies designed to ensure complete and accurate asset listings are enforced. Procedures should be developed to ensure assets are properly tagged upon receipt and that OCIO, Office of Management and the OCFO are provided with complete and timely data to record additions.
- 1b. Roles and responsibilities outlined on Peace Corps Standard Operating Procedures (SOP) are carried out by posts and HQ for property accounting and financial reporting personnel

INDEPENDENT AUDITOR'S REPORT (Continued)

that perform accuracy, verification, and completeness checks on the capitalized property listings. Office of Management and OCIO should determine the responsible party for managing and maintaining the records of overseas IT assets.

- 1c. Procedures are developed to ensure that additions and disposals are recorded accurately and timely. OCIO should provide OCFO with timely disposal data to ensure the property balances are not overstated.
- 1d. Timekeeping policies and procedures are implemented to adequately track, capture and record hours worked on capital projects such as internal-use software in development and construction-in-progress.

INDEPENDENT AUDITOR'S REPORT (Continued)

SIGNIFICANT DEFICIENCY 2

INFORMATION SYSTEM SECURITY CONTROLS NEED IMPROVEMENT

Peace Corps made improvements to its information systems control environment during FY 2012. However, we found that certain internal control weaknesses related to Peace Corps' overall IT environment continued to exist at September 30, 2012. Our evaluation of the general and application controls of Peace Corps' key IT infrastructure and financial systems identified the following conditions.

Control Weaknesses*Security Management*

Security management controls provide a framework and continuing cycle of activity for periodic assessments and validation of risk, security control policies and procedures, security awareness training and other security-related personnel issues, periodic testing and evaluation of information security policies, procedures and practices, remediation of information security weaknesses and security over activities performed by external third parties.

The National Institute of Standards and Technology Special Publication (NIST SP) 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations* controls (RA-3) Risk assessments: states "The organization reviews risk assessment results [Assignment: organization-defined frequency] and updates the risk assessment [Assignment: organization-defined frequency] or whenever there are significant changes to the information system or environment of operation (including the identification of new threats and vulnerabilities), or other conditions that may impact the security state of the system."

The finding described below represents Peace Corps' lack of compliance with the NIST requirement to update risk assessments whenever there are significant changes to the information system or environment. The risk exists that management and system owners may not be adequately aware of the scope and boundaries of their system and its related control environment.

- The Global Infrastructure Risk Assessment (dated September 20, 2010) did not include the Europe, Mediterranean, and Asia (EMA) Region component general support system or the Africa Region component general support system.

Contingency Planning

Contingency planning controls provide reasonable assurance that (1) information resources are protected, (2) the risk of unplanned interruptions is minimized and (3) provides for recovery of critical operations should interruptions occur.

Per National Institute of Standards and Technology Special Publication (NIST SP) 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations* controls: MP-5, Media Transport: states "The organization protects and controls [Assignment: organization-defined types of digital and non-digital media] during transport outside of controlled areas using [Assignment: organization-defined security measures]; Additionally, related control Enhancement 4) states: "The organization employs cryptographic

INDEPENDENT AUDITOR'S REPORT (Continued)

mechanisms to protect the confidentiality and integrity of information stored on digital media during transport outside of controlled areas.” Additionally, CP-4 Contingency Plan Testing and Exercises: states “The organization: (a) tests and/or exercises the contingency plan for the information system [*Assignment: organization-defined frequency, at least annually*] using [*Assignment: organization-defined tests and/or exercises*] to determine the plan’s effectiveness and the organization’s readiness to execute the plan; and (b) reviews the contingency plan test/exercise results and initiates corrective actions. The organization coordinates contingency plan testing and/or exercises with organizational elements responsible for related plans.”

NIST Special Publication 800-34, Revision 1, *Contingency Planning Guide for Information Technology Systems* states: “Accordingly, in order for contingency planning to be successful agency management must ensure they understand the IT Contingency Planning Process and its place within the overall Continuity of Operations Plan and Business Continuity Plan process, and develop or reexamine their contingency policy and planning process and apply the elements of the planning cycle, including preliminary planning, business impact analysis, alternate site selection, and recovery strategies.”

The findings described below represent Peace Corps’ lack of compliance with NIST and OMB requirements to encrypt backup tapes, incorporate a business impact analyses into contingency plans, and test contingency plans on a regular basis. The risk exists that unauthorized individuals could obtain access to sensitive data stored on backup tapes, contingency plans may not effectively support critical business functions, and these plans may not work as intended upon activation, thus delaying recovery or restoration efforts.

- Backup tapes were not being encrypted by Peace Corps.
- The following deficiencies were noted with regards to Peace Corps’ Contingency Planning:
 - The Peace Corps agency-wide Business Impact Analysis (BIA) was not in alignment with the disaster recovery testing performed.
 - CLA visited the following Peace Corps posts during 2012: Burkina Faso and Vanuatu and noted that contingency plans did not identify procedures to follow if alternate sites cannot send or receive information. Additionally, neither post had performed contingency testing.

Access Controls

Access controls should be in place to consistently limit, detect inappropriate access to computer resources (data, equipment, and facilities), or monitor access to computer programs, data, equipment, and facilities. These controls protect against the unauthorized modification, disclosure, loss or impairment. Such controls include both logical and physical security controls to ensure that Federal employees and contractors will be given only the access privileges necessary to perform business functions. Inappropriate access controls do not provide Peace Corps with sufficient assurance that financial information and financial assets are safeguarded from inadvertent or deliberate misuse, fraudulent use, improper disclosure, or destruction.

Per National Institute of Standards and Technology Special Publication (NIST SP) 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations* controls: AC-2, Account Management: “The organization manages information system accounts, including identifying account types, identifying authorized users of the information system and specifying access privileges, requiring appropriate approvals for

INDEPENDENT AUDITOR'S REPORT (Continued)

requests to establish accounts, and establishing, activating, modifying, disabling, and removing accounts.” Additionally, PE-2, Account management: “The organization a. develops and keeps current a list of personnel with authorized access to the facility where the information system resides (except for those areas within the facility officially designated as publicly accessible); b. Issues authorization credentials; c. Reviews and approves the access list and authorization credentials [Assignment: organization-defined frequency], removing from the access list personnel no longer requiring access.

The findings described below represent Peace Corps’ lack of compliance with NIST requirements to require appropriate approvals for requests to establish accounts, manage information system accounts, and review and approval of access lists to information system facilities. The risk exists that electronic media could be misplaced or accidentally disposed, and unauthorized individuals could potentially have or obtain access to Peace Corps data and systems.

- Peace Corps media retention policies and procedures were not developed.
- Media was not properly tracked prior to sanitization and disposal as hard drives and tapes were not all labeled with a unique identifier.
- Evidence of an access request authorization (PTS request ticket/email) could not be provided for one Global Infrastructure Network account created during FY 2012.
- Deficiencies were identified regarding access controls (inactive accounts and accounts that did not require a password) surrounding Active Directory accounts.
- Five individuals who accessed the data center during FY12 were not listed on the CIO approved listing of individuals authorized access. In addition, we noted three temporary individuals whom had accessed the data center; however since these temporary access cards were not assigned to a specific individual, management was unable to identify the temporary individuals and if they were properly granted or needed access.

Configuration Management

Controls provide reasonable assurance that changes to information system resources are authorized and systems are configured and operated securely as intended.

Per National Institute of Standards and Technology Special Publication (NIST SP) 800-53 Revision 3, *Recommended Security Controls for Federal Information Systems and Organizations* controls:

- CM-1, Configuration management policy and procedures: “The organization develops, disseminates, and periodically reviews/updates: (i) a formal, documented, configuration management policy that addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and (ii) formal, documented procedures to facilitate the implementation of the configuration management policy and associated configuration management controls.”
- CM-2, Baseline configurations: “The organization develops, documents, and maintains under configuration control, a current baseline configuration of the information system.”

INDEPENDENT AUDITOR'S REPORT (Continued)

- RA-5 Vulnerability scanning; “The organization: (e) shares information from the vulnerability scanning process and security control assessments with designated personnel throughout the organization to help eliminate similar vulnerabilities in other information systems (i.e. systemic weaknesses or deficiencies).”

OMB Memorandum M-08-22, *Guidance on the Federal Desktop Core Configurations (FDCC)*, “Microsoft Windows XP and Windows Vista are desktop operating systems. Accordingly, FDCC is applicable to all computing system using Windows XP and Windows Vista, including desktops and laptops but not including servers. It is important for the collective security of the Federal Government for all the Windows XP and Windows Vista computers to meet or exceed FDCC, regardless of function.”

Additionally, the Federal CIO Council created the Technology Information Subcommittee (TIS) at the direction of OMB to govern, among other federal activities, the FDCC initiative. The TIS, based on federal agency input, selects platforms and application configuration settings for federal implementation. The TIS also is the Change Control Board (CCB) for configuration settings. As stated in the Federal CIO Council Memo to federal agencies, “The USGCB settings replace the Federal Desktop Core Configuration (FDCC) settings and provide the recommended security baselines for Information Technology products widely deployed across agencies.” The platforms addressed by USGCB are Microsoft's Windows 7, Windows 7 Firewall, Windows Vista, Windows Vista Firewall, Windows XP, Windows XP Firewall, Internet Explorer 7, Internet Explorer 8, and Red Hat Enterprise Linux 5.

The findings described below represent Peace Corps’ lack of compliance with NIST and OMB requirements to develop a formal documented configuration management policy, implementation of security baseline requirements, and to share information from the vulnerability scanning process with designated personnel for remediation. The risk exists that configuration management policies may not be consistently implemented throughout Peace Corps, desktops and workstation security configurations may not be sufficient or consistently hardened against an attack, and vulnerabilities noted on Peace Corps information systems may not be resolved/mitigated in a timely manner.

- Although system level configuration management policies and procedures were developed, they did not exist at the agency level.
- Peace Corps had not implemented all of the FDCC requirements as required by OMB Memorandum M-08-22, *Guidance on the Federal Desktop Core Configurations (FDCC)*. For example, workstations were lacking centrally managed controls such as session locking. Additionally, the Peace Corps Microsoft Windows Servers did not have mandatory security settings and related baseline configurations documented.
- Although Peace Corps scanned workstations and servers as stated in the Standard Operating Procedures for Vulnerability Scanning, workstations and server scan results stopped being reported to management for remediation after the second quarter of FY 2012.

Recommendations

We recommend the Peace Corps Director ensure that:

INDEPENDENT AUDITOR'S REPORT (Continued)

2a. Formal risk assessments are completed and updated for all Peace Corps major applications and general support systems.

2b. Encryption is implemented on all backup tapes in accordance with the Peace Corps policies and procedures.

2c. The Business Impact Analysis is reevaluated and updated to ensure that it accurately addresses the deficiencies noted in the disaster recovery tests.

2d. All system Contingency Plans are tested to determine if procedures for reconstitution and recovery of the systems are adequate.

2e. Guidance is provided to posts regarding the development of post contingency plans and testing of contingency scenarios to determine if procedures for reconstitution and recovery of the post systems are adequate.

2f. Media retention policies and procedures are developed and implemented.

2g. Media is tracked with unique identifiers upon receipt and prior to sanitization and disposal.

2h. Formal procedures are implemented for requesting access to portable and mobile devices and to include management approved access requests that document each user's approval and assigned device.

2i. A method is developed to track the assignments of portable and mobile devices by specific equipment identifiers and individual assigned.

2j. Procedures are developed and implemented to ensure the timely return of portable and mobile devices and updating of equipment inventories to reflect current possession.

2k. An access request procedure is implemented that includes managing network access requests via a centralized mechanism.

2l. Account management procedures are enhanced to include quarterly network account review requirements, identification of those network accounts which remain inactive for more than 90 days, have never been logged into, represent generic or group accounts, or accounts with passwords not defined to expire, and analyze accounts identified as questionable (during the review process) for reasonableness and disable or delete as necessary.

2m. Individuals currently granted data center access are compared to the most recent listing of authorized individuals (provided by the OCIO) to ensure no discrepancies. Following up as needed to disable or delete access.

2n. A formalized procedure is implemented which includes assignment of department/individual responsibilities to review data center access reasonableness on a quarterly basis, and disabling access if no authorized or no longer needed to perform an individuals' position responsibilities.

2o. The use of temporary badges to access the data center is either discontinued, or documented records of individuals assigned to each card are maintained including when issued, when returned, issued to whom, and who authorized issuance of the badge to the individual.

INDEPENDENT AUDITOR'S REPORT (Continued)

2p. System change control procedures are integrated fully with the agency wide change control plan and include methodologies for approving specific change types, identifying the use of the varying change types, and identifying the process flows for each type of change.

2q. Change control policies are updated to ensure that formal procedures for requesting, approving, coding, testing and promoting a change are appropriately documented.

2r. Mandatory security settings and baseline configurations are maintained for Microsoft Windows Servers.

2s. FDCC/United States Government Configuration Baseline (USGCB) compliant group policies are implemented and ensure that all workstations are compliant with the FDCC/USGCB requirement checklists.

2t. Vulnerability scan results are reported to the appropriate individuals immediately following the scans and tracked for remediation purposes.

INDEPENDENT AUDITOR'S REPORT (Continued)

EXHIBIT B

STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS

Prior Year Condition	Status As Reported at September 30, 2012	Status as of September 30, 2012
<p>Controls over Property Plant and Equipment Need Improvement</p>	<p><u>Significant Deficiency:</u> The Office of the Chief Financial Officer (OCFO) continues to make improvements to the Property, Plant & Equipment (PP&E) process but there remains an inability to account for assets accurately and timely by the Office of the Chief Information Officer (OCIO) and the Office of Management (OM).</p> <p>The contract for the new property accountability software solution, BarTracks, was awarded in September 2010. It was deployed in the fourth quarter of fiscal year 2011 and fully implemented in the first quarter of FY 2012. BarTracks was to provide headquarters with a significantly improved oversight of Post property and to provide Post with an automated tool to properly account for its property.</p> <p>We found that disposed property is not properly recorded in BarTracks and in Odyssey.</p> <p>During our Post reviews, we also noted in-service date issues and delays with entering assets in Odyssey.</p> <p>We also found that the asset listing contained numerous assets without identification numbers.</p>	<p>This is a repeat finding – See Significant Deficiency 1</p>
<p>Information System Security Controls Need Improvement</p>	<p><u>Significant Deficiency:</u> Peace Corps made improvements to its information systems control environment during FY 2012. However, we found that certain internal control weaknesses related to Peace Corps' overall IT environment continued to exist at September 30, 2012. Our evaluation of the general and application controls of Peace Corps' key IT infrastructure and financial systems identified weaknesses in the areas of security management, contingency planning, access controls and configuration management.</p>	<p>This is a repeat finding – See Significant Deficiency 2</p>

EXHIBIT C

AGENCY COMMENTS TO THE AUDITOR'S REPORT

The agency reviewed the Auditor's Report and concurs with the findings in the report.


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An Education Volunteer (left) crushes grapes for wine with her host mother in Moldova.

**Inspector General's Statement on the Peace Corps' Management
and Performance Challenges**
Office of Inspector General

TO: Carolyn Hessler-Radelet, Acting Peace Corps Director

FROM: Kathy A. Buller, Inspector General 

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

DATE: October 26, 2012

In accordance with the Reports Consolidation Act of 2000, OIG is submitting what it has determined to be the most significant management and performance challenges facing the Peace Corps. The challenges, discussed in the attachment to this memo, are to be included in the agency's PAR for FY 2012. OIG has concluded that three of the five areas it identified as management and performance challenges in previous years continue to present significant challenges at the Peace Corps. Further, for FY 2012 OIG has included two challenge areas (Property Management and Protection of PII) under "Business Processes and Information Systems" that were previously presented separately. In addition, OIG has identified three new challenge areas.

This year's challenge areas are:

- IT Management (first reported in FY 2009)
- Effective and Timely Remediation of OIG Findings and Recommendations (FY 2010)
- Business Processes and Information Systems (FY 2011)
- Excessive Personnel Turnover (new)
- Programming and Volunteer Training (new)
- Accountability of Medical Supplies (new)

These challenges illustrate the most significant areas OIG believes need improvement for the Peace Corps to effectively manage its resources and minimize the potential for fraud, waste, and abuse occurring in its operations. By addressing the issues related to these challenge areas, the agency could potentially increase operational efficiencies and improve mission effectiveness.

Attachment

Peace Corps' Management and Performance Challenge Areas

Challenge IT Management

As noted in previous years the most significant risk for this challenge area is ensuring that limited resources will be put to use where most needed. OCIO has made significant progress in managing IT resources by improving its customer service through enhancements in how it responds to meet customer requirements and restructuring and streamlining its operations. OCIO has also aligned IT resources with the agency's business processes by establishing programs to better link goals and objectives to resources and developing a business process five-year Enterprise and Architecture and a roadmap to guide its work. Further, OCIO management continues to make substantial IT upgrades at overseas locations.

Management has also made good progress in strengthening Peace Corps' IT security management and further improvements to the process are ongoing. However, some issues associated with FISMA compliance that were discussed in prior year challenges statements have not been fully resolved. For example, some processes for configuration management have not been completely implemented; various contingency plan testing weaknesses still exist at both overseas posts and headquarters; and some risk assessment and systems security planning documentation have not been completely updated. Achieving full compliance with federal laws and regulations that apply to managing the Peace Corps' IT infrastructure are continuing management challenges. Resourcing issues continue to have a major impact on OCIO priorities as evidenced by high personnel turnover in key technical areas due in large part from term limited personnel appointments imposed by law and availability of qualified resources to fill vacant positions. As a result, throughout the past fiscal year OCIO has been about 20 percent below its programmed staffing strength.

Challenge Effective and Timely Remediation of OIG Findings and Recommendations

Over the last two years OIG has been reporting a challenge related to untimely remediation of OIG findings and recommendations. Although management has made progress in remediating findings and recommendations, it continues to not be timely in taking corrective actions necessary to remediate the deficiencies noted in OIG reports. During FY 2012 management fully remediated 121 recommendations of the 245 recommendations issued in FY 2012 and took actions to close 96 prior year's recommendations. The table below indicates the total number of recommendations open for more than 180 days for the last eight years.

OIG Open Audit/Evaluation Report Recommendations

Fiscal Year OIG Report Issued	Number of Open Post and Agency-wide Recommendations	Number of Open FISMA and Financial Statement Audit Recommendations
2012*	27	N/A
2011	34	6
2010	7	3
2009	2	5

2008	5	4
2007	0	5
2006	0	0
2005	0	1
2004	0	1
Total No. of Open Recommendations	75	25

*Includes only those open since March 31, 2012. The FY 2012 FISMA and Financial Statement Audit Recommendations have not been included.

The lack of effective and timely remediation of OIG findings and recommendations is a trend that has continued through the current fiscal year. There are a number of significant audit and evaluation findings and recommendations that have remained in an open status for 2-8 years. Although the agency generally remediates recommendations for overseas posts in a timely and efficient manner, remediation of some of the more complex recommendations requiring corrective actions that change how the agency operates as a whole or have wide-ranging impact has not been closed timely. More complex recommendations often involve a more substantial level of effort and broader coordination and communication. For example, some recommendations having an impact on information security and property accountability have been open for more than two years. OIG believes agency management needs to place greater emphasis on improving its overall remediation process to include focusing on the higher priority and long outstanding recommendations.

Challenge Business Processes and Information Systems

Although the Peace Corps continued to streamline operations and improve the technology that supports key business processes and critical Volunteer support functions, it is constrained by limited resources and inadequate planning. A responsive management team that provides quality support services to Volunteers will require enhanced business processes and modern IT systems.

Agency business processes must also support effective internal controls and access to reliable data. During the past fiscal year, OIG's work has disclosed some common problems related to maintaining effective internal controls. According to OMB Circular A-123, "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations." It is imperative agency management implements the necessary automated and manual controls throughout their processes to ensure the desired results are achieved. The agency is improving its controls through recent revisions to policies and procedures and automated solutions in areas such as Volunteer payments, property management, and bills of collection. However, some important initiatives to improve business processes have been delayed or postponed. Further, management must develop monitoring mechanisms to ensure their controls are operating effectively. As shown in OMB Circular A-123, "Monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations."

Although progress has been made, the agency still requires improvements in critical mission areas such as:

Property Management

The Peace Corps reported having property valued at \$35.2 million in FY 2012. Accountability over Peace Corps property, such as vehicles, furniture, and computer equipment, continues to present challenges for management. The agency's new property accountability system was deployed in the fourth quarter of FY 2011. The Office of Management (OM) assisted posts in rectifying some of the initial system implementation issues and provided additional hands-on training to general services managers in August 2012. OM continues to work closely with staff members responsible for property management. However, OIG's FY 2012 audits found that posts were still struggling to design work processes around the new system and that the initial data loaded into the system had inaccuracies. In addition, OIG's external auditor continues to report that the agency has not taken the necessary corrective actions to ensure accurate tracking of assigned laptop computers at headquarters. Management has acknowledged the internal control deficiencies found by the external auditor and recently initiated corrective actions.

Safety and Security

The agency continues to improve aspects of its safety and security program however it has not yet established some critical processes, such as developing a system to ensure safety and security recommendations are implemented by posts. The majority of the 42 posts visited by OIG in 2009–2011 struggled to fully implement agency safety and security policies and procedures, specifically with regards to emergency action plans and consolidation points, Volunteer housing, site locator forms, and security background certifications for staff. For example, while the agency has established instructions to assist in these areas, additional training and monitoring are needed to ensure consistent implementation at posts. Similarly, the agency made progress by entering into a memorandum of understanding (MOU) with the DOS in May 2012 defining the roles and responsibilities for responding to staff and Volunteer safety and security incidents overseas. The execution of the MOU was included in a recommendation in the 2010 audit of the Volunteer safety and security program and subsequently mandated by the Kate Puzey Peace Corps Volunteer Protection Act of 2011 (P.L. 112-57). While the execution of the MOU is an important milestone, dissemination of the MOU, follow up guidance from the Office of Safety and Security, and training will determine how effectively the MOU will be implemented. Given the decentralized nature of the Volunteer safety and security program and the number of overseas personnel with safety and security roles, it will be a management challenge to adequately train and oversee staff to ensure posts are fully complying with agency policies and guidance, a finding that was reported in OIG's 2008 *Final Program Evaluation Report: Volunteer Safety and Security*.

Data Management

As the agency automates business processes, proper data management is essential to ensure the accessibility of useful and accurate data. Several new systems that will streamline operations and provide more robust data for management analysis and decision making are being developed. For example, the agency deployed systems to automate fleet vehicle management and process requests for personnel actions, and is piloting an e-solution to automate the process for approving

employee leave. However, progress in modernizing the Peace Corps' timekeeping system has been delayed due to the inability of current available products to fulfill the timekeeping requirements for overseas staff. Further, the Peace Corps continues to process travel requests and reimbursement submissions manually. Although the General Services Administration has recently awarded a new vendor contract for a government-wide e-travel system slated to begin in FY 2013, the agency's review of system capabilities and necessary subsequent training may push actual Peace Corps' implementation of the new system to sometime in FY 2014. Another major initiative is the new electronic medical records system to be fully deployed in FY 2014, which will have a component that will give the agency access to data on medical expenditures and other important related information. These systems are essential for recording and tracking useful data to help managers make informed decisions.

Protection of PII

This challenge was identified by OIG in FY 2009, and although the number of reported breaches decreased during FY 2012, the issue continues to be of concern. The agency reported six PII breaches in FY 2012 compromising the data of 17 individuals. One of the reported breaches involved 40 boxes of information containing post files that went missing. The extent to which those boxes contain PII and the number of affected individuals is unknown. In a separate incident, a box of records containing completed confidential financial disclosure report forms (OGE Form 450) was lost during an office move. Agency officials concluded that this loss was not a PII breach. Although OGE Form 450 does not ask for PII, it is possible some agency staff members provided such information with the forms submitted. Since FY 2009, the agency has updated incident response policy and modified breach notification policy, provided training in New Employee Orientation, with additional training offered after a confirmed breach; and reduced paper files containing PII through the DOVE automated system. The agency is in the process of automating the medical records, which will further reduce the paper files containing PII.

Challenge Excessive Personnel Turnover

In June 2012 OIG issued its final report on the impacts the 'five-year rule' (FYR) has had on operations of the Peace Corps.¹ Peace Corps management concurred with the report's five recommendations and is in the process of formulating its plan for reform. The FYR, which became law in 1965, generally limits employment of Peace Corps' U.S. direct hire personnel to five consecutive years (two 30-month tours). The purpose of the FYR was to create a constant flow of new employees including returned Peace Corps Volunteers (RPCVs) and overseas staff; avoid the inflexibility associated with the civil service system; and prevent employees from working their entire career at Peace Corps. OIG's evaluation found that the FYR has enabled the agency to attract a mission-driven, energetic workforce and to employ RPCVs extensively, including in leadership positions at overseas posts. However, the FYR has caused unique employee retention problems and exacerbated a range of common management challenges.

The FYR has accelerated the annual rate of employee turnover to between 25 and 38 percent, quadruple that of the rest of the federal government. Most employees do not stay for five years; average employee tenure over the past 10 years has been just under three years. High turnover

¹ Final Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps

has undermined the agency's ability to retain its employees on the basis of performance, conduct succession planning, ensure continuity of needed skills and abilities, provide training and professional development to staff; and deploy its workforce efficiently.

The FYR has weakened the agency's ability to attract and retain highly qualified professionals in the areas of contracting, financial management, IT, human resources management, and medical support functions. It has also led to frequent staffing gaps in key management positions overseas. Further, the practice of employing staff on 30-month tours has compromised performance management by allowing supervisors to avoid actively managing underperforming employees. Finally, OIG estimated that over the five-year period from 2005-2009, excessive turnover driven by the FYR accounted for approximately 60 percent of \$20.7 million in total turnover management costs.²

Challenge Programming and Volunteer Training

Programming and Volunteer training is at the heart of the Peace Corps' operations and enables the agency to achieve its primary mission. In 2012 OIG issued the report *Recurring Issues: OIG Post Audits and Evaluations Fiscal Years 2009–2011*, which identified recurring management and performance challenges associated with the agency's ability to effectively place, train, and support Volunteers. OIG has continued to identify and report challenges related to programming and Volunteer training in its country program evaluation reports issued in 2012, with common problem areas being site development, the adequacy and applicability of Volunteer training, and coordination with host country ministries and project partners.

Site development

Placing Volunteers in sites where they are safe, healthy, and productive is essential to their success. Insufficient site development can result in inappropriate sites where Volunteers struggle to achieve programming goals. Sixty-nine percent of OIG evaluation reports issued in FYs 2009–2011 contained recommendations related to site development. Posts frequently had not established or documented clear site development processes, nor ensured that staff had been sufficiently trained to carry out their site development responsibilities. To mitigate site development weaknesses, the agency presented training sessions on site identification and preparation at their worldwide conferences in 2012 for country directors and directors of programming and training. Additionally, the agency added an indicator in the FY 2012 annual performance plan that measures Volunteers' satisfaction with site selection and preparation to underscore the importance of this issue and to promote the identification of opportunities for performance improvement.

Volunteer Training

Training provides Volunteers with important knowledge and skills needed for productive and fulfilling service. Seventy-five percent of the posts OIG evaluated in FY 2009–2011 had training deficiencies. Language and technical training were two areas commonly in need of improvement. In some posts, technical training lacked relevance to Volunteers' sites or was not practical

² This estimate only includes direct costs and did not take into account costs that were more difficult to quantify, including: the loss of expertise when high-performing staff appointments ended; reductions in productivity; or gaps in institutional memory and knowledge.

enough to prepare them to carry out primary assignments. Some posts needed to make improvements in language training, particularly in local language instruction or access to tutors or other self-directed language training methods during service. Posts frequently needed better methods to assess training effectiveness and take well-informed steps to improve training. The agency's "Focus In/Train Up" initiative should help improve training if posts implement the changes needed to focus programming and deliver relevant training.

Host Country/Project Partner Coordination

OIG evaluations have consistently reported that post relationships with host country ministries and project partners often need improvement. Some posts have not adequately engaged key project partners in programming, including project design and implementation. Others have not sufficiently communicated project results and Volunteer achievements to host partner ministries and organizations. Not all posts had established formal communication methods that brought multiple parties together, such as project advisory committees. Without a structured way to work with project partners, posts were not able to take full advantage of their partners' expertise. Some posts had not developed and maintained MOUs with host country ministries and project partners. The agency is encouraging the use of project advisory committees (PACs) to ensure local partners are consulted throughout the cycle of a project. The FY 2012 annual performance plan also includes an indicator that sets targets for program managers' use of PACs to improve performance and gather best practices. As a result, PACs use increased from 33 percent of all projects in FY 2011 to 69 percent of projects in FY 2012.

Challenge Accountability of Medical Supplies

Audit and investigative work performed during FY 2012 has clearly shown that agency management needs to continue to place strong emphasis on improving accountability of medical supplies. The Peace Corps maintains medical supplies to provide Volunteers with needed vaccinations, medications, and emergency medical support. Peace Corps posts spend approximately \$5 million a year on medical supplies. In FY 2008, the Peace Corps substantially revised its medical supply policies and procedures to provide adequate separation of duties; track the purchasing, dispensing, and disposing of medical supplies; and mitigate the risk of loss or theft. During FY 2012 the Office of Medical Services (OMS) further revised its policies and procedures by issuing technical guidance and provided training on the policies and procedures to country directors, Peace Corps medical officers and other overseas staff. It also regularly communicated with posts to provide support. In the past year OMS further enhanced support by providing on-site assistance to four posts, and performing detailed analyses of medical supply inventory submissions from posts. Also, management has been reviewing options for automating elements of medical supply inventory which could potentially strengthen accountability.

Although OMS has taken an active role in improving accountability of medical supplies, OIG has found that many posts have continued to struggle with implementing policy requirements, including separating medical supplies custody from recordkeeping responsibilities; establishing proper workflow processes; and maintaining accurate and complete medical supply inventories. Without sufficient oversight and compliance of the policies and procedures associated with internal control, the Peace Corps has been unable to maintain accountability and adequately ensure that medical supplies were not vulnerable to theft, loss, and spoilage. This lack of

effective oversight by post management contributed to opportunities for fraud, waste, and abuse. For example, a recent OIG review of an African post found that post management did not enforce policies and procedures or maintain accurate and complete inventory records and failed to document receipt and dispensing of controlled substances as required by federal regulations. In addition, prescription medications at the post were being dispensed without consultation of a medical professional, potentially placing Volunteers at risk. Further, there was no accountability of over \$165,000 worth of medical supplies it received from another post. Effective control over medical supplies is crucial to ensuring that Volunteers receive proper medical services and minimizing exposure to loss, theft, and misuse of expensive medical supplies including controlled substances.

Summary of Financial Statement Audit and Management Assurances Tables

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Improper Payments Information Act

The Improper Payments Information Act of 2002, P.L. No. 107-300, as amended by P.L. 111-204, Improper Payments Elimination and Recovery Act, defines “significant improper payments” as thresholds of both (1) 2.5 percent of program outlays and \$10,000,000 of all program or activity payments or (2) \$100,000,000 (regardless of the improper payment percentage of total program outlays). The Peace Corps, a small agency, has no programs and activities that are risk-susceptible to the amounts in the above specified thresholds. Each agency payment, though, is subjected to a multi-tiered clearance process that requires review and signature of the requesting official who requests the goods or services and later certifies that the goods or services have been received, the applicable budget officer or administrative officer who ensures funds have been obligated, and the requesting official’s supervisor prior to release. Pre-payments and pre-award of contracts are matched against the “Do Not Pay List” network of databases established in accordance with OMB Memorandum M-12-11 dated April 12, 2012 and prior Executive Orders and Memorandums. Payments by the overseas posts are processed through the International Treasury Services program of the Department of State’s Global Financial Services Centers, and payments made in the United States are processed through the U.S. Treasury, Kansas City Finance Center. Overseas payments are subjected to subsequent selective voucher sampling review in the headquarters where payment vouchers representing more than 80 percent of the dollars expended are fully reviewed. All requests for payments that exceed \$2,500 are individually certified for accuracy and completeness. Further, a semi-annual system-generated report of all payments in the amount of \$250,000 and above is extensively reviewed. No significant improper payments were identified during FY 2012 through any internal management reviews or by the external auditors, indicating that adequate internal controls are in place to prevent or detect improper payments.

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An Agriculture Volunteer (center, crouching) works side by side with his community on an organic farming project in Uganda.

Appendix 1

Audit Significant Deficiencies Summary

Independent auditor CliftonLarsonAllen LLP issued the FY 2012 financial statement audit report beginning on page 122, through the Inspector General. While this audit report did not identify any material weaknesses or noncompliances with laws and regulation, two significant deficiencies in internal control were again identified. Significant Deficiency 1, Controls over Property, Plant, and Equipment Need Improvement, consists of four audit recommendations shown in the table below. Significant Deficiency 2, Information Systems Security Controls Need Improvement, consists of 20 audit recommendations also shown in the table. The table contains estimated dates for completion of each of the audit recommendations. Those audit recommendations issued in prior years not resolved during FY 2012 are identified as Prior Year (PY).

Significant Deficiency 1 – Controls over Property, Plant, and Equipment Need Improvement

Audit Recommendations	Estimated Completion
Enforce current policies and procedures to ensure complete and accurate asset listings; develop procedures to ensure assets are properly tagged upon receipt; and provide complete and timely data to record additions (PY)	Q2 FY 13
Perform accuracy, verification, and completeness checks on capitalized property listings; determine responsibility for managing and maintaining records of overseas IT assets (PY)	Q2 FY 13
Develop procedures to ensure additions and disposals are recorded accurately and timely; provide timely disposal data to ensure property balances are not overstated (PY)	Q1 FY 13
Implement timekeeping policies and procedures to adequately track, capture, and record hours Worked on capital projects such as internal use software in development and construction in progress (PY)	Q1 FY 13

Significant Deficiency 2 – Information System Security Controls Need Improvement

Audit Recommendations	Estimated Completion
Complete formal risk assessments for all major applications and general support systems (PY)	Q4 FY 13
Implement encryption on all backup tapes	Q2 FY 13
Reevaluate/update agency Business Impact Analysis to ensure that it accurately addresses deficiencies noted in disaster recovery tests (PY)	Q2 FY 13
Test all system Contingency Plans to determine if procedures for reconstitution and recovery of systems are adequate (PY)	Q4 FY 13
Provide guidance to posts regarding development of contingency plans and testing of scenarios to determine if reconstitution and recovery of posts systems are adequate (PY)	Q4 FY 13
Develop and implement media retention policies and procedures	Q4 FY 13
Track media with unique identifiers upon receipt and prior to sanitization and disposal	Q2 FY 13

(Continued)

Audit Recommendations	Estimated Completion
Implement formal procedures for requesting access to portable and mobile devices and include management approved access request forms documenting user's approval and assigned device (PY)	Q1 FY 13
Develop a method to track assignments of portable and mobile devices by specific equipment identifiers and individual assigned (PY)	Q1 FY 13
Develop/implement procedures to ensure the timely return of portable and mobile devices and update equipment inventories to reflect current possession (PY)	Q1 FY 13
Implement an access request procedure that includes managing network access requests via a centralized mechanism	Q1 FY 13
Enhance account management procedures to include quarterly network account review requirements, identification of those network accounts which remain inactive for more than 90 days, have never been logged into, represent generic or group accounts, or accounts with passwords not defined to expire, and analyze accounts identified as questionable (during the review process) for reasonableness and disable or delete as necessary	Q2 FY 13
Compare individuals currently granted data center access to the most recent listing of authorized individuals (provided by the OCIO) to ensure no discrepancies; follow up as needed to disable or delete access (PY)	Q1 FY 13
Implement a formal procedure which includes assignment of department/individual responsibilities to review data center access reasonableness on a quarterly basis, and disable access if not authorized or no longer needed to perform an individuals' position responsibilities (PY)	Q2 FY 13
Discontinue use of temporary badges to access the data center or maintain records of individuals assigned to each card including when issued, when returned, issued to whom, and who authorized issuance of the badge to individual (PY)	Q1 FY 13
Integrate system change control procedures fully with the agencywide change control plan and include methodologies for approving specific change types, identifying the use of the varying change types, and identifying the process flows for each type of change	Q3 FY 13
Update change control policies to ensure formal procedures for requesting, approving, coding, testing, and promoting a change are appropriately documented (PY)	Q2 FY 13
Maintain mandatory security settings and baseline configurations for Microsoft Windows Servers (PY)	Q4 FY 13
Implement FDCC/USGCB compliant group policies and ensure all workstations are compliant with the FDCC/USGCB requirement checklists	Q4 FY 13
Report vulnerability scan results to appropriate individuals immediately following the scans and track for remediation purposes	Q4 FY 13

Appendix 2

Glossary of Acronyms

AC-2	Account Management*	NGO	Nongovernmental Organization
AVS	Annual Volunteer Survey	NIST	National Institute of Standards and Technology
BIA	Business Impact Analysis		
CCB	Change Control Board	NIST SP	National Institute of Standards and Technology Special Publication
CLA	CliftonLarsonAllen LLP		
CM-1	Configuration Management Policy and Procedures*	OCFO	Office of the Chief Financial Officer
		OCIO	Office of the Chief Information Officer
CM-2	Baseline Configuration*	OGE	U.S. Office of Government Ethics
CP-4	Contingency Plan Testing and Exercises*	OIG	Office of Inspector General
DOL	Department of Labor	OM	Office of Management
DOS	Department of State	OMB	Office of Management and Budget
DOVE	Database of Volunteer Experience	OMS	Office of Medical Services
EAP	Emergency Action Plan	OPM	Office of Personnel Management
EMA	Europe, Mediterranean, and Asia	OSIRP	Office of Strategic Information, Research, and Planning
FDCC	Federal Desktop Core Configurations		
FECA	Federal Employees Compensation Act	PAC	Project Advisory Committee
FISMA	Federal Information Security Management Act	PAR	Performance and Accountability Report
		PCR	Peace Corps Response
FMFIA	Federal Managers' Financial Integrity Act	PE-2	Physical Access Authorizations*
FSN	Foreign Service National	PEPFAR	President's Emergency Plan for AIDS Relief
FY	Fiscal Year	PII	Personally Identifiable Information
FYR	Five Year Rule	PP&E	Property, Plant, and Equipment
GLOW	Girls Leading Our World	PSC	Personal Services Contractor
GPRA-MA	Government Performance and Results Modernization Act of 2010	PTS	Personnel Tracking System
		RA-3	Risk Assessment*
HQ	Headquarters	RA-5	Vulnerability Scanning*
IAP	Inter-America and Pacific	RPCV	Returned Peace Corps Volunteer
IPBS	Integrated Planning and Budgeting System	SOP	Standard Operating Procedure
		SPA	Small Project Assistance
IT	Information Technology	TIS	Technical Information Subcommittee
MD&A	Management's Discussion and Analysis	USAID	U.S. Agency for International Development
M&E	Monitoring and Evaluation		
MOU	Memorandum of Understanding	USGCB	U.S. Government Configuration Baseline
MP-5	Media Transport*	VDS	Volunteer Delivery System
MS	Manual Section	WADA	Water and Development Alliance

*NIST SP 800-53



Produced by the Peace Corps
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