The Peace Corps
Performance and Accountability Report
FISCAL YEAR 2008

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Paul D. Coverdell Peace Corps Headquarters | 1111 20th Street NW | Washington, DC 20526

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Business Volunteer, Kyrgyz Republic

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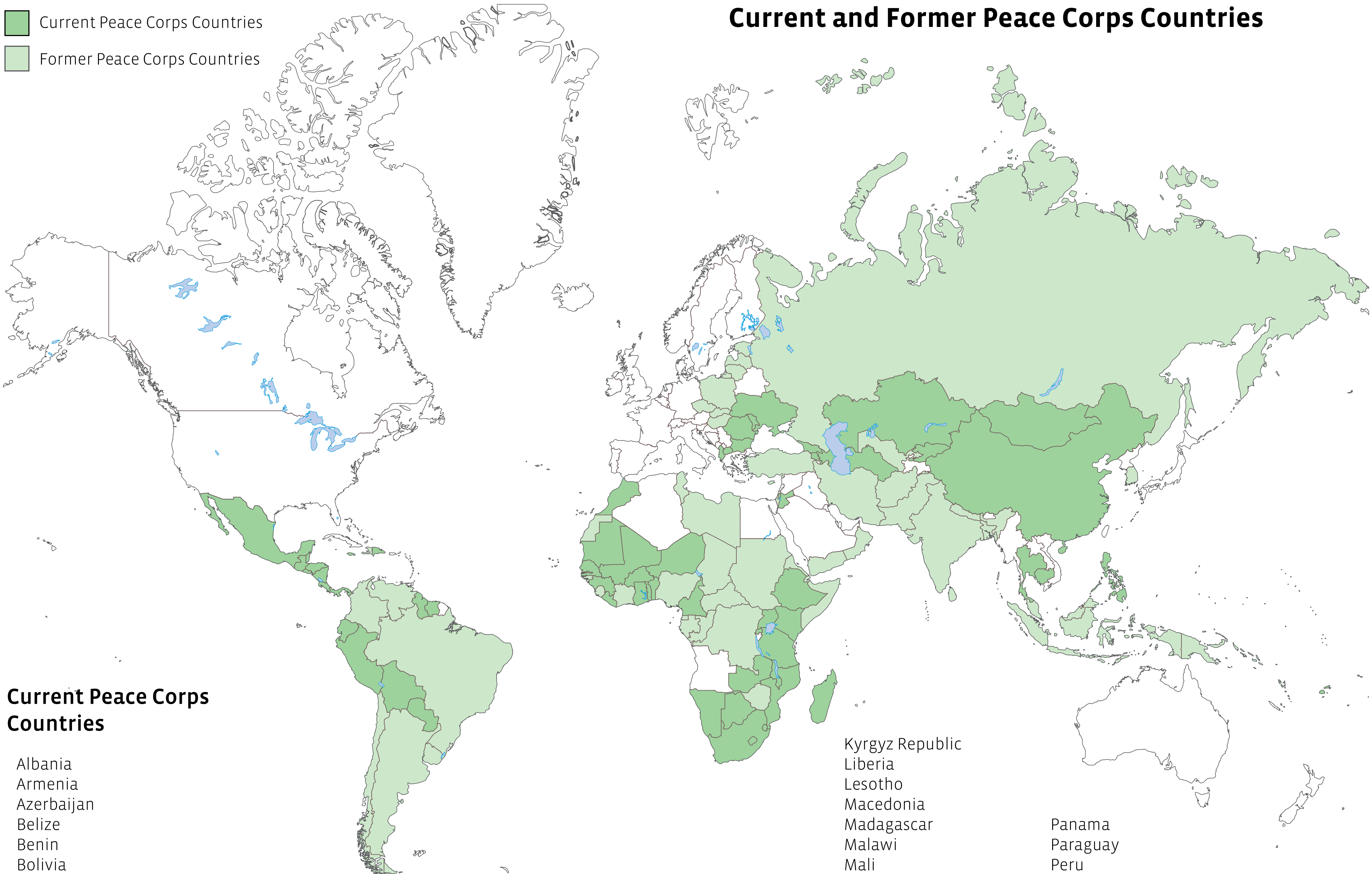

Current Peace Corps Countries

Albania
Armenia
Azerbaijan
Belize
Benin
Bolivia
Botswana
Bulgaria
Burkina Faso
Cambodia
Cameroon
Cape Verde
China
Costa Rica
Dominican Republic
Eastern Caribbean:
Antigua/Barbuda
Dominica
Grenada/Carriacou
St.Kitts/Nevis
St.Lucia
St.Vincent/Grenadines
Ecuador
El Salvador
Ethiopia
Federated States of Micronesia, and Palau
Fiji
The Gambia
Georgia
Ghana
Guatemala
Guinea
Guyana
Honduras
Jamaica
Jordan
Kazakhstan
Kenya
Kiribati
Kyrgyz Republic
Liberia
Lesotho
Macedonia
Madagascar
Malawi
Mali
Mauritania
Mexico
Moldova
Mongolia
Morocco
Mozambique
Namibia
Nicaragua
Niger
Panama
Paraguay
Peru
Philippines
Romania
Rwanda
Samoa
Senegal
Solomom Islands
South Africa
Suriname
Swaziland
Tanzania
Thailand
Togo
Tonga
Turkmenistan
Uganda
Ukraine
Vanuatu
Zambia

THE DIRECTOR OF THE PEACE CORPS

WASHINGTON, D.C.

On behalf of the Volunteers and staff serving in the Peace Corps around the world, I am pleased to present the Peace Corps' Performance and Accountability Report for fiscal year (FY) 2008. The financial and performance results of the Peace Corps are outlined in this report so the President, Congress, and the American people can assess the agency's operations and accomplishments for this fiscal year.

Since 1961, this agency has partnered with 139 countries around the globe, and more than 195,000 Americans have served overseas promoting the agency's mission of world peace and friendship.

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

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

These goals have not changed since 1961 when then-Senator John F. Kennedy inspired Americans to serve their country in the cause of peace by living and working in developing countries.

At the end of FY 2008, 7,876 Americans were serving as Peace Corps Volunteers at 70 posts representing 76 countries encouraging sustainable development and cross-cultural understanding at the grassroots level[1]. It may be difficult for the Peace Corps to continue its existing number of Volunteers absent funding levels requested in the President's FY 2009 Budget. During FY 2008, the agency made a historic return to Liberia and Rwanda, however, because of anticipated budget constraints, no new country assessments were conducted in FY 2008. Additionally, the agency does not plan to enter or re-enter any new countries in FY 2009, given the current funding level.

In response to the ongoing food security crisis, the agency drew on the experience of our Volunteers and overseas staff to provide short-term and long-term assistance to those countries in the greatest need. A worldwide food security task force was established in April to exchange information among posts and harness agency resources. A strategic plan was also developed outlining the role Peace Corps Volunteers can play in education, agricultural development, income generation, and nutrition.

Other initiatives launched during FY 2008 include our efforts to recruit more "baby boomers" into the Peace Corps and to promote volunteerism in the countries where we serve. I am happy to report that applications from Americans over the age of 50 were up 44 percent in FY 2008 over FY 2007. To promote volunteerism, we developed a toolkit for our posts and Volunteers to use in encouraging community service among host country nationals. The toolkits will begin arriving at posts around the world next month.

In addition, the ever-developing communications network of the Peace Corps allows the sharing of ideas immediately from the headquarters to the most distant communities around the world where our Volunteers serve. Our two new information technology programs, Guru and PeaceWiki, offer staff and Volunteers a forum for sharing ideas.

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[1] The on board count for all Peace Corps Volunteers and trainees, and Peace Corps Response Volunteers, from all funding sources serving under the Peace Corps as of September 30, 2008, is 7,876. This number includes 254 Volunteers funded by the President's Emergency Plan for AIDS Relief. Some posts cover more than one country. The on board count includes posts in which the Peace Corps is active or suspended, but not closed.

Volunteer safety and security remains the agency's highest priority among our continuing initiatives and the Peace Corps continues to contribute significantly to the global fight against HIV/AIDS.

The agency achieved an unqualified (clean) audit opinion from the external auditors on the Peace Corps' financial statements for the second consecutive year. No material weaknesses were identified by the auditors or otherwise within the agency. The dedicated people working in financial management across the agency, our operating internal control program, and our fully certified and accredited financial system are credited with this continuing financial success.

The Peace Corps saw an overall performance improvement during FY 2008, exceeding its performance targets in five of eight performance goals and meeting or exceeding targets in 82 percent of the agency's 33 performance indicators. The results speak of the continued emphasis on performance management. With the FY 2008 performance report, the agency closes out its initial six-year strategic plan and is ready to transition to the newly developed strategic plan and performance indicators for 2009 through 2014. Nearly a year was spent developing the goals and indicators, incorporating contributions and feedback from every department within the Peace Corps. The new plan consists of five strategic goals and 38 indicators, representing the direction and focus for the agency for the next six years.

As we look ahead, the agency is facing challenges in the next fiscal year. We must deal prudently and effectively with U.S. taxpayer money in these difficult financial times. Information technology systems development efforts will be impacted by delays and may even face curtailment in some instances. Strategic cost-cutting measures are, however, being implemented at headquarters and at our posts around the world.

The accompanying financial statements in this Performance and Accountability Report submission were prepared from the Peace Corps' financial system and processes using the most reliable and complete data available. The agency's total assets dropped from $165.6 million as of September 30, 2007 to the current level of $158 million as of September 30, 2008. Budgetary resources available from all years and all sources for use by the agency totaled $356.2 million this fiscal year and $345 million in fiscal year 2007. The appropriated funds from Congress totaled $330.8 million, net of rescission, this fiscal year and $319.7 million in fiscal year 2007.

The agency's financial and performance data for this fiscal year are both reliable and complete.

Financial improvements achieved this fiscal year and those planned for the future are addressed in the Message from the Chief Financial Officer that follows later in this report.

I salute the hardworking, dedicated employees of the Peace Corps for everything they do to support our Volunteers. Our Volunteers represent the very best of America in continually serving the needs of others these last 47 years.

Ron Tschetter, Director
November 17, 2008

Business Volunteer, Benin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Mission and Organizational Structure

The mission of the Peace Corps is to promote world peace and friendship. While much has changed in the world since the Peace Corps' founding in 1961, its mission has not. The Peace Corps' three core goals are as relevant today as they were 47 years ago:

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

2) To help promote a better understanding of Americans on the part of the peoples served

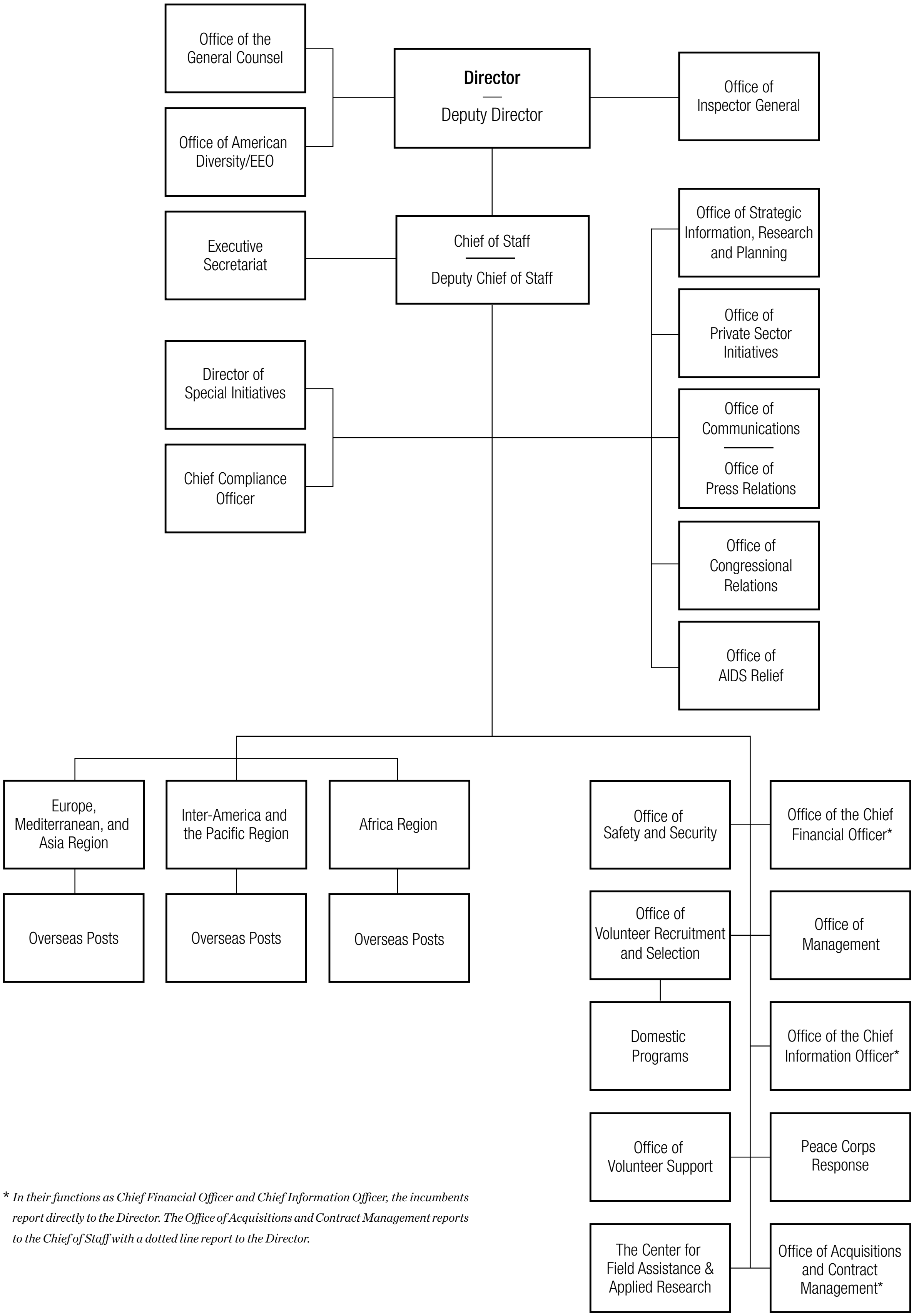
3) To help promote a better understanding of other peoples on the part of Americans

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

Since the program's inception, more than 195,000 Americans have served as Peace Corps Volunteers in 139 countries throughout the world. These Volunteers foster positive relationships with host country nationals, dispel myths about Americans, and promote sustainable development. Upon their return, Volunteers bring messages back to the American people about life overseas, the people they have served, and the cultures they have experienced. The men and women who serve as Peace Corps Volunteers reflect the rich diversity of the United States and represent some of the finest characteristics of the American people: a generosity of spirit, a strong work ethic, a commitment to service, and an approach to problems that is both optimistic and pragmatic. Our Volunteers are afforded no special privileges and often live in remote, isolated communities where they speak local languages and learn the cultures and customs of the people they serve. During this process, Volunteers share and represent the culture and values of the American people and, in doing so, earn respect and admiration for the United States among people who may have never met an American.

Offices throughout the agency deliver services ranging from recruitment and selection of Volunteers to providing training and support of Volunteers in the field to carrying out essential financial, technical, and administrative functions. Developing nations face significant challenges in agriculture, education, business development, health and HIV/AIDS, the environment, and youth development. The Peace Corps, in partnership with interested countries, provides skilled Americans who work to transfer their knowledge about these areas and build greater understanding between cultures. Thus, the Peace Corps provides practical assistance to developing countries by sharing America's most precious resource—its people. The Peace Corps combines development with strong people-to-people relationships that Volunteers forge with host country colleagues and communities, providing a crucial foundation for peace and friendship for years to come.

Peace Corps Organization



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

Key Performance Measures

Performance Goals and Results Summary

Fiscal year 2008 marks the final year of the current strategic plan (which was revised for 2006-2008 to better align the plan with the Peace Corps' three goals and internal processes). The FY 2009 *Congressional Budget Justification* includes the appropriate strategic and performance plans for this performance report and is available to the public on the agency's website, *www.peacecorps.gov/docs*. The key strategic goals outlined in the agency's revised strategic plan focus on:

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

Thus, FY 2008 is the third and final year for the agency to report on its current set of performance goals and indicator targets outlined in the existing strategic plan. In FY 2008, the agency exceeded its target for five of its eight performance goals and approximately 82 percent of its 33 performance indicators.

Performance Goals and Status

At the end of FY 2008, 7,876 Americans were serving in 76 countries through 70 posts (posts in the Eastern Caribbean and Micronesia provide support to eight island nations) as Peace Corps Volunteers, promoting sustainable development and cross-cultural understanding at the grassroots level. It may be difficult for the Peace Corps to continue its existing number of Volunteers absent funding levels requested in the President's FY 2009 Budget. The agency was proud to return to Rwanda with a program focusing on HIV/AIDS prevention and health and to re-open a program in Liberia with Peace Corps Response Volunteers focusing on education.

The agency was slightly below its goal on the number of Peace Corps applicants representing diverse ethnicities, but great success was shown in the increase of applicants age 50 and over. The agency continues to seek new ways to reach the diversity of Americans with its recruitment and marketing efforts. Continuing to advertise in national print and electronic media added significantly to the exposure of the Peace Corps. Outreach efforts have resulted in establishing relationships with professional and academic associations and federal government agencies. These efforts have proven to be very successful with graduating students, mid-career professionals and retired employees. The diversity efforts resulted in more than 25 separate national and 88 regional diversity outreach events in collaboration with the regional recruiting offices.

Media outreach efforts are strong, and the agency again exceeded its goals for press coverage of diverse Volunteers and diverse audiences. Likewise, goals were exceeded for placement of public service announcements in minority- and diversity-geared media. Strong success has been shown in this area for the past few years.

PERFORMANCE GOALS SUMMARY

Performance Goals		Exceeded	Not met, but improved over prior year	Not Met
1.1.1	Number of Volunteers serving			X
1.2.1	Transfer skills and knowledge	X		
1.3.1	Represent American diversity		X	
2.1.1	Volunteer health care	X		
2.2.1	Volunteer safety			X
3.1.1	Interactions with Americans to build cross-cultural understanding	X		
4.1.1	Reduce response time to applicants	X		
4.2.1	Volunteer resignation rate	X		
	Total Performance Goals	**5**	**1**	**2**

The Peace Corps uses various survey instruments to capture Volunteer feedback on key indicators of the agency's effectiveness in delivering Volunteer support. The biennial Peace Corps Volunteer survey provides an important snapshot of Volunteer satisfaction during the same period of time worldwide. The close-of-service survey, which is given when Volunteers complete their service overseas, provides the agency with ongoing feedback from the field.

There are numerous steps in the application process to become a Peace Corps Volunteer. This enables the agency to recruit and thoroughly evaluate applicants for specific skills and medical and suitability issues prior to approving and inviting them to serve as Volunteers. The application process has been broken down into various stages to allow the Peace Corps to best analyze its efficiencies. The agency is pleased to have exceeded its FY 2008 goal of response time to applicants and remains committed to streamlining the processes that enable Americans to obtain information, apply, join, and complete service as Volunteers. The agency took steps during FY 2008 to improve both the processes involved in addition to the data collection and operational monitoring of this area.

Coverdell World Wise Schools reached an unprecedented high in website hits, while the World Wise Windows e-newsletter boasted more than 14,500 subscribers. The matching of Volunteers with school children and other correspondents (correspondence match) reached a 10-year high among educators and current Volunteers that are pursuing Master degrees under the Master International program also reached an unparalleled peak with 218 currently serving overseas. Peace Corps Week 2008 was a great success as well. Returned Peace Corps Volunteers (RPCVs) reported having conducted over 3,500 presentations, while 43 classrooms (the highest number to date) from 24 states participated in international phone calls with Peace Corps Volunteers in 30 countries. The agency continued to use a more objective and verifiable method in calculating these results. RPCV outreach activities helped carry the message of understanding of other cultures as they shared their stories and experiences with schools, community groups, and other organizations across the country.

Performance Reporting Procedures

The agency continued to institutionalize its performance planning and reporting processes throughout FY 2008. The Office of Strategic Information, Research, and Planning, created during FY 2007, furthered its work in ensuring greater continuity and reliability in reporting performance data.

The agency also continued the practice of reviewing performance results during the mid-year budget reviews, which further reinforced the efforts toward aligning performance with budgeting. This integrated mid-year assessment allowed for the redirection of agency resources in light of challenges encountered or successes achieved.

The Peace Corps' FY 2008 performance results are based on reliable, actual data that are complete as of the production of the results at the end of the fiscal year. Overall, the Peace Corps has made great progress in institutionalizing its performance reporting procedures and processes, and is well-positioned to provide solid results on its performance measures moving forward.

Education Volunteer, Moldova

Analysis of Financial Statements

Overview

This fiscal year the external auditor again awarded an unqualified (clean) audit opinion on the agency's financial statements that were generated from our certified and accredited financial system. The increase in Congressional appropriation from $319.7 million in FY 2007 to $330.8 million, net of rescission, in FY 2008 was offset by a corresponding increase in costs and inflation for the agency. The areas of most significant change this fiscal year were the Fund Balance with Treasury reduction which generated an overall $7.6 million asset reduction and a $14.7 million increase in the agency's liabilities.

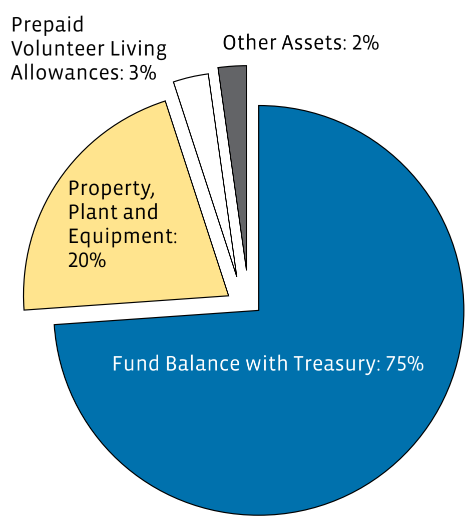
Analysis of Financial Condition

The balance sheet indicates total agency assets of $158 million at the end of fiscal year 2008. This represents an overall decrease of $7.6 million over FY 2007 total assets of $165.6 million. The $7.7 million decrease in the Fund Balance with Treasury was primarily due to continued strengthening of fund balance reconciliations. Offsetting this decrease were increases in the amount of prepaid rent overseas and increases to the Prepaid Volunteer Living Allowances because of the increased cost of living for the Volunteers at posts around the world where, in some instances, those allowances increased 35 percent. Though online "how-to" Property, Plant and Equipment (PP&E) user documentation was developed this year, and the semiannual verifications were continued with the posts to augment the Oracle fixed asset module that tracks and depreciates PP&E, continuing unresolved PP&E issues will require further management efforts during FY 2009.

The Peace Corps assets reflected in the Balance Sheet are summarized in the following table (*dollars in thousands*):

	2008	2007
Fund Balance with Treasury	$ 117,964	$125,652
Property, Plant and Equipment	32,458	32,657
Prepaid Volunteer Living Allowances	4,304	3,984
Other Assets	3,242	3,263
Total Assets	**$ 157,968**	**$ 165,556**

FY 2008 Assets by Type

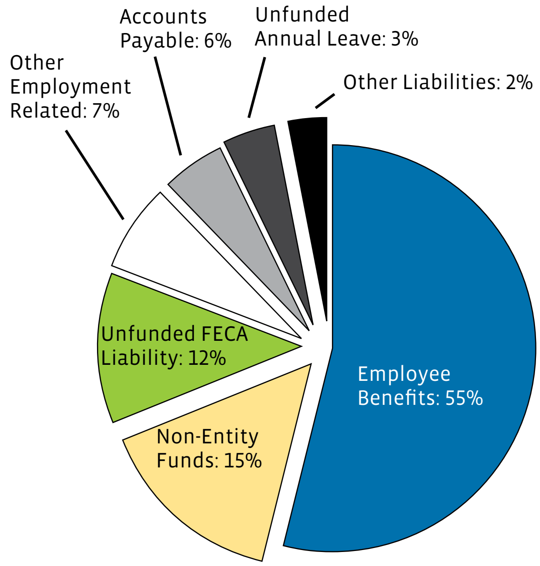


The Peace Corps had total liabilities of $216.7 million at the end of fiscal year 2008 as reported on the balance sheet and summarized in the following table (*dollars in thousands*):

	2008	2007
Employee Benefits	$ 119,302	$ 116,450
Non-Entity Funds	31,947	32,597
Unfunded FECA Liability	25,582	24,236
Other Employment Related	14,436	7,590
Accounts Payable	12,393	9,337
Unfunded Annual Leave	7,600	7,310
Other Liabilities	5,418	4,432
Total Liabilities	**$ 216,678**	**$ 201,952**

The increase in liabilities of $14.7 million from the FY 2007 level was primarily due to a $6.8 million increase in Other Employment Related Liability for unfunded severance liabilities, a $3.1 million increase in the Accounts Payable balance, and a $2.9 million increase in Employee Benefits as calculated by the Department of Labor.

FY 2008 Liabilities by Type



Limitations of the Principal Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Peace Corps, pursuant to the requirements of 31 U.S.C.3515 (b). While the statements have been prepared from the books and records of the entity in accordance with generally acceptable accounting principles for Federal entities and the formats prescribed by the Office of Management and Budget (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.

Analysis of Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires agencies to establish accounting and administrative controls to include program, operational and administrative areas, in addition to accounting and financial management. The implementation of internal accounting and administrative controls must provide reasonable assurance that (i) obligations and costs are in compliance with applicable law; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. The FMFIA establishes overall requirements for internal control and requires that the agency head evaluate and report annually on the control and financial systems that protect the integrity of Federal programs (Section 2 and Section 4 of FMFIA, respectively). OMB Circular A-123, *Management's Responsibility for Internal Control*, implements the FMFIA and defines management's responsibility for internal control in Federal agencies. OMB Circular A-127, *Financial Management Systems*, prescribes policies and standards for agencies to follow in developing, operating, evaluating, and reporting on financial management systems.

Internal Control within the Peace Corps

The senior assessment team established during FY 2006 and led by the Chief Financial Officer continues to conduct oversight of the Peace Corps' internal control program. Senior assessment team meetings, conducted at least quarterly, monitored progress toward completion of the past fiscal year audit recommendations for the agency's significant deficiencies. Again in FY 2008, offices throughout the agency conducted risk assessments for their business areas and identified no material

FY 2008 Annual FMFIA Assurance Statement

The Peace Corps assessed the effectiveness of the internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) Section 2 and OMB Circular A-123. Based on this assessment, the Peace Corps can provide reasonable assurance for FY 2008 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Peace Corps conducted its assessment of whether the financial management systems conform to government-wide financial systems requirements in accordance with FMFIA Section 4 and OMB Circular A-127, *Financial Management Systems*. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of the FMFIA Section 4 and OMB Circular A-127 for FY 2008.

Ron Tschetter, Director
November 17, 2008

Thomas Bellamy
Acting Chief Financial Officer
November 17, 2008

weaknesses. Further, managers throughout the agency prepared annual assurance statements attesting to the adequacy of internal controls and identified no material weaknesses within their areas. The assurance statements were based on the managers' personal knowledge of day-to-day operations, existing controls, and other related management reviews and evaluations. During this fiscal year, the Office of the Inspector General conducted reviews, audits, inspections, and investigations. Internal control testing conducted this fiscal year focused on the accuracy of the accounts payable unbilled accruals to further support the agency's financial statement balances and potential testing areas across the agency were expanded.

Summary

The Peace Corps is proud to have received an unqualified (clean) financial audit opinion on its financial statements for FY 2008 as in the past fiscal year. The agency's internal controls and financial management systems meet FMFIA and other regulatory objectives and the agency is pleased to submit its annual assurance statement on compliance.

Environment Volunteer, Guatemala

Core Issues

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

The Peace Corps was again recognized by *Business Week* magazine as one of the top 50 best places to launch a career.

At the end of FY 2008, 7,876 Americans were serving as Peace Corps Volunteers at 70 posts in 76 countries (posts in the Eastern Caribbean and Micronesia provide support to eight island nations) and fostering sustainable development and cross-cultural understanding at the grassroots level. Currently, about 20 percent of the Volunteers are serving in nations with predominantly Muslim populations. Volunteers work in the areas of agriculture, business, education, the environment, health and HIV/AIDS, and youth development, incorporating cross-cutting themes such as information and communications technology and the role of women into their work. In addition to transferring skills to host country nationals and promoting cross-cultural understanding between Americans and other peoples, service in the Peace Corps also provides Americans overseas experience. Returned Peace Corps Volunteers also contribute to America's legacy of service by offering their time and skills to community volunteer programs or organizations around the country and through Peace Corps programs such as Peace Corps Response, Fellows/USA, and other outreach activities.

In FY 2007, the Peace Corps embarked on three strategic initiatives: Recruitment and Outreach; Measuring Success and Impact; and Volunteerism at Home and Abroad. Those initiatives continued through FY 2008, with successes realized in all three.

Recruitment and Outreach

The agency rolled out a number of efforts in the area of strategic recruitment and outreach. The 50+ population represents a strategic growth opportunity for the Peace Corps. Individuals in this population already volunteer in society at high rates and have a desire to share their expertise and skills. The Peace Corps established strong relationships among other federal agencies where approximately 18 percent of the workforce are expected to retire in the next two years (this represents nearly 300,000 highly-qualified individuals). Within six months, this initiative attracted over 4,000 interested parties to our web pages and created a national outreach plan through Volunteer match. The national outreach plan has attracted more than 90,000 viewers in this cohort to our web pages with almost 1 percent starting an application. A strong relationship continues with AARP. Additionally, the agency attracted significant numbers of mid-career professionals and retirement-transitioning individuals through associations, conventions, tradeshows and various professional journals. We realized a 44 percent increase (1197 versus 833) in 50+ applications over FY 2007.

The Peace Corps will continue to be strategic and creative in increasing recruitment efforts at small colleges and universities. Using acquired research has allowed the agency to nurture working agreements with campus organizations to increase our on-campus presence and attract greater numbers of qualified prospects to informational sessions. Relationships with groups like the Historically Black Colleges and Universities and the American Association of Community Colleges help with these efforts and have lead to initiatives such as the Peace Corps Baccalaureate and Peace Corps Prep programs.

Measuring Our Success and Impact

During FY 2008, the Peace Corps placed significant emphasis on evaluating the impact of the work of the Volunteers. Pilot field evaluation programs were initiated in Mali, Armenia and the Dominican Republic to obtain feedback from host country nationals relative to their understanding of Americans (Core Goal 2) and the outcomes achieved in three program specific areas: Education, Business and Health and HIV/AIDS (Core Goal 1).

The results of these pilot field evaluations, as reported on page 14, were used to refine future field evaluation efforts scheduled to take place during FY 2009, 2010, and 2011. These results will be reported in the corresponding performance and accountability reports in subsequent years.

The work the agency has done to measure its success and impact largely influenced the development of the Peace Corps' FY 2009 to FY 2014 Strategic Plan. Development of the plan required nearly 11 months of work, with contributions from nine separate teams of staff, managers, and stakeholders (totaling over 100 individuals). The plan will be the guiding force for the agency over the next six years as it works to communicate its outcomes and impacts.

Volunteerism at Home and Abroad

Many Peace Corps Volunteers are already involved in promoting volunteerism and some are teaching young people in their towns and villages about the importance of community involvement through a service learning approach. This essentially ensures that clear learning goals, a planning structure and feedback loop that reflects on the volunteer activities is carried out. To assist posts in deepening efforts on volunteerism and service learning, in FY 2008 the agency created a Volunteerism Action Guide. The guide covers, for example, everything from training Volunteers to identifying project and learning objectives to creating action plans. Through intentional planning and use of a service learning approach where appropriate, Peace Corps Volunteers can leave a greater legacy of communities organizing themselves to meet local needs.

In addition to the three initiative areas introduced by the Director in FY 2007, other core issues include:

Volunteer Safety and Security

Balancing the need to keep Volunteers as safe as possible while maintaining the effectiveness of the Volunteer experience is one of the greatest challenges facing the Peace Corps. The Office of Safety and Security works diligently with the overseas posts to integrate safety and security training into every stage of the Volunteer's service. From application to close of service, Volunteers receive the best information available about safety risks and how they can minimize those risks. While Volunteer service is not without risks and Volunteers take on much of the responsibility for their own safety, the Peace Corps does have an extensive, well-established support system geared toward Volunteer safety and security.

HIV/AIDS Initiative

The Peace Corps continues to contribute significantly to the global fight against HIV/AIDS. Peace Corps Volunteers, by living and working at the grassroots level in communities and speaking the local language, are uniquely suited to reach populations most in need of HIV/AIDS prevention and care services. The Office of AIDS Relief continues to provide agency-level policy guidance; overall leadership; and general supervision, direction, and coordination of Peace Corps' HIV/AIDS activities, including the agency's participation in the President's Emergency Plan for AIDS Relief (PEPFAR). The Peace Corps continues to be a valuable participant in the PEPFAR program, with 254 PEPFAR-funded Volunteers serving in 11 of PEPFAR's 15 focus countries. In addition to posts in the focus countries, 15 other Peace Corps posts implemented PEPFAR funded activities in FY 2008.

Food Security

In response to the ongoing food security crisis, the agency is drawing on the experience of our Volunteers and overseas staff to offer short-term and long-term assistance to those countries most greatly impacted. A worldwide food security task force was established in the spring 2008 to exchange information and harness agency resources. A strategic plan was also developed outlining the role Peace Corps Volunteers can play in education, agricultural development, income generation, and nutrition. In mid-October the agency held a food security summit with representatives from the private sector, other federal agencies, nongovernmental organizations and foundations to seek better methods of collaboration.

Overall

The Peace Corps' mission and efforts around the world continue to be as important now as they were 47 years ago. The agency will continue to strive to operate at its optimum level to ensure Americans are given the opportunity to serve as Peace Corps Volunteers to carry out the agency's mission of world peace and friendship.

Peace Corps received Equal Employment Best Practices Recognition on August 27, 2008, at the Examining Conflicts in Employment Law Conference in Chicago, Illinois, for substantive best practices in both Special Emphasis Programs and Compliant Process Implementation

Youth Volunteer, Micronesia

Actions to Address Agency-Identified Prior Year Challenges

Institutionalizing Performance Management, Evaluation and Measurement, and Strategic Management of Information

Performance Management

In 2008, the agency named its first Performance Improvement Officer in response to OMB guidelines, and instituted quarterly reviews of performance.

During FY 2008, the Office of Strategic Information, Research, and Planning (OSIRP) kicked off the development of the 2009–2014 Strategic Plan including the finalization of a Peace Corps Logic Model delineating how the use of agency resources leads to the formulation of activities and how these lead to the outcomes necessary to fulfill the agency mission. In addition, through the involvement of the complete organization, future performance indicators were strengthened and the strategic plan was completed for submittal early in FY 2009.

Evaluation and Measurement

Several steps were taken during FY 2008 to further evaluate and measure the reach and impact of the Peace Corps. The agency's biennial Volunteer survey included two new questions to measure Volunteers' impact in the area of Core Goals 2 and 3.

The agency also formulated evaluation plans to measure the impact of the agency's work in the transfer of skills to host country individuals, communities, and organizations (Core Goal 1) and the impact of our Core Goal 2 activities relative to promoting a better understanding of Americans on the part of the people we serve.

Pilot evaluation studies were implemented at Peace Corps posts in Armenia, the Dominican Republic, and Mali to expand our measurement of the impact on Core Goals 1 and 2. OSIRP worked with these three posts to pilot structured interview protocols in combination with analysis of existing performance data collected by posts and through the biennial Volunteer survey.

Although the collection of data from host country nationals (HCN) is ongoing, responses to date are very positive. Data from 153 HCN individuals received as of October 30, 2008, indicates that 72 percent of host family members and 85 percent of HCN counterparts reported after living and working with Peace Corps Volunteers, that their views about people from the United States were more positive. In addition, 96 percent of HCN counterparts were satisfied—58 percent being very satisfied—with changes in their community or organization that resulted from their work with the Peace Corps.

Also in FY 2008, Peace Corps conducted a case study of Peace Corps Volunteers currently serving in Jamaica. This case study found that 100 percent of the Volunteers in the study actively carried out Core Goal 3 activities during their Peace Corps service. In addition, the vast majority of American friends and family (over 80 percent) who have stayed in touch with, or who have visited Jamaica Volunteers, reported they have significantly increased their own knowledge of Jamaicans and Jamaican culture.

Strategic Information Management

The agency developed new policies and processes to better manage its data and information. Agencywide working groups collaborated to develop common definitions and glossaries. Care was taken during the strategic plan development process to ensure proper data and information sources and methods were documented and communicated throughout the organizations. OSIRP and the Office of the Chief Information Officer worked closely together on several projects designed to better access, report, and manage data and information.

New Strategic Plan

The strategic plan for FY 2009–2014 presents five strategic goals the Peace Corps seeks to achieve. All of the goals link back to the agency's focus on achieving its three core goals and carrying out the Peace Corps' mission, with special emphasis on areas the previous plan did not fully address.

The agency's development of its new strategic plan for FY 2009–2014 was a very inclusive effort that reached out for input from hundreds of staff members at headquarters and all posts throughout the world. The agency created a steering committee and various working committees to formulate the specific goals and identify appropriate performance indicators. Agency managers and staff participated directly with the formulation and vetting of the strategic plan, resulting in a document that is inclusive and representative of the entire Peace Corps organization.

Moreover, the agency consulted numerous stakeholders for feedback on the strategic direction and goals of the Peace Corps, including members of Congress, OMB, and other U.S. government agencies. Select nongovernmental organizations who partner with the Peace Corps also provided their perspectives.

The 2009–2014 Strategic Plan provides more emphasis on the programming and training needed to successfully implement grass roots development at the community level in the countries where Peace Corps serves. The plan also places emphasis on measuring how the Peace Corps promotes a better understanding of Americans on the part of the people we serve by obtaining feedback from host country nationals via field evaluation of their perspectives.

Volunteer Delivery System Modernization

The agency continued to work on specific areas through the Volunteer Delivery System (VDS) Steering Committee. Topics studied and addressed include strategic recruitment issues (such as the 50+ group) and aligning expectations of applicants, posts, staff, and host countries.

In addition, two teams were created to work under the strategic direction of the VDS Steering Committee. One team was charged with holistic analysis and recommendations to improve the VDS processes and the other team was tasked with bringing together key staff to resolve tactical issues quickly.

Agency-Identified Future Challenges

Positioning the Peace Corps for Growth and Impact in the 21st Century

Implementation of the agency's new 2009–2014 Strategic Plan will present a multitude of challenges as described below. The themes within the agency's new strategic plan center around creating the proper environment for the Peace Corps to best grow and enhance the worldwide impact through the work of the Volunteers. The process in which the plan was developed focused on including input from all organizations within the agency, as well as building upon the work done over the past few years in agency strategic planning. Key areas that guided the creation of the five strategic goals include:

- Continued Sustainable Implementation of Peace Corps Goals and Programs
- Strategic Recruitment, Selection and Placement of Volunteers (including the outreach to experienced and diverse Volunteers)
- Comprehensive and Responsive Support to Volunteers (safety and security, health care, technical and other support to foster Volunteer effectiveness)
- Effective Domestic and Overseas Post Leadership and Management
- Institutionalizing Performance and Impact Assessment

Impact Evaluation

The Peace Corps will be implementing field evaluation studies at nine posts during FY 2009 to continue the efforts to assess the impact of our work on the transfer of skills to host country individuals, communities, and organizations and the promotion of a better understanding of Americans on the part of the people that we serve. Implementation of this work in a consistent and valid manner will be challenging in the multicultural environments where we serve.

The Office of AIDS Relief also developed an evaluation study, planned for FY 2009, to focus on the impact of the life skills HIV/AIDs prevention activities of Peace Corps Volunteers.

Evaluation of the impacts of our Core Goal 3 activities will be examined through the implementation of Returned Peace Corps Volunteer focus groups and survey in FY 2009.

Integrating Organizational Performance Management

The Peace Corps will continue to integrate the performance of all of its organizations in order to meet the targets that have been established as part of the new strategic plan. The implementation of periodic reviews that integrate budget and performance at an organizational level will be imperative to ensure continuous improvement and continuity of efforts in strengthening the organization for future growth.

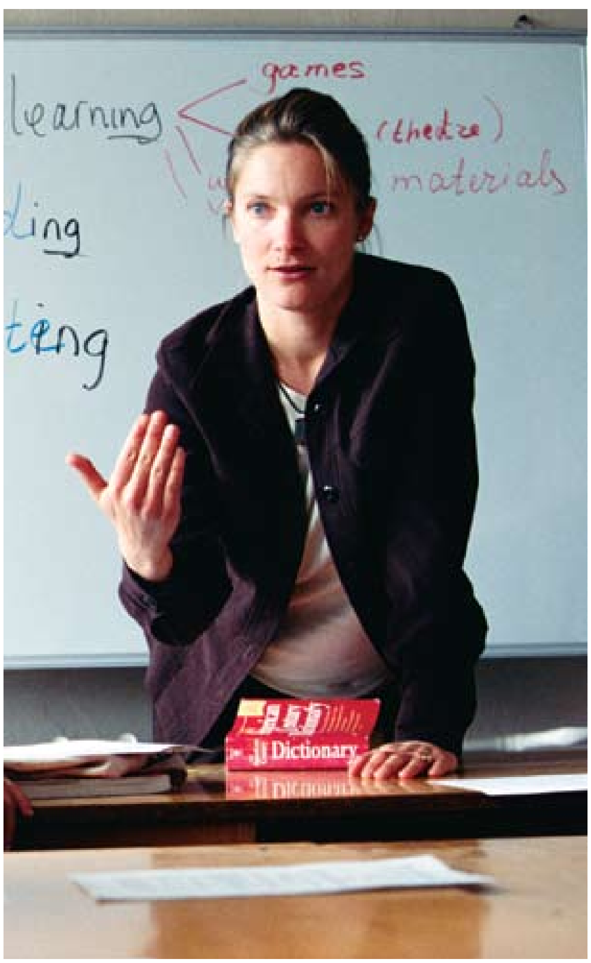
Growth in the Number of Volunteers

The call for more Volunteers is a common theme and the agency has worked hard to position the Peace Corps for future growth. At the same time, it is also important to recognize the need to maintain the effectiveness of the Volunteers. Thus, the agency is looking at what staffing and infrastructure need to be in place to handle any increases in the number of Volunteers that (given proper funding levels) the agency may undertake.

The agency received over 13,000 applications during FY 2008, and there still exists a great demand among developing countries for trained men and women. The Peace Corps continues to assess its recruitment, placement, training, and post management activities in order to meet the needs of requesting host countries, provide optimal impact in the communities it serves, as well as prepare for possible future growth.

Our 2009-2014 Strategic Plan calls for the Peace Corps to grow to 8,500 Volunteers at the end of FY 2010 and to 10,000 Volunteers by the end of FY 2011. This growth must be accomplished in a manner such that the level of support provided to our Volunteers results in highly effective service for our host country partners.

Our challenge is to fortify our total Volunteer Delivery System with an added emphasis and focus on strengthening training and programming field staffs, training materials and tools, and any necessary infrastructure such as the preparation of sites and host families, so the work of the Peace Corps continues to fulfill the needs of our host countries in a high quality manner and provides high value to the Volunteers and the people they serve.



Financial Challenge

The Peace Corps will experience a major financial challenge if worldwide inflation rises and the U.S. dollar depreciates against major currencies compared to what the Peace Corps has planned for FY 2009. Overseas costs, from salaries to utilities to office rents, continued to escalate throughout FY 2008, while currency exchange losses compared to initial planning estimates totaled as much as $9 million.

The agency continually seeks more effective and less costly ways to prepare country directors and other personnel for their assignments at posts around the world.

Summary

The Peace Corps' mission and its core values are as vital today as they were in 1961 and, while our challenges will continue to evolve, the agency is well positioned to adapt and meet these challenges as we position the agency for continued growth and impact in the years to come.

Education Volunteer, Armenia

President's Management Agenda Summary

The Peace Corps continually strives to improve its management and performance and assess its management and performance within the context of the President's Management Agenda (PMA). The PMA initiatives pave the way for improvements within the agency and facilitate the adoption of best practices from other agencies. The dedicated work of the Peace Corps' financial management and performance staff strives to meet or exceed the PMA goals and standards and the agency's own management initiatives. Presented here are the areas where the most progress was made during this fiscal year for each PMA initiative.

Strategic Management of Human Capital

The Peace Corps uniquely operates under a term-limiting hiring authority where staff members are limited to five years of regular employment, generally through two consecutive 30-month appointments, with an additional 30 months available for up to 15 percent of the staff (generally referred to as "third tours"). The Peace Corps Director has authority to grant an additional one-year extension. Under these circumstances, the maximum possible term of employment is 8.5 years. The agency continually strives to improve its human resource management (HRM) within this operating context consistent with PMA goals.

The ongoing implementation of an automated human capital management system introduced as a pilot program in FY 2006 remains vital to this agency. Many of the HRM functions were earlier automated and streamlined, reducing repetitive reporting tasks, reducing our operating costs, and allowing information to be shared more quickly and efficiently between offices. Other enhancements include specialized orientation training for automated system users, conducting surveys to determine efficiency of the automated system, conducting town hall events to explain functioning of the automated system and to answer questions and receive feedback, developing a management communication plan to get support and market the systems capabilities to the staff, and maintaining a personnel database of former Peace Corps employees to facilitate future reemployment. Additionally, this system provides the applicant intake tool for the Leadership Development Academy for potential future leaders launched in FY 2006 and now in its third year of successful operation.

During FY 2008, HRM introduced another automated human capital management system module, the performance optimization module, which was piloted in two Peace Corps offices. This module allows supervisors and employees to review current position descriptions, automates the creation and acceptance of online performance plans, and automates the feedback of accomplishments between managers and subordinates with improved accountability.

The agency continuously incorporates improvements to maximize HRM performance and to provide the very best customer support.

Commercial Services Management

The Peace Corps strives to continually improve operations and has outsourced many functions to private firms and to other government agencies in past years. Past outsourcing initiatives resulted in a 2:1 ratio of outsourced positions to Peace Corps employees. The agency currently operates effectively with a full-time staff of approximately 1,000 employees at the headquarters, regional recruiting offices and at posts in the 76 countries in which our Volunteers serve. This full-time staffing is augmented by approximately 2,000 contractors working domestically and overseas. Annually renewable personal service contracts are in effect for most overseas staff functions.

During FY 2008, several major internal business process improvement efforts were initiated. The most notable effort is the Peace Corps Medical

Supply Improvement Initiative. This effort will improve the acquisition process for pharmaceuticals and medical supply items and features a more decentralized approach using regional suppliers. This initiative is expected to reduce the cost of pharmaceuticals as well as the acquisition process cost. This effort will continue through the middle of 2009. Other business process improvement efforts include a new training delivery approach for overseas staff using computer-based technologies, a new acquisition process for overseas short-term assistance contracts, and a paperless contracting environment for domestic operations. These efforts will also continue into FY 2009.

Improved Financial Performance

For the second consecutive year, an unqualified (clean) audit opinion was earned by the Peace Corps during the FY 2008 financial statement audit. Dedicated, concentrated efforts by all those who work in financial management at the posts and within the headquarters over this past fiscal year sustained this audit opinion and further increased the level of financial management performance throughout the agency. No material weaknesses were identified by the financial audit or otherwise identified within the agency.

Direct financial management improvement efforts for the posts this fiscal year include the implementation of OdyWeb and WebEx (Internet-based communications service to share information) training for the post cashiers and cashier supervisors. OdyWeb is an application for posts to enter personal service contract nonrecurring bonuses and adjustment payments that increases the speed and accuracy of payments to overseas contractors and eliminates redundant data entry. The on-site post cashier training that began during FY 2007 was redesigned as WebEx training this fiscal year, and phase two of the overseas cashier supervisors training is currently under development. The obligation funds documentation matrix developed last fiscal year was revised to benefit the posts and a newsletter was implemented. Increased use of electronic funds transfer (EFT) has been the focus of both overseas and domestic operations and 81 percent of the posts are receiving vendor payments by EFT. Allowance payments were converted to EFT for 64 percent of all eligible posts and third party (consolidated) payments were converted to individual EFT payments. The posts now have the capability to generate an EFT confirmation report to provide documentation to the vendor or recipient bank. Those posts where the agency's 50+ age Volunteers are working will benefit from new expertise in the headquarters with knowledge of Medicare-related questions and problems.

Other important financial performance improvements instituted this year include providing online "how-to" Property, Plant and Equipment (PP&E) user documentation, and continuing to conduct semiannual PP&E verifications with the posts (continuing unresolved PP&E issues, however, will require further management efforts during FY 2009); improving the reconciliation of the State Department transactions to further strengthen the accounts payable; and further improvement of the Funds Balance with Treasury reconciliation procedures. Through the open obligation reviews, we identified $5.3 million by closing or adjusting open obligations in current and prior years (expired) funds and worked more closely with the contracting staff to deobligate funds as quickly as possible. A formal receiving process was implemented across the agency, which validates the receipt of items and identifies where processing bottlenecks occur. More stringent processing protocols now require that payments be processed within five days of receipt and reduced the time required to credit posts for check cancellations/credits from 30 days to less than 10 days and the time required to record payments processed by the embassy from 30 days to less than five days. There was a reduction in errors on the purchase card and travel card payments and Certifying Officer responsibilities for the purchase cards were enhanced by conducting monthly sampling and identifying certain high risk offices where

100 percent reviews are performed monthly. We converted 41 years of official service descriptions for the Returned Peace Corps Volunteers (RPCVs) from microfiche and paper to a text searchable digital format to expand data search opportunities and respond more quickly to requests from RPCVs. This year's tax discrepancy percentage was less than .0001 percent, which is a major improvement over past years and many of the other Federal agencies.

Internal control testing conducted this fiscal year focused on the accuracy of the accounts payable unbilled accruals to further support the financial statement balances and expanding the potential testing areas across the agency. Internal control testing from the past fiscal year to strengthen the reliability of personal service contract payment processing was reinforced this year by a full review of all personal service contract payments. Payment processing for personal service contracts was further strengthened through the use of a new contract template that captures more payment related information and standardizes information submitted from all the posts.

Ongoing efforts to improve financial policy and dissemination continued this fiscal year, as well as the maintenance and revision of the Peace Corps manual and handbooks and documentation for functions and processes. Other training efforts over the past fiscal year contributed to the improvement in financial performance through online provision of undelivered orders/accounts payable correction and reversal entry training, formal presentation of appropriation law training, and training in contract management and procurement processes.

Expanded E-Government

The Peace Corps continues to integrate electronic government principles to foster a citizen-centered government with a greater volume of service at a lower cost. Our constant challenge is to ensure that investments in information technology (IT) are addressing the right agency needs while providing for system security, scalability (workload increases/expansion), and integrity. This is critical since agency funds are limited and best used for the Peace Corps overseas programs. Our e-government initiatives are geared toward increasing productivity and efficiency, performing better accounting of our resources, and creating a technical infrastructure allowing the agency to change and grow without significant investments in technology. Progress in systems maturation has driven the agency from a technology-challenged operating environment to a high-tech enabled, collaborative agency.

Consistent with current governmentwide management reforms, the Peace Corps will increase its use of IT and e-government services to strengthen the quality, efficiency, and timeliness of recruiting, assessing, and selecting prospective Volunteers. We will also utilize our IT assets to effect a better outcome overseas, while more effectively managing our assets, increasing our safety and security, and strengthening our programming and training. The Magellan program was launched in 2008 to provide a more robust and connected global IT infrastructure, worldwide information search capability, a data warehouse for better decision making, and an enterprise content management solution for better oversight of our digital assets. The Magellan Global Infrastructure effort began in 2008 with the technology refresh and re-architecture of the agency's Inter-American and Pacific region. Due to funding constraints, the project will extend into 2009. The Europe, Mediterranean and Asia region, then Africa, will be refreshed one year at a time over the next two years.

The Volunteer Delivery System (VDS) provides a continuous cycle of Volunteer recruitment, screening, and placement that allows the Peace Corps to deliver the best suited Volunteers for a host country's needs. The Peace Corps has strategically aligned its VDS with the agency's mission, modernizing its processes to speed up the delivery process and to reach different diverse groups more effectively. Beginning with the modifications required for the agency's 50+ Initiative (recruitment of Americans to serve in the Peace Corps who are 50 years of age and older), the VDS redesign will include improvement of processes for recruiting, staging (initial volunteer training), medical clearance, and effectively managing expectations of applicants and Volunteers.

Development of PropManII, the agency's new Property, Plant and Equipment system was delayed from 2008 to 2009 to allow for developing the Peace Corps Volunteer Reporting Tool. The agency's IT Investment Review Board determined that the Peace Corps Volunteer Reporting Tool produced greater savings and impact for the agency than PropManII.

The latest Volunteer Information Database Application version allows headquarters staff and posts to better manage their Volunteer information using a standard system deployed in 2008. This system includes enhancements to mobility and operates on a laptop, tablet, or personal digital assistant.

The Peace Corps completed the upgrade of the Crime Incident Reporting System (CIRS) that provides a secure, timely, standard electronic solution for posts to report specific crimes against Volunteers to all necessary offices. This system saves time, enhances safety and security, and provides accurate and consistent information. CIRS allows headquarters and posts' staff to input, update, query, and retrieve data from one central set of data; provides protection of Volunteer identifying information and maintains confidentiality of information; allows frequent synchronization between the posts and the headquarters; provides an email alert process that communicates the receipt of new crime reports; and provides the Crime Statistics and Analysis Unit with the ability to download the most current data in the headquarters' centralized data system.

In late 2007 and 2008, the Peace Corps released four solutions for collaboration. GURU is the agency's expert-to-expert system that facilitates the best practice sharing of information for staff around the world. PeaceWiki is the agency's collective web site for Volunteers to share experiences, ideas, and best practices. Web Conferencing was implemented to enhance and reduce the cost of global training and collaboration. Post Based Websites were implemented to allow the overseas posts to create their own websites, based on a standard template, using local language with post specific messages. Also, an electronic discovery solution was implemented for the General Counsel during FY 2008.

Budget and Performance Integration

The Integrated Planning and Budget System is the primary budget and performance tool for the Peace Corps. This system is consistent with the planning process defined by the Government Performance and Results Act and is tied to the PMA. The system aligns the Congressional planning and budget cycle with the major business life cycles of the Peace Corps (i.e., the field project designs of the posts and the Volunteer recruitment and delivery cycles of the agency). The Peace Corps continues to reap the benefits of the system reengineering efforts conducted during FY 2006 such as the enhanced planning features, the internal monthly budget execution reviews, and the quarterly execution reviews.

The Office of Strategic Information, Research, and Planning (OSIRP), created during FY 2007, continues to be a driver toward improving budget and performance integration for the agency. OSIRP led the development of the strategic plan for FY 2009-2014, a process that began with the development and utilization of a logic model. By linking resources to activities, outputs and outcomes, the agency took steps down the path to better link its performance with its resources. Recently, a joint exploration effort of the OSIRP and the Chief Financial Office has been proposed to continue the process of formally correlating costs to the agency strategic goals and capturing costs by program areas. Weighing the costs of system reengineering to accommodate these major changes versus the benefits to be gained from the venture is a prime consideration for this potential effort.

The agency remains committed to the improvement of performance, the validity of budget information and justification, and to managing within the framework of the President's Management Agenda. Performance throughout the agency will be further enhanced as our systems efforts continue to mature. We constantly seek new ways to make our programs more effective and efficient and keep the focus clearly on the vital mission of the Peace Corps.

Health Volunteer, Benin

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Health Volunteer, Uganda

PERFORMANCE SECTION

Annual Performance Report

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

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

In FY 2008, the Peace Corps continued to make significant strides in institutionalizing its performance reporting process through the efforts of the Office of Strategic Information, Reporting and Planning (OSIRP), which was created in FY 2007. This year also marks the final year under the current strategic plan, and OSIRP led the agency's efforts in the development of the new plan, which is in place for FY 2009 to FY 2014.

Office of Inspector General Audits and Evaluations

The Peace Corps' Office of the Inspector General (OIG) regularly conducts audits and evaluations concerning the effectiveness of programs that support Peace Corps Volunteers. Auditors focus on fiscal accountability and effectiveness of internal controls over Peace Corps resources. Evaluators analyze the program operations of the Peace Corps at both overseas posts and domestic offices. These audits and evaluations analyze compliance with laws, regulations, and Peace Corps policies, in addition to identifying internal control weaknesses and best practices.

During FY 2008, the OIG issued 13 audit reports and three program evaluation reports concerning 14 countries. The audit reports related to administrative and financial operations at overseas posts. Other audits performed included the annual audits of the agency's financial statements and a Federal Information Security Act review of selected agency information systems.

The evaluations conducted included a program evaluation in Albania, an evaluation on the safety and security of Volunteers, and an evaluation on the medical clearance system for Volunteers. Research for these two comprehensive evaluations involved travel to 17 countries worldwide. Reports from these audits and evaluations are submitted to Management, which then takes appropriate action to address any concerns that have been identified.

Internal Management Assessments

In an effort to focus on the efficiency and effectiveness of Peace Corps operations, the agency continued its program of Internal Management Assessments (IMA) begun in FY 2007. The goal of the IMA program is to partner with offices and posts to strengthen and improve management and post operations. In FY 2008, IMAs were conducted in South Africa, Namibia, Samoa and the headquarters Center for Field Support and Applied Research.

Performance Reporting Process

FY 2008 saw the agency reap the benefits of previous years work in institutionalizing the performance reporting process. Written documentation and procedures put in place during FY 2007 ensured that the agency was able to deal with any staff turnover and report consistent results.

The Peace Corps' FY 2008 performance results are based on reliable, actual data that are complete as of the production of the results at the close of the fiscal year. Overall, the Peace Corps has made great progress in institutionalizing its performance reporting process and is well-positioned to provide solid results on performance measures.

Performance Summary

FY 2008 is the third and final year for the agency to report on the current set of performance goals and indicator targets outlined in the strategic plan. In FY 2008, the agency met or exceeded targets for five of the eight performance goals and approximately 82 percent of the 33 performance indicators. In some cases results were better than anticipated; in other areas results fell short of the goal. A case-by-case analysis is included in the Annual Performance Results section. The agency will continue to work to achieve its strategic goals and to serve the Volunteers, host country nationals, and the American people.

Education Volunteer, Botswana

PERFORMANCE INDICATORS SUMMARY

Performance Goal and Brief Description		Performance Goal Against Target	Performance Indicators Against Target			
			Exceeded	Met	Not Met	
1.1.1	Number of Volunteers serving	Not Met	1	2	1	
1.2.1	Transfer skills and knowledge	Exceeded	3	–	1	
1.3.1	Represent American diversity	Not Met	4	–	1	
2.1.1	Volunteer health care	Exceeded	3	–	–	
2.2.1	Volunteer safety	Not Met	2	–	1	
3.1.1	Interactions with Americans to build cross-cultural understanding	Exceeded	3	1	1	
4.1.1	Reduce response time to applicants	Exceeded	5	–	–	
4.2.1	Volunteer resignation rate	Exceeded	2	1	1	
	Total Performance Goals = 8	5 Exceeded 3 Not Met	**23**	**4**	**6**	**Total: 33**

Correlation of Peace Corps Goals and Strategic Goals

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

Core Goals

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

Goal 2) To help promote a better understanding of Americans on the part of the peoples served

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

CORRELATION OF PEACE CORPS CORE AND STRATEGIC GOALS

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

Annual Performance Results

STRATEGIC GOAL 1

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

Outcome Goals:

1.1 Assist interested countries with their identified needs by gradually expanding the number of trained Volunteers serving overseas from 7,733 in FY 2004 to 8,000 in FY 2008, at a rate consistent with annual funding.

1.2 Broaden the impact of Volunteers on the lives of men and women in their host communities by transferring tangible skills, as measured by increasing Volunteers reporting in the Peace Corps' close-of-service survey that they were "adequately" to "exceptionally" effective in transferring knowledge and skills to members of their host community, from 80 percent in FY 2006 to 82 percent by FY 2008.

1.3 Represent American diversity in Peace Corps host communities by increasing numbers of Peace Corps applicants representing diverse ethnicities and people 50 and over by 4 percent, from FY 2005 level of 24 percent to 28 percent by FY 2008.

Performance Goal 1.1.1.

Increase the number of Peace Corps Volunteers to 8,000 by FY 2008.

FY 2008 Goal	FY 2008 Actual
8,000	7,876

Results				
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
7,533	7,733	7,810	7,749	8,079

Results and Analysis:

At the end of FY 2008, 7,876 Americans were serving in 76 countries through 70 posts as Peace Corps Volunteers encouraging sustainable development and cross-cultural understanding at the grassroots level. Challenged by inflationary costs overseas and continued currency losses, the agency found it difficult to maintain its goal Volunteer levels. Furthermore, specific events and infrastructure in some countries (Kiribati, Georgia and Bolivia) created conditions where the Peace Corps chose to suspend operations to ensure the safety of the Volunteers. The agency has, in addition, broadened its international reach with the arrival of Volunteers beginning duties in Ethiopia which opened in FY 2007, and the historic return of the Peace Corps to Rwanda and Liberia.

Performance Indicators 1.1	FY 2008 Target	FY 2008 Results
i. Number of new country entries	2	2
ii. Percentage of Peace Corps focus countries participating in the President's Emergency Plan for AIDS Relief (PEPFAR)	100%	100%
iii. Number of Peace Corps Response Volunteers (all funding sources)	100	56
iv. Overall visits to website	8.8 million	10.7 million

Results and Analysis:

In accomplishing the agency's goals for modest expansion, the Peace Corps continues to respond to the numerous countries requesting a Peace Corps presence by opening new programs that focus on meeting the unique needs of the host country. In FY 2008, the Peace Corps placed Volunteers in Ethiopia. Peace Corps returned to Liberia and Rwanda as well.

The Peace Corps continues to be a valuable participant in the President's Emergency Plan for AIDS Relief (PEPFAR) with all 11 Peace Corps posts of the 15 PEPFAR focus countries receiving PEPFAR funds. [2] During the 2008 fiscal year, Peace Corps received PEPFAR funding to cover 216 Volunteers, including Peace Corps Response Volunteers. This year Peace Corps also reopened its program in one of the focus countries, Rwanda. The 35 trainees arriving in Rwanda in January 2009 will be assigned to an HIV/AIDS project; 20 of these eventual Volunteers will be funded by PEPFAR. In addition to posts in the focus countries, 15 other Peace Corps posts implemented PEPFAR-funded activities in FY 2008. [3]

Peace Corps Response sends Returned Peace Corps Volunteers (RPCV) on short-term assignments to assist with critical needs such as the HIV/AIDS global pandemic as well as strategic efforts in disaster preparedness and mitigation in countries which are consistently prone to natural disasters. In FY 2008, Peace Corps Response Volunteers served in nine countries: Eastern Caribbean (which comprises St Lucia, St Kitts, St Vincent, Dominica, Grenada and Antigua/Barbuda), El Salvador, Guyana, Malawi, Namibia, Panama, the Philippines, Uganda and Zambia. Of the total of 56 Volunteers who served, 21 supported HIV/AIDS programs in six countries. Peace Corps Response also provided funding for the deployment of 28 Peace Corps Volunteers in Peru to an earthquake-affected region for a two-week disaster response project.

The agency continues to innovate and expand online tools in order to communicate and share with the American public. New content is continuously added to the website to engage potential applicants. Some areas bringing in new visitors during FY 2008 include the new "teens" site, RSS (really simple syndication) feeds, and online marketing efforts. In addition, the Office of Communications and the Office of Volunteer Recruitment and Selection have developed unique content to provide more information to applicants on unique and in-demand scarce areas (such as certain areas of agriculture, health care, and advanced education). Finally, the agency's 50+ content has also been drawing more visitors.

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[2] PEPFAR has identified 15 focus countries. The Peace Corps has posts in 11 of these focus countries—Botswana, Ethiopia, Guyana, Kenya, Mozambique, Namibia, Rwanda, South Africa, Tanzania, Uganda, and Zambia

[3] Other Peace Corps posts implementing PEPFAR-funded activities include: Belize, Cameroon, Dominican Republic, Eastern Caribbean, El Salvador, Ghana, Honduras, Jamaica, Lesotho, Madagascar, Malawi, Nicaragua, Peru, Swaziland, and Ukraine

Performance Goal 1.2.1.

Incrementally increase the percentage of respondents to the Peace Corps close-of-service survey reporting the effectiveness of transferring knowledge and skills to members of their host community as "adequately" to "exceptionally" to 82 percent by FY 2008.

FY 2008 Goal	FY 2008 Actual
82%	89%

Results	
FY 2006	FY 2007
83%	86%

Results and Analysis:

One of the Peace Corps' main objectives is for Volunteers to transfer skills to members of the communities in which they live and work in order to make a meaningful and sustainable difference in the lives of those they serve. Volunteers are instructed on methods to build the capacity of the host country nationals with whom they work and to help teach solutions that will be sustainable within the community. According to the Volunteers surveyed upon completion of their service, the percent of Volunteers stating they have effectively transferred knowledge and skills to members of their host community increased to 89 percent.

Performance Indicators 1.2	FY 2008 Target	FY 2008 Results
i. Number of individuals assisted by Volunteers (e.g. students, farmers, community members, as reported via the prior year's project status report annual review	2,196,000	2,111,037
ii. Number of service providers trained by Volunteers, e.g. teachers, health clinic workers, agriculture extension agents, as reported via the prior year's project status report annual review	115,400	159,402
iii. Number of community-initiated, Volunteer-led, Partnership Program projects	505	596
iv. Increase the extent Volunteers report that they have helped host country nationals gain a better understanding of the United States and its people, as reported by the Peace Corps close-of-service survey	92%	97%

Results and Analysis:

The Center for Field Assistance and Applied Research, through its annual project status review process, compiles annual data and reviews observations related to programming and training as submitted by the field. The Peace Corps accomplishes its goal of transferring skills to people of interested countries by working to build the capacity of men, women, girls, and boys so they can manage their own development in a sustainable manner. Volunteers help build capacity by increasing the knowledge, improving the skills, and promoting behavior change of individuals and families in the countries they serve. Capacity-building efforts are targeted toward individuals, service providers, and organizations, who can, in turn, teach fellow community members. While falling short of its target for the numbers of individuals assisted, the target for the number of service providers trained by Volunteers was reached. FY 2008 also saw the development of new tools to better collect and report data related to Volunteers reach and impact.

In Fiscal Year 2008, the Office of Private Sector Initiatives (OPSI) exceeded targets for its performance indictors. Through innovative marketing and leveraging the use of online technologies, OPSI continues to bring in private sector support that directly assists the work of Volunteers overseas.

Performance Goal 1.3.1.
Incrementally increase the number of Peace Corps applicants representing diverse ethnicities and people 50 and over by 4 percent from an FY 2005 level of 24 percent to 28 percent by FY 2008.

FY 2008 Goal	FY 2008 Actual
28%	27%

Results				
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
25.9%	26.1%	24.5%	24%	24%

Results and Analysis:

Although the overall target was not met, the agency significantly increased recruitment performance over the last fiscal year. Overall applications increased 16 percent in FY 2008 over the same period last year. This is the highest number of applications this period since 2004. The number of 50+ applications also increased in this period, an incredible 44 percent, from 833 to 1197. Additionally, applications from ethnic minority populations increased 21 percent relative to the performance in FY 2007.

Performance Indicators 1.3	FY 2008 Target	FY 2008 Results
i. Percentage of applicants over the age of 50	8.0%	9.2%
ii. Percentage of applicants of diverse ethnicities	21%	18.1%
iii. Total visitors to website who access minority recruitment pages and/or scarce skills, family pages	450,000	593,782
iv. Number of articles placed in newspapers and other media that focus on diverse Volunteers and/or target diverse audiences	185	196
v. Total number of public service announcements placed in minority and diversity geared media	4,000	8,509

Results and Analysis:

Recruitment and outreach was a major initiative by the agency during FY 2008. Applications increased overall, as well as in the key areas of minorities and 50+ groups. Increased applications among the 50+ population can be attributed to new national outreach initiatives to associations and federal agencies as well as targeted media placements. In addition, 50+ recruiters in the regional offices held information sessions specifically to attract this audience.

Despite an increase in national and regional efforts (25 and 88 events respectively) and a 1 percent increase from FY 2007, the percentage of applicants from diverse ethnicities is short of its goal by 2.9 percent. While targeted national events attract large diverse populations, the regional events do not enjoy similar attraction. Another hindrance is limited funding for national diverse media advertising support.

STRATEGIC GOAL 2

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

Outcome Goals:

2.1 Increase the percentage of Volunteers indicating feeling "adequately" to "exceptionally" satisfied with their in-country health care from FY 2002 level of 75 percent to 82 percent by FY 2008.

2.2 Increase the percentage of Volunteer Survey respondents indicating they feel safe most of the time ("usually safe" to "very safe") where they live from FY 2002 level of 86 percent to 88 percent by FY 2008.

Performance Goal 2.1.1.

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

FY 2008 Goal	FY 2008 Actual
82%	92%

Results				
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
NA	87%	NA	92%	NA

Results and Analysis:

The health, safety, and security of each Volunteer is the Peace Corps' highest priority and is reflected as such in the agency's planning. The FY 2008 close-of-service Volunteer survey results demonstrate that the vast majority of Volunteers continue to be satisfied with the health care they receive while they live and work in their communities around the world.

Performance Indicators 2.1	FY 2008 Target	FY 2008 Results
i. Percent of Volunteers medically evacuated to Washington, D.C., reporting they are satisfied with their medical evacuation care as measured by the medevac survey	90%	98%
ii. Percent of Volunteer respondents reporting feeling "adequately" to "exceptionally" prepared, both physically and mentally, to meet the challenges of Peace Corps service as measured by the Peace Corps close-of-service survey	90%	93%
iii. Incidence of falciparum malaria in Africa region (measure is in cases per 100 Volunteer/trainee years)	‹6.0	‹2.2

Results and Analysis:

Peace Corps Volunteers serve in challenging environments throughout the world, and the health of Volunteers is one of the agency's top priorities. In extreme circumstances, a Volunteer may need to be medically evacuated to Washington, D.C., and the satisfaction of these Volunteers with the care they receive continues to be a focus of the agency. During FY 2008, 117 Volunteers were brought to headquarters to receive this care. The data from the medevac survey given by medevaced Volunteers reported that the agency exceeded its goal by achieving a 98 percent satisfaction rate. This performance is indicative of the effort the medical field support unit provides to the Volunteers on medevac status. Accommodations for Volunteers are arranged by the medical field support team and shuttle bus service is provided to and from Peace Corps headquarters each weekday, as well as transportation to grocery stores and pharmacies throughout the week. In addition, a lounge with Internet access and telephone service is provided for their use.

The Peace Corps focuses on equipping Volunteers so they have the tools they need to deal with the changes they will face in their communities. This training on physical and emotional health is a focus of pre-service training and is reinforced throughout a Volunteer's term of service. The close-of-service survey results from FY 2008 report that the vast majority of Volunteers are satisfied with the preparation they receive during training to meet the mental and physical challenges of Peace Corps service. Furthermore, Volunteers in malaria-prone areas are thoroughly trained on the proper protocols and the importance of taking their malaria prophylaxis, which accounts for an incidence rate that is well below the target level.

Performance Goal 2.2.1.

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

FY 2008 Goal	FY 2008 Actual
88%	85%

Results				
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
NA	88%	NA	88%	NA

Results and Analysis:

The safety and security of the Volunteer is the agency's highest priority. Safety and security information is incorporated into all aspects of Volunteer recruitment, training, and service. Although the survey response indicator missed the target, the Office of Safety and Security, as well as the regional and post staff, continue to emphasis this area in training and support. General security events can impact an individual's perceptions about one's own safety and on several occasions during FY 2008 Peace Corps had to take extraordinary measures to proactively deal with Volunteer safety. Events that occur in distant locations such as evacuations, attacks, or natural disasters can influence the perception of safety even when the individual is not at any greater risk. According to our incident data, Volunteers experienced a slight decline in incidence rates from 2006 to 2007, but data for 2008 would indicate an increase in crime incidence rates for Volunteers. This increase seems to be across all countries and in several crime categories, especially theft. This could be a reflection of a deteriorating international economic climate coupled with issues related to food insecurity among other factors.

Moving forward in FY 2009–2011, the Office of Safety and Security has proposed a new model to monitor progress. Beginning in 2009, the Office will be gathering baseline data on areas where Volunteer action would likely impact patterns of victimization. Throughout 2010 and 2011, training programs and interventions will focus on the elements identified in the baseline data for an overall goal of reducing reported crime rates in targeted areas by 5 percent over 5 years.

Performance Indicators 2.2	FY 2008 Target	FY 2008 Results
i. Percentage of posts receiving safety and security report recommendations annually	85%	66%
ii. Percent of Volunteer respondents reporting the safety and security portion of their pre-service training as “adequate,” “effective” or “very effective” as measured by the biennial Volunteer survey	85%	96%
iii. Percent of Volunteer respondents reporting they were “somewhat,” “considerably” or “completely” satisfied with support provided by Peace Corps staff for safety and security, as measured by the biennial Volunteer survey	85%	91%

Results and Analysis:

Balancing the need to keep Volunteers as safe as possible while maintaining the integrity of the Volunteer experience is one of the greatest challenges facing the Office of Safety and Security. The Office of Safety and Security works hard to integrate safety and security training into every stage of the Volunteer's service. From application to close-of-service, Volunteers receive the best information available about safety risks and how they can minimize those risks. While Volunteer service is not without risks and Volunteers must take on much of the responsibility for their own safety, the Peace Corps does have an extensive, well-established support system geared toward Volunteer safety and security.

The agency's goal was to have Peace Corps Safety and Security Officers (PCSSO) provide safety and security reports and recommendations to 85 percent of all posts in 2008. This goal was not met as PCSSOs carried out 51 visits to 45 posts, representing approximately 66 percent of Peace Corps posts. Several factors hampered PCSSOs' ability to reach all of their posts—staffing, scheduling, and travel all presented challenges during FY 2008.

The Peace Corps captures data on the biennial Volunteer survey related to success in areas of safety and security. Three of the goals related to Volunteer safety and security are dependent on Volunteer respondents.

Environment Volunteer, Panama

STRATEGIC GOAL 3

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

Outcome Goal:

3.1 Increase the number of interactions with Americans to further the Peace Corps' goals through Peace Corps supported activities to 25,844 (aggregate of indicators i. through iv.) by FY 2008.

Performance Goal 3.1.1.

Increase the number of interactions with Americans to further the Peace Corps' goals through Peace Corps supported activities to 22,606 in FY 2008.

FY 2008 Goal	FY 2008 Actual
22,606	25,403

Results	
FY 2006	FY 2007
21,377	21,748

Results and Analysis:

This indicator is a composite of the regional recruiting offices' RPCV participation number and the Peace Corps Week participation number and, the goal was exceeded for FY 2008. Coverdell World Wise Schools has reached an unprecedented high in website hits, while World Wise Windows e-newsletter is boasting more than 14,500 subscribers. The matching of Volunteers with school children and other correspondents (correspondence match program) has reached a 10-year high in educators; current Volunteers that are pursuing Master degrees under the Master International program are also at an unparalleled peak, with 218 currently serving overseas, and 200 on campuses prior to their overseas service. Peace Corps Week 2008 was a great success as well. RPCVs reported over 3,500 presentations while 43 classrooms (the highest number to date) from 24 states participated in international phone calls with Peace Corps Volunteers (PCVs) in 30 countries.

Performance Indicators 3.1	FY 2008 Target	FY 2008 Results
i. RPCV interactions with the American pubic in communities and on campuses nationwide during Peace Corps Week and throughout the year through activities supported by the Peace Corps	11,050	11,171
ii. Donors supporting Peace Corps Volunteer projects through private sector contributions	6,200	8,915
iii. U.S. educators connecting with Peace Corps Volunteers through the Peace Corps' Coverdell World Wise Schools correspondence match program	5,000	4,900
iv. Fellows/USA participants serving in communities nationwide	356	417
v. Visits per year to the Peace Corps' Coverdell World Wise School website that contains lesson plans, Volunteer stories, and other educational resources for use in the classroom and beyond	1.45 Million	2.4 Million

Results and Analysis:

Coverdell World Wise Schools reached an unprecedented high in website hits, while the World Wise Windows e-newsletter boasted more than 14,500 subscribers. The matching of Volunteers with school children and other correspondents (correspondence match program) reached a 10-year high in educators; current Volunteers that are pursuing Master degrees under the Master International program are also at an unparalleled peak with 218 currently serving overseas, and 200 on campuses prior to their overseas service. Peace Corps Week 2008 was a great success. RPCVs reported over 3,500 presentations while 43 classrooms (the highest number to date) from 24 states participated in international phone calls with PCVs in 30 countries.

The correspondence match program continued to accomplish its goal of enrolling an increasing number of educators during FY 2008. Targeted marketing to educators in middle and high schools, world language classrooms, and in community education groups expanded the program's reach. Pre-service matching of nominees and invitees to teachers continued to add to this year's increase by facilitating greater connections between the Volunteer and domestic teachers.

For Fellows/USA participants serving in communities, 117 percent of the target was achieved. This accomplishment was attained through improved marketing/awareness of available programs and new programs. This upward trend will likely continue.

Podcasts of language lessons and weekly audio stories continue to drive traffic to the website. Fresh content, such as new slide shows and lesson plans, advertised through monthly e-newsletters, keep the educator and lesson plans pages on the top 10 pages visited on the World Wise Windows website.

Business Volunteer, Mexico

STRATEGIC GOAL 4

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

Outcome Goals:

4.1 Improve the responsiveness of the Volunteer application process by streamlining the application process and decreasing the Peace Corps' response time to applicants by 7 percent from 156 days (aggregate of below indicators of timeliness) in FY 2005 to 146 days in FY 2008.

4.2 Maintain the overall 12-month Volunteer's resignation rate (with resignation officially defined as a decision made by a Volunteer/trainee that he/she no longer wishes to continue in Peace Corps service) at 10 percent or less.

Performance Goal 4.1.1.

Decrease the Peace Corps' response time to applicants by 2 percent from 154 days in FY 2005 to 146 days in FY 2008.

FY 2008 Goal	FY 2008 Actual
146 days or less	117
Results	
FY 2006	FY 2007
138	130

Results and Analysis:

There are numerous steps in the application process to become a Peace Corps Volunteer. This enables the agency to recruit and thoroughly screen applicants for skills and medical and suitability issues prior to approving and inviting them to serve as Volunteers. This application process was broken down into the various stages for which the Peace Corps has processing responsibilities to best analyze its efficiencies. The agency is pleased to have exceeded the FY 2008 goal of response time to applicants by approximately 30 days. The agency remains committed to streamlining the processes that enable Americans to obtain information, apply, join, and complete service as Peace Corps Volunteers.

Performance Indicators 4.1	FY 2008 Target	FY 2008 Results
i. Number of days from receipt of application to nomination	64	56
ii. Number of days from nominee's completed health status review to medical kit sent	7	3
iii. Number of days from receipt of completed medical kit to medical qualification	30	18
iv. Number of days from medical qualification to invitation	45	40
v. Percentage of applicants who submit their Volunteer applications over the Internet	86%	96%

Results and Analysis:

The agency continuously examines and seeks to improve its ability to efficiently process applicants. Improvements in content of the Peace Corps' web site, for example, have better prepared potential applicants for expectations during both the application process and service. This contributed to the decreasing length of time from application to nomination. The agency looked hard at its processes in an effort to reduce the time needed to process invitations. These adjustments include improved communication, including the use of WebEx, between the headquarters, posts, and applicants.

Performance Goal 4.2.1.

Maintain the overall 12-month Volunteer's resignation rate at 10 percent or less in FY 2008.

FY 2008 Goal	FY 2008 Actual
<10%	8.6%

Results				
FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
9.0%	8.0%	9.0%	8.9%	8.7%

Results and Analysis:

Retaining Volunteers is an area the Peace Corps has examined and analyzed carefully. The agency's target to keep resignations for FY 2008 below 10 percent was achieved. Offices throughout the agency benefited from being updated quarterly. The agency continues to monitor early terminations and to use both quantitative and qualitative data to assist in improving recruiting, training, programming, and all other aspects of the Volunteer experience.

Performance Indicators 4.2	FY 2008 Target	FY 2008 Results
i. Percentage of sites described "very well," "well," or "adequately" prepared in the biennial Volunteer survey	80%	79%
ii. Percent of Volunteer respondents reporting their pre-service training to manage cultural differences as "adequate," "effective" or "very effective" as measured by the biennial Volunteer survey	91%	94%
iii. Percentage of Peace Corps project and training programs reviewed annually to provide feedback for improvement to posts as reported via the prior year's project status report/training status report review process	97%	97%
iv. Percent of Peace Corps Volunteer respondents reporting their pre-service training as "adequate", "effective," or "very effective" in preparing them to maintain their mental/emotional health, as measured by the biennial Volunteer survey	85%	89%

Results and Analysis:

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

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

The Center for Field Assistance and Applied Research monitors the production and quality of programming and training (including the quality of materials provided to posts) with the regions through the annual project status report review process. These evaluations provide feedback to posts on overall possible project improvements. Cohesive projects enable Volunteers to have well-defined work at their sites, which fits into a larger project goal addressing the identified needs of the host country. The agency is proud to have completed the review of 97 percent of the project plans in FY 2008, meeting its target.

The agency met its goal on preparing Volunteers to meet their mental/emotional health needs during their service. In FY 2008, the agency continued the training efforts of staff and Volunteers that are essential to maintain mental health and Volunteer resiliency.

Health Volunteer, South Africa

Health Volunteer, Botswana

FINANCIAL SECTION

Message from the Chief Financial Officer

The Peace Corps again earned an unqualified (clean) audit opinion during the FY 2008 financial statement audit. For the second consecutive year, no material weaknesses or federal system noncompliances were identified by the financial audit or otherwise identified within the agency. This achievement can be attributed to the dedicated, concentrated efforts by all those who work in financial management at the posts and within the headquarters. Along with this opinion, the Peace Corps received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting for quality reporting in the FY 2007 Performance and Accountability Report. The culmination of past agency efforts that produced sound financial processes, a certified and accredited financial system, and strong operational management are the pillars upon which the Peace Corps' built this fiscal year. The process for producing our financial statements continues to be refined and grows stronger each fiscal year.

While the agency aggressively worked this year through the corrective action plan to mitigate the significant deficiencies identified by the FY 2007 financial audit, a number of those deficiencies remain open, subject to further corrective actions. Though no material weaknesses were identified during the FY 2008 financial audit, other significant deficiencies were identified in our internal controls for the accounting business process and the information system security controls. Significant deficiencies in internal control for the agency are shown in Appendix 1, Summary of Audit Findings, with an estimated completion date for corrective actions.

Our worldwide posts can now take advantage of the recently developed Ody Web to input personal service contract nonrecurring bonuses and adjustment payments thereby eliminating redundant data entry and ensuring that payments to the overseas contractors are faster and more accurate; receive cashier training on-site through WebEx an Internet-based communications service with phase two of the overseas cashier supervisors training currently under development; and better utilize the many electronic funds transfer enhanced capabilities implemented this fiscal year. Those posts where the agency's 50+ age Volunteers are working will benefit from new expertise in the headquarters with knowledge of Medicare-related questions and problems.

Other important financial improvements instituted this year include providing online "how-to" Property, Plant and Equipment (PP&E) user documentation and continuing to conduct semiannual PP&E verifications with the posts (continuing unresolved PP&E issues, however, will require further management efforts during FY 2009); improving the reconciliation of the State Department transactions to further strengthen the accounts payable; and further improving the Funds Balance with Treasury reconciliation procedures. By closing or adjusting open obligations, $5.3 million was indentified in current and prior years (expired) funds. Prompt Payment Act interest paid was less than .001 percent. A recent formal receiving process validates the receipt of items and identifies where processing bottlenecks occur. More stringent processing protocols now require that payments be processed within five days of receipt and reduced the time required to credit posts for check cancellations/credits from 30 days to less than 10 days and the time required to record payments processed by the embassy from 30 days to less than five days. Outstanding errors on the purchase card and travel card payments were reduced and Certifying Officer responsibilities for the purchase cards were enhanced by conducting monthly sampling with 100 percent reviews of high risk areas. This year's tax discrepancy percentage was less than .0001 percent which is a major improvement over past years and many of the other Federal agencies.

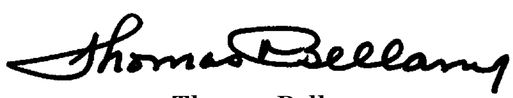
Internal control testing this fiscal year focused on the accuracy of the accounts payable unbilled accruals to further support the financial statement balances and expanding the potential testing areas across the agency. Last year's internal control testing efforts were reinforced by a full review of all personal service contract payments. This fiscal year the financial management performance metrics implemented last year were carefully monitored for the critical activities that evaluate the agency's financial health.

The most significant issue looming for the coming fiscal year is the fact that the agency's funding is being drawn down by the drop in the value of the American dollar overseas and the continual increase in utilities and other costs being experienced by headquarters and the posts around the world. Both the headquarters and the posts are facing reductions in staff and services as the purchasing power of the dollar continues to weaken.

Within that context, this next fiscal year should see the automation of the weekly cash reconciliation statements for the posts, implementing invoice sampling for domestic travel vouchers, full implementation of an automated conversion process where paper checks are scanned and automatically transmitted to the Treasury, and increasing payment processing interaction with the Department of State.

My staff and I remain fully committed to fostering financial management improvements and sustaining all agency efforts to secure future unqualified opinions on the agency's financial statements.

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



Thomas Bellamy
Acting Chief Financial Officer
November 17, 2008

Peace Corps
Balance Sheet
As of September 30, 2008 and 2007
(In Thousands)

	2008	2007
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2 and 3)	$ 117,964	$ 125,652
Accounts Receivable (Note 5)	635	630
Total Intragovernmental	118,599	126,282
Cash and Other Monetary Assets (Note 4)	40	65
Accounts Receivable, Net (Note 5)	26	58
General Property, Plant, and Equipment, Net (Note 6)	32,458	32,657
Other		
Prepaid Volunteer Living Allowances (Note 7)	4,304	3,984
Other Assets (Note 8)	2,541	2,510
Subtotal Other	6,845	6,494
Total Assets	$ 157,968	$ 165,556
Liabilities		
Intragovernmental		
Accounts Payable	$ 997	$ 1,024
Other		
Unfunded FECA Liability (Note 9)	25,582	24,236
Other Liabilities (Note 10)	2	2
Subtotal Other	25,584	24,238
Total Intragovernmental	26,581	25,262
Accounts Payable	11,396	8,313
Federal Employee and Veterans Benefits (Note 9)	119,302	116,450
Other		
Other Employment Related Liability (Note 9)	14,436	7,590
Non-Entity Funds (Note 2)	31,947	32,597
Accrued Funded Payroll and Leave	4,252	3,680
Unfunded Annual Leave (Note 9)	7,600	7,310
Other Liability (Note 10)	1,164	750
Subtotal Other	59,399	51,927
Total Liabilities	216,678	201,952
Commitments and Contingencies (Note 12)		
Net Position		
Unexpended Appropriations - Other Funds	68,276	81,586
Cumulative Results of Operations - Other Funds	(126,986)	(117,982)
Total Net Position	$ (58,710)	$ (36,396)
Total Liabilities and Net Position	$ 157,968	$ 165,556

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Net Cost
For the Periods Ended September 30, 2008 and 2007
(In Thousands)

	2008	2007
Program Costs:		
Gross Costs	$ 361,036	$ 335,688
Less: Earned Revenue (Note 14)	2,897	3,158
Net Cost of Operations	$ 358,139	$ 332,530

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Changes in Net Position
For the Periods Ended September 30, 2008 and 2007

(In Thousands)

	2008	2007
Cumulative Results of Operations		
Beginning Balance	$ (117,982)	$ (120,348)
Adjustments		
Corrections of Errors (Note 11)	460	(511)
Beginning Balances, As Adjusted	(117,522)	(120,859)
Budgetary Financing Sources:		
Appropriations Used	342,815	330,685
Other Financing Sources (Non-Exchange):		
Transfers-In/Out Reimbursement	1,398	(102)
Imputed Financing (Note 13)	4,462	4,824
Total Financing Sources	348,675	335,407
Net Cost of Operations	(358,139)	(332,530)
Net Change	(9,464)	2,877
Cumulative Results of Operations:	(126,986)	(117,982)
Unexpended Appropriations:		
Beginning Balance	81,586	92,863
Adjustments		
Corrections of Errors (Note 11)	(2)	(135)
Beginning Balance, As Adjusted	81,584	92,728
Budgetary Financing Sources:		
Appropriations Received	333,500	319,700
Other Adjustments	(3,992)	(157)
Appropriations Used	(342,816)	(330,685)
Total Budgetary Financing Sources	(13,308)	(11,142)
Total Unexpended Appropriations	68,276	81,586
Net Position	$ (58,710)	$ (36,396)

The accompanying notes are an integral part of these statements

Peace Corps
Statement of Budgetary Resources
For the Years Ended September 30, 2008 and 2007

(In Thousands)

	2008	2007
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	$ 21,501	$ 21,148
Budgetary Authority		
Appropriation	333,500	319,700
Spending Authority From Offsetting Collections (Gross)		
Earned		
Collected	5,415	4,789
Change in Receivables from Federal Sources	(14)	(334)
Change in Unfilled Customer Orders		
Without Advance from Federal Sources	901	(150)
Subtotal	339,802	324,005
Permanently Not Available	5,098	158
Total Budgetary Resources	$ 356,205	$ 344,995
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	$ 329,072	$ 320,848
Reimbursable	2,212	2,646
Subtotal	331,284	323,494
Unobligated Balance:		
Apportioned	13,127	10,648
Unobligated Balance Not Available	11,794	10,853
Total Status of Budgetary Resources	$ 356,205	$ 344,995
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	$ 72,947	$ 87,860
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(46)	438
Total Unpaid Obligated Balance, net	72,993	87,422
Obligations Incurred, net	331,284	323,494
Gross Outlays	341,835	338,407
Change in Uncollected Customer Payments from Federal Sources	886	(484)
Obligated Balance, Net, End of Period		
Unpaid Obligations	62,396	72,947
Uncollected Customer Payments from Federal Sources	840	(46)
Total Unpaid Obligated Balance, Net, End of Period	$ 61,556	$ 72,993
Net Outlays:		
Gross Outlays	$ 341,835	$ 338,407
Offsetting Collections	5,415	4,789
Net Outlays	$ 336,420	$ 333,618

The accompanying notes are an integral part of these statements

Note 1 Significant Accounting Policies

a) Reporting Entity

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

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

b) Basis of Presentation

The financial statements present the financial position, the net cost of operations, and changes in net position along with budgetary resources activities of the agency pursuant to the requirements of 31 U.S.C. 3515 (b). They have been prepared using Peace Corps' books and records in accordance with agency accounting policies, the most significant of which are summarized in this note. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements are presented in accordance with the applicable form and content requirements of the OMB Circular A-136, "*Financial Reporting Requirements*," issued June 2008. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

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

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

Federal Financial Statements

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

c) Basis of Accounting

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

d) Fund Accounting Structure

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

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

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

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

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

e) Budget Authority

Congress annually passes multi-year appropriations that provide the agency with authority to obligate funds over a two-year period for necessary expenses to carry out operations. After the right to create new obligations has expired, this two-year budget authority is available for five additional years to complete the liquidation of open obligations, advances, and receivables. After the five-year period, all open transactions for the respective fiscal year will be 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 interagency agreements. For financial statement purposes, appropriations are recorded as a financing source and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures.

g) Fund Balance with the U.S. Treasury

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

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

The funds that make up post cashiers' imprest funds belong to the U.S. Treasury through DOS's accountability. These funds are routinely used to pay for small-value purchases of goods and services and are also used to make an occasional emergency payment. Per agreement with the DOS, the Peace Corps is responsible to pay for any losses incurred by the cashiers that would normally fall on the account holder. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps appropriation unexpended balance in U.S. Treasury records. As of September 30, 2008, cashier imprest funds represented by cash on hand, checks on hand, interim advances, and cashier checking account balances totaled approximately $1.6 million in U. S. dollar equivalents.

At any point in time, the posts have U. S. dollar equivalents and local currency checks in their possession that are awaiting delivery to the payees. These checks were recorded as disbursements on Peace Corps and U.S. Treasury records in the month the checks were issued. As of September 30, 2008, these checks totaled approximately $6.6 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 U.S. Department of State Financial Service Centers in Charleston, South Carolina; and Bangkok, Thailand.

i) Accounts Receivable

Accounts receivable includes amounts due from other federal entities and from current and former employees and Volunteers. Annually, a determination of the amount of the Allowance for Doubtful Accounts will be established for material amounts 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. An exception to this write-off policy will be for accounts with approved payment plans in place and for which the debtor is meeting the terms of the plan.

j) Advances and Prepayments

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

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

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

The agency capitalizes property, plant, and equipment, with the exception of general property, plant, and equipment and vehicles, that has an acquisition cost of $25,000 or greater, a useful life of two years or more, are not intended for sale in the ordinary course of business, and are intended to be used or available for use by the entity. For general property, plant, and equipment, purchases are capitalized at $25,000 or greater for individual items and $500,000 or greater for aggregate purchases. 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.

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

l) 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*—The agency records the direct dollar costs of compensation and medical benefits paid on its behalf by the U.S. Department of Labor for employees under the agency's jurisdiction.

II. *Future Workers Compensation Benefits*—FECA provides income and medical costs protection to federal employees injured on the job or who have incurred a work-related occupational disease, and to beneficiaries of employees whose death is attributable to job-related injury or occupational disease. The U.S. Department of Labor administers the FECA program and initially pays valid claims and bills the agency on an annual basis.

III. *Accrued Leave*—A liability for annual leave is accrued as leave is earned and paid when leave is taken or employment terminates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

IV. *Employee Health Benefits and Life Insurance*—The agency's employees are eligible to participate in the contributory Federal Employees Health Benefit Program 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 four 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 Service Contractor Severance and Retirement Liability*—The Peace Corps is generally liable for separation or retirement payments to eligible host country resident personal service contractors (PSCs) in countries that require payments under local labor laws. Until systems are in place to track this liability in a timely manner, the estimate of the current and future costs of the severance and retirement liability is determined annually.

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, as well as the disclosure of contingent liabilities at the date of the financial statements and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

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

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 2008 were immaterial.

s) Allocation Transfer

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

Note 2 Non-Entity Assets

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

Non-Entity Assets	**September 30, 2008** *(in thousands)*	**September 30, 2007** *(in thousands)*
Trust Fund		
FSN Separation Liability Trust Fund	$ 7,349	$ 7,849
Special Fund		
Host Country Residents Contractors Separation Liability Fund	5,658	5,157
Deposit Funds		
Volunteer Readjustment Allowance	18,417	17,978
Volunteer Payroll Allotment Account (Payroll Savings Bond Account)	14	17
Clearing Accounts	509	1,596
Total Non-Entity Assets	31,947	32,597
Total Entity Assets per Balance Sheet	126,021	132,959
Total Assets	$ 157,968	$ 165,556

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 service contractors.

Deposit Funds—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 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, 2008** (in thousands)	**September 30, 2007** (in thousands)
Appropriated Funds	$ 86,017	$ 93,055
Total Non-Entity Assets (Note 2)	31,947	32,597
Total	$ 117,964	$ 125,652

Status of Fund Balance with Treasury	**September 30, 2008** (in thousands)	**September 30, 2007** (in thousands)
(1) Unobligated Balance		
(a) Available	$ 13,127	$ 10,648
(b) Unavailable	11,794	10,853
(2) Obligated Balance Not Yet Disbursed	93,043	104,151
Total	$ 117,964	$ 125,652

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 Cash and Other Monetary Assets

	September 30, 2008 *(in thousands)*	September 30, 2007 *(in thousands)*
Total Cash and Other Monetary Assets	$ 40	$ 65

The cash balances represent imprest funds at headquarters held in U.S. currency.

Note 5 Accounts Receivable, Net

Accounts Receivable as of September 30, 2008 *(in thousands)*	**Accounts Receivable, Gross**	**Allowance for Doubtful Accounts**	**Accounts Receivable, Net**
Intragovernmental	$ 635	$ -	$ 635
Other	65	39	26
Total	$ 700	$ 39	$ 661

Accounts Receivable as of September 30, 2007 *(in thousands)*	**Accounts Receivable, Gross**	**Allowance for Doubtful Accounts**	**Accounts Receivable, Net**
Intragovernmental	$ 630	$ -	$ 630
Other	58	-	58
Total	$ 688	$ -	$ 688

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 nonfederal (public) debts are more likely than not to be totally uncollected. An allowance was established as of September 30, 2008.

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

Components of Fixed Assets as of September 30, 2008: *(in thousands)*	**Useful Life in Years**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
General Property, Plant, and Equipment	5–10	$ 2,983	$ 2,656	$ 327
Vehicles	5	17,857	5,847	12,010
IT Hardware	3–15	11,565	6,145	5,420
Leasehold Improvements	10	402	100	302
Internal-Use Software	3–9	29,366	14,967	14,399
Total		$ 62,173	$ 29,715	$ 32,458

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

For the quarter ending September 30, 2008, Peace Corps fixed assets include internally developed software and those assets that are reflected as active in the property management databases. These assets are located at headquarters in Washington, D.C., the eleven regional offices, and the overseas posts.

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

Note 7 Prepaid Volunteer Living Allowances

	September 30, 2008 *(in thousands)*	**September 30, 2007** *(in thousands)*
Prepaid Volunteer Living Allowances	$ 4,304	$ 3,984

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 prepositioned so that Volunteers will not incur a financial burden for their living costs.

Note 8 Other Assets

	September 30, 2008 (in thousands)	September 30, 2007 (in thousands)
Travel Advances to Employees	$ 82	$ 97
Relocation Advances to Employees	30	40
Prepaid Property, Plant and Equipment	94	555
Prepaid Rent	2,335	1,818
Total Other Assets	$ 2,541	$ 2,510

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 9 Liabilities Not Covered by Budgetary Resources

	September 30, 2008 (in thousands)	September 30, 2007 (in thousands)
Intragovernmental Liabilities		
Unfunded FECA Liability	$ 25,582	$ 24,236
Liabilities		
Unfunded Annual Leave	7,600	7,310
Unfunded Employment Related Liability	14,436	7,590
Federal Employee and Veterans Benefits	119,302	116,450
Total Liabilities Not Covered by Budgetary Resources	$ 166,920	$ 155,586

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

Unfunded Annual Leave—A liability for annual leave is accrued as leave is earned and paid when leave is taken or when the individual terminates. The balance represents the estimated value of annual leave for U.S.-hired employees earned but not used on September 30, 2008. 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 are approximately 200 foreign service nationals and a range of 1,500 to 2,000 foreign national PSCs working for the Peace Corps at fiscal year end. Annual leave earned is based on local labor law requirements. Annual leave is paid out of current appropriations when taken.

Unfunded Employment Related Liability—A liability for the foreign national PSCs' estimated severance. Lump-sum payments are generally made to eligible international long-term personal service contractors based on local labor law requirements for separation. These payments are made when the individual terminates in accordance with local laws. During FY 2008, the accrual methodology was changed to include the liability for the posts' replacement local social security plans.

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

Note 10 Other Liabilities

	September 30, 2008 *(in thousands)*	September 30, 2007 *(in thousands)*
Intragovernmental		
Advances from Others	$ 2	$ 2
Other Liabilities		
Contingent Liability	1,164	750
Total Other Liabilities	$ 1,166	$ 752

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

Contingent Liability—See Note 12.

Note 11 Adjustments to the Financial Statements

Adjustments were entered for property, plant and equipment additions that were not previously recorded in the proper period of accountability. These adjustments are reflected on the Statement of Changes in Net Position.

Note 12 Commitments and Contingencies

In the opinion of the management and legal counsel, the agency is liable for contingent liabilities related to administrative proceedings, legal actions, or claims that are probable and measurable in the amount of $1,164,000 as of September 30, 2008.

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 $330,000 as of September 30, 2008.

Note 13 Imputed Financing

	September 30, 2008 *(in thousands)*	September 30, 2007 *(in thousands)*
Federal Employees Health Benefit Program	$ 3,478	$ 3,811
Federal Employees Group Life Insurance Program	12	12
Civil Service Retirement System	846	811
Federal Employees Retirement System	(6)	(4)
Foreign Service Retirement and Disability System	132	194
Total Imputed Costs	$ 4,462	$ 4,824

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

Note 14 Exchange Revenues

	September 30, 2008 *(in thousands)*	September 30, 2007 *(in thousands)*
Intragovernmental Earned Revenues	$ 2,426	$ 2,784
Earned Revenues from the Public	471	374
Total Exchange Revenues	$ 2,897	$ 3,158

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, microenterprise and Small Project Assistance technical assistance.

Note 15 Reconciliation of Net Cost of Operations to Budgetary Obligations

FY 2008	Direct	Reimbursable	Total
Net Obligations Incurred	$ (329,072)	$ (2,212)	$ (331,284)
Less: Undelivered Orders	13,779	214	13,993
Total Expended Obligation Authority	(342,851)	(2,426)	(345,277)
Financing Sources Used	(342,832)	(2,426)	(345,258)
Obligations Not Resourced	(19)	0	(19)
Adjustments Reconciling Obligations To Costs Included in Obligations Not in Costs			
Acquisition of Assets	8,361	-	8,361
Subtotal	8,361	-	8,361
Included in Costs Not in Obligations			
Future Funded Expenses	7,429	-	7,429
Depreciation, Amortization, and Depletion	7,871	-	7,871
Employer Contributions to Employee Benefit Programs	1,468	-	1,468
Changes in Actuarial Liability	2,852	-	2,852
Offsetting Revenues	-	(2,416)	(2,416)
Imputed Financing	4,462	-	4,462
Net Transfers Without Reimbursement	(1,398)	-	(1,398)
Nonfederal Receivables	(17)	-	(17)
Net Change on Dispositions	(230)	-	(230)
Other Financing Sources	1,212	(10)	1,202
Subtotal	23,649	(2,426)	21,223
Adjusted Expended Obligation Authority	(358,139)	(0)	(358,139)
Statement of Net Costs	358,139	(0)	358,139
Unexplained Differences	$ -	$ -	$ -

FY 2007	Direct	Reimbursable	Total
Net Obligations Incurred	$ (333,548)	$ (1,989)	$ (335,537)
Less: Undelivered Orders	144	190	334
Total Expended Obligation Authority	(333,692)	(2,179)	(335,871)
Financing Sources Used	(341,597)	(2,145)	(343,742)
Obligations Not Resourced	7,905	(34)	7,871
Adjustments Reconciling Obligations To Costs Included in Obligations Not in Costs			
Acquisition of Assets	8,688	-	8,688
Subtotal	8,688	-	8,688
Included in Costs Not in Obligations			
Future Funded Expenses	(1,363)	-	(1,363)
Depreciation, Amortization, and Depletion	7,063	-	7,063
Employer Contributions to Employee Benefit Programs	78	-	78
Offsetting Revenues	3,773	(2,143)	1,630
Imputed Financing	4,824	-	4,824
Net Transfers Without Reimbursement	(141)	-	(141)
Nonfederal Receivables	94	-	94
Net Change on Dispositions	(104)	-	(104)
Other Financing Sources	14,933	(1)	14,932
Subtotal	29,157	(2,144)	27,013
Adjusted Expended Obligation Authority	(354,161)	(35)	(354,196)
Statement of Net Costs	354,161	35	354,196
Unexplained Differences	$ -	$ -	$ -

Note 16 Disclosure on Contributions to the Peace Corps

1. Media Contributions Received—The agency received $10.2 million in print, radio, and television media contributions through public service announcements in the first 11 months of FY 2008.

2. Host Country Contributions—The agency received cash and in-kind contributions from host countries. In-kind contributions estimated at $5.4 million in fair market value were received at posts through the end of FY 2008 for services, supplies, equipment, and facilities. The end of FY 2008 host country cash balance is $579,668.

Note 17 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

	September 30, 2008 *(in thousands)*		September 30, 2007 *(in thousands)*	
	Direct	Reimbursable	Direct	Reimbursable
Category A	$ 329,072	$ 2,212	$ 320,848	$ 2,646
Category B	0	0	0	0
Category C	0	0	0	0
Total Obligations Incurred	$ 329,072	$ 2,212	$ 320,848	$ 2,646

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

Note 18 Undelivered Orders at the End of the Period

	September 30, 2008 *(in thousands)*	September 30, 2007 *(in thousands)*
Undelivered Orders – End of Period	$ 52,468	$ 66,462

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

Since 1961.

To: Ron Tschetter, Director

From: Kathy A. Buller, Inspector General

Date: November 13, 2008

Subject: Audit of Peace Corps' Fiscal Year 2008 Financial Statements

This letter transmits the reports of Urbach Kahn and Werlin LLP (UKW) on its financial statement audit of the Peace Corps' Fiscal Year (FY) 2008 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and subjected them to audit.

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

We contracted with UKW, an independent certified public accounting firm, to audit the financial statements as of September 30, 2008 and 2007. The contract required that the audit be done in accordance with generally accepted government auditing standards; the OMB's Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual.

UKW's audit report for FY 2008 includes: (1) an opinion on the financial statements, (2) a report on internal control, and (3) a report on compliance with laws and regulations. In the audit of the Peace Corps, UKW found:

- The financial statements were fairly presented, in all material respects, in conformity with generally accepted accounting principles for the year-ended September 30, 2008.

- There were no material weaknesses in the internal controls. OMB Bulletin 07-04 defines a material weakness as a significant deficiency, or combination of significant deficiencies, that results in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

- UKW's report on internal control did identify some significant deficiencies:
  - Certain controls associated with property, plant, and equipment require improvement.
  - Peace Corps, Office of Chief Financial Officer policy on reporting Host Country Contributions (HCC) in the financial statements is not consistent with generally accepted accounting principles. Additionally, internal control over receipting and recording HCC cash donations needs strengthening.
  - Recording of recoveries is not consistent with U.S. Standard General Ledger guidance.

- Full certification and accreditation of all of Peace Corps' information systems has not been achieved.
- Contingency planning related to the information system environment is deficient requiring certain measures for improving the process.
- Access control, application software development, and change control weaknesses related to the financial reporting system need to be remedied.

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

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

OIG Evaluation of UKW's Audit Performance

In connection with the contract, we reviewed UKW's report 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 internal control or conclusions on compliance with laws and regulations. UKW is responsible for the attached auditor's reports dated November 12, 2008 and the conclusions expressed in the reports. However, our review disclosed no instances where UKW 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 prior to the November 17 OMB due date. Their professionalism, courtesy, and cooperation allowed us to overcome the many challenges associated with performance of the audit and our oversight of the audit process. If you or a member of the Peace Corps staff has any questions about UKW's audit or our oversight, please contact me or Gerald Montoya, Assistant Inspector General for Audit, at 202-692-2907.

Attachments

cc: Jody Olsen, Deputy Director
David Liner, Chief of Staff
Thomas Bellamy, Acting Chief Financial Officer

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Urbach Kahn & Werlin LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Director and Inspector General,
Peace Corps

We have audited the accompanying Balance Sheets of Peace Corps as of September 30, 2008 and 2007 and the related statements of Net Cost, Changes in Net Position and Budgetary Resources for the years then ended. These financial statements are the responsibility of Peace Corps' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2008 and 2007 and its net cost, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our reports dated November 12, 2008, on our consideration of Peace Corps' internal control over financial reporting and on our tests of Peace Corps' compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Message from the Director, Performance Section, Other Accompanying Information and Appendixes listed in the table of contents are presented for additional analysis and are 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 them.

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 12, 2008

Independent Auditor's Report on Internal Control

To the Director and Inspector General,
Peace Corps

We have audited the financial statements of Peace Corps as of and for the year ended September 30, 2008 and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered Peace Corps' internal control over financial reporting as a basis for designing our auditing procedures, we obtained an understanding of design effectiveness of internal controls, determined whether they have been placed in operation, assessed control risk, and performed tests of Peace Corps' controls for the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act* (FMFIA) (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of Peace Corps' internal control over financial reporting.

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the second paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses; however, we do not believe that the significant deficiencies described below are material weaknesses.

<u>Significant Deficiencies</u>

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

1. Accounting business processes need enhancement

2. Information systems security controls need improvement

In addition to the significant deficiencies described above, we noted certain matters involving internal control and its operation that we reported to the management of Peace Corps in a separate letter dated November 12, 2008.

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

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 12, 2008

SIGNIFICANT DEFICIENCY 1

ACCOUNTING BUSINESS PROCESSES NEED ENHANCEMENT

Property Plant & Equipment

Peace Corps continued to make improvements during FY 2008 in accounting for its capitalized assets. Several changes were made to the module program codes to generate more accurate reports. However, UKW identified the following issues through our FY 2008 internal control and substantive testing.

Additions:

- There was no clear audit trail to verify software developers' hours spent for software development. Records were not properly maintained because management was not able to support the original calculation of the capitalized labor cost related to the software. Immaterial adjustments were subsequently made to the recorded balance of capitalized software costs as a result of audit testing.

Disposals:

- Capitalized travel and authorization costs could not be verified for several IT personnel. In addition, disposal dates could not be verified on a few assets disposed of in the current year.

- Sufficient supporting documentation for initial capitalized balances could not be provided for one sample item disposed of in the current year.

Physical Observation:

- There was one instance where an asset observed during physical observation was listed twice in the asset listing. In addition, there were several instances where assets observed during physical observation could not be located in the asset listing. Peace Corps determined that these assets may not have been capitalized and therefore, would not be on the listing. However, supporting documentation was not provided to show that they should not be capitalized.

- There were instances where assets from the asset listing could not be physically identified because they did not have identification numbers.

Recommendations

We recommend the Peace Corps Director:

1a. Enforce current policies designed to ensure a detailed and clear audit trail for calculations of capitalized software developers' labor costs, and ensure that relevant documentation is maintained and readily available.

1b. Enforce policies outlining the roles and responsibilities of the property accounting and financial reporting personnel for performing accuracy, verification and completeness checks on the capitalized property listings.

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL, CONTINUED

Host Country Contributions

Posts receive two types of Host Country Contributions (HCC): in-kind and cash. In-kind contributions are any non-cash items such as housing for volunteers, utilities, and donated supplies. Cash HCCs are used for payment to local contractors, allowances for volunteers and Peace Corps programs. Currently, about ten to twelve Posts have cash contributions balances in local currency as of September 30, 2008, for which the donor country may or may not have restricted the funds for specific purposes. Cash donations are recorded in FOR Post and recognized as an HCC receipt. Posts are required to deposit HCC receipts and submit a deposit slip to Headquarters.

In fiscal year 2007 Peace Corps began working with legal counsel to determine the nature of the cash contributions and whether the cash received from host countries meet the definition of gifts or donations and whether the balance should be reported by Peace Corps on its principal financial statements in addition to footnote disclosure. The current guidance published in CFO Policy Statement 07-01, *Accounting for Funds and Miscellaneous Items*, was prepared, reviewed, approved and disseminated in accordance with the agency's authority to provide definitive guidance where policy does not specifically cover a gray area in the law. This authority was issued to describe the procedures for accounting and reporting of HCC funds based on the determination that these funds were fiduciary resources, essentially the property of the donating country.

Under the above guidance the HCC In-kind and cash contributions are disclosed in a footnote to the financial statements. This is inconsistent with generally accepted accounting principles, which require all assets held by a government agency to be reported and disclosed in the financial statements as entity or non-entity assets, other financing sources, and non-exchange revenues.

In addition, the HCC Funds are currently controlled and reported at the Post level. In fiscal year 2008, UKW was informed by the Office of Inspector General (OIG) about a suspected fraud in excess of $50,000 related to HCC Funds at one of the Posts. Improved controls are needed over access, dual authorization and handling of cash and other forms of HCC Funds.

Recommendations

We recommend the Peace Corps Director:

1c. Reexamine its current CFO Policy 07-01 regarding HCCs to ensure that recognition, recording, monitoring and reporting its HCCs is consistent with generally accepted accounting principles for Federal entities, and modify the policy accordingly, which should include references to applicable standards.

1d. Continue to work with legal counsel to determine the nature of these assets and any restrictions that may impact their reporting or classification. Peace Corps management should ensure the policy is updated to reflect the legal counsel and Peace Corps' determination on how to report these assets. Further, they should implement the updated policy to address the proper reporting of HCC in the financial statements in accordance with the generally accepted accounting principles.

1e. Set up strict guidelines for improving internal control over access, dual authorization and handling of cash and other forms of host country contributions to prevent embezzlement of such funds.

Upward and Downward Adjustments

Peace Corps management does not have formal policies and procedures for recording Upward and Downward adjustments (Recoveries). Upward and downward adjustments are not recorded in the Standard General Ledger (SGL) accounts 4871 and 4971. Peace Corps is currently recording upward and downward adjustments to account 7400 for a prior funding year and accounts 4801 or 6100 for a current funding year. We were unable to determine the total amount of such entries recorded in SGL.

The effect of not recording Recoveries consistent with SGL guidance is the potential misstatement of the balances for Recoveries and Obligated Balances in the Statement of Budgetary Resources.

Recommendations

We recommend the Peace Corps Director:

1f. Develop formalized policies and procedures for recording recoveries and upward adjustments of prior year obligations at the detailed level. Peace Corps management should provide oversight and guidance to ensure that the written policy and procedures are in accordance with its expectation and are properly implemented. A written acknowledgement by Peace Corps should accompany the formalized document.

1g. Record the transactions for upward and downward activities at that transaction level for each entry.

1h. Employ more care in the preparation and supervisory review of the Peace Corps financial statements. A more thorough analytical review of the statements should be performed by someone other the preparer of the financial statements.

1i. Develop analytical procedures such as fluctuation analysis to include developing expectations that are directly attributed to financial and/or operational trends for obligations and recoveries and other material balances. The analysis should include trends based on dollar value and/or percentage changes over a period of time. Each expectation that is not met should be researched and results supported. Analytical tools that could be used are ratio analysis and trend analysis

SIGNIFICANT DEFICIENCY 2

INFORMATION SYSTEM SECURITY CONTROLS NEED IMPROVEMENT

Peace Corps made improvements to its information systems control environment during FY 2008. However, we found that certain internal control weaknesses related to the Financial Management System, Odyssey and Peace Corps' overall Information Technology (IT) environment continued to exist at September 30, 2008.

INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL, CONTINUED

Control Weaknesses

Security Planning and Management

- As reported under the Fiscal Year 2008 Federal Information Security Management Act (FISMA) Audit, Peace Corps has not certified and accredited all of the agency's information systems. Specifically, the Domestic and International General Support Systems which support the financial management systems have not been certified and accredited. Without completing the certification and accreditation process, senior level agency officials will not have taken the appropriate steps to mitigate or accept risk for their information systems as required by OMB. In addition, without a complete certification and accreditation package (i.e. security plans, risk assessments, contingency plans) proper security may not be administered over the data within the agencies information systems.

- Peace Corps policies regarding employee terminations are out of date and not properly documented. The Peace Corps termination policies are part of MS 671: *Termination Process for Peace Corps Staff*. The policies have not been updated since 1983. The lack of a concise, documented termination policy could prohibit the necessary completion of all actions required when an employee is separated/terminated from the agency.

Service Continuity

During the Fiscal Year 2008 FISMA Audit, we noted the following regarding Peace Corps' controls surrounding contingency planning for agency's information system environment:

- The Peace Corps agency-wide Business Impact Analysis had not been updated to reflect the agency's current system environment and address the weaknesses identified during the fiscal year 2007 disaster recovery test.
- Although a tabletop exercise was performed during the current year, the test plan did not include recovery or testing of all Peace Corps information systems.
- Personnel with disaster recovery responsibilities had not received appropriate contingency training.
- Peace Corps was unable to provide evidence of backup testing and there were no records of contingency plan testing to determine if the organization includes a full recovery and reconstitution of Peace Corps systems.
- The Odyssey contingency plan was tested during October 2008 however; the plan was not tested during fiscal year 2008.

The lack of an up to date Business Impact Analysis creates a deficiency in the contingency planning process. A deficiency in this process means that key impacts or threats could be overlooked leading to the ineffective or delayed recovery of agency systems. The lack of Contingency Plan testing for Peace Corps systems increases the likelihood that agency systems will not be effectively recovered following a major disruption of service. In addition, the lack of Contingency Training may lead to individuals not understanding their roles during an emergency situation.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

Access Controls

- We noted weaknesses relating to the Odyssey UNIX environment. Management-approved access request forms were not on file for all individuals with access to the production environment servers. In addition, individuals with access to the servers retained access which did not match access granted on the access forms. Without management-approved access request forms, management can not track who has been given access to the system and management does not know if the appropriate personnel are accessing the system.

Application software development and change control

- Peace Corps has improved controls surrounding the Odyssey change management procedures. However, Peace Corps had not developed adequate test plan standards and expectations for test results for all levels of testing related to Odyssey system changes. The proper development of standardized test plans for each level of testing (i.e., unit test, module test, integration test, alpha test, and regression test) helps ensure all the general controls and necessary application processing requirements of the system have been successfully tested. Management can not ensure the reliability of its system processes without adequately documented change and configuration test plans.

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

As required by OMB Circular A-130, *Management of Federal Information Resources*, Appendix III security accreditation provides a quality control and challenges managers and technical staff at all levels to implement the most effective security controls possible in an information system.

National Institute of Standards and Technology (NIST) Special Publication 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems,* states "It is essential that agency officials have the most complete, accurate, and trustworthy information possible on the security status of their information systems in order to make timely, credible, risk-based decisions on whether to authorize operation of those systems. The information and supporting evidence needed for security accreditation is developed during a detailed security review of an information system, typically referred to as security certification. Security certification is a comprehensive assessment of the management, operational, and technical security controls in an information system, made in support of security accreditation, to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome with respect to meeting the security requirements for the system. The results of a security certification are used to reassess the risks and update the system security plan, thus providing the factual basis for an authorizing official to render a security accreditation decision."

NIST Special Publication 800-53, Revision 2 *Recommended Security Controls for Federal Information Systems Control CP-4 Contingency Plan Testing and Exercises* states: "The organization: (i) tests and/or exercises the contingency plan for the information system at least annually using tests and/or exercises to determine the plan's effectiveness and the organization's readiness to execute the plan; and (ii) 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 800-53, *Security Control CP-10 Information System Recovery and Reconstitution* states: "The organization employs mechanisms with supporting procedures to allow the information system to be recovered and reconstituted to a known secure state after a disruption or failure."

NIST Special Publication 800-53 Revision 2, *Security Control CM-3*, states the following regarding configuration management policy and procedures, "The organization authorizes, documents, and controls changes to the information system. The organization manages configuration changes to the information system using an organizationally approved process (e.g., a chartered Configuration Control Board).

NIST Special Publication 800-53 Revision 2, *Security C*ontrol CM-5, states the following regarding access restrictions for change, "The organization: (i) approves individual access privileges and enforces physical and logical access restrictions associated with changes to the information system; and (ii) generates, retains, and reviews records reflecting all such changes."

OMB Circular A-130, *Management of Federal Information Resources*, Appendix III, requires the practice of least privilege to be used to restrict a user's access (to data files, to processing capability, or to peripherals) or type of access (read, write, execute, delete) to the minimum necessary to perform his or her job.

Recommendations

We recommend the Peace Corps Director ensure that:

2a. Full certification and accreditation is completed for the Domestic and International Infrastructures that support the financial management system in accordance with Peace Corps policy and OMB Circular A-130 guidance.

2b. Agency's termination policies are updated to reflect the current termination procedures.

2c. The Business Impact Analysis is reevaluated and updated to accurately represent the current Peace Corps environment and address the deficiencies noted in the fiscal year 2007 disaster recovery test.

2d. A full Disaster Recovery test is conducted that will ensure all system Contingency Plans are included, as well as testing of system backups to determine if procedures for reconstitution and recovery of the systems are adequate. In addition, ensure training is provided to personnel with disaster recovery responsibilities.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL, CONTINUED

2e. Procedures are developed and implemented for periodically reviewing the Odyssey UNIX user accounts. In addition, ensure that user access request forms are completed and kept updated according to individual system access rights for each individual with system access.

2f. Odyssey systems changes developed and tested outside of the standard development and test environments are adequately documented. In addition, ensure that functional leads testing and approval of component changes prior to migration to the production environment are documented. Standardize change testing documentation requirements and ensure that test plans and results are reviewed prior to migration to the production environment.

2g. Logical access controls are implemented to restrict a developer from having access to the production environment of the FOR HQ application. If resources prohibit complete segregation of access, then compensating controls should be implemented to reduce the risk associated with access that is not segregated among environments. Compensating controls such as updating the FOR HQ change control procedures to include reviews of privileged user activity and management approvals of all changes prior to migration should be implemented.

2h. System administrator access to the FOR HQ SQL Server is reviewed periodically and unused and unnecessary accounts are removed.

UK &W Urbach Kahn & Werlin LLP
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance and Other Matters

To the Director and Inspector General,
Peace Corps

We have audited the financial statements of Peace Corps as of, and for the year ended September 30, 2008, and have issued our report thereon dated November 12, 2008. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements.*

The management of Peace Corps is responsible for complying with laws and regulations applicable to Peace Corps. As part of obtaining reasonable assurance about whether Peace Corps' financial statements are free of material misstatements, we performed tests of Peace Corps' compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to Peace Corps. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB guidance.

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

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 12, 2008

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Agriculture Volunteer, Niger

OTHER ACCOMPANYING INFORMATION

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

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

Sincerely,

Kathy A. Buller, Inspector General
September 30, 2008

Challenge Post Imprest Fund Management and Other Cashier Operations

Peace Corps manages cash accounts maintained as imprest funds at 68 posts in the countries served. The total value of funds flowing through the imprest funds is projected to be approximately $19.1 million for FY 2008. The fund's purpose is to manage the numerous day-to-day business activities carried on at Peace Corps posts. In FY 2007, we reported that the Peace Corps incurred over $85,000 in losses due to embezzlement and theft of funds managed at posts. Incidence of imprest fund-related embezzlement and theft leading to cash losses continues to be a management challenge. We investigated and confirmed that an embezzlement in excess of $55,000 occurred at a post in Africa. The embezzlement resulted from failing to follow policy and circumventing internal controls related to separation of duties. Also, routine Inspector General post audits during this fiscal year continue to disclose problems involving management of the imprest fund and other cashier operations. For example, at a post in Central America our audit disclosed a total breakdown in internal control over the billings and collections processes resulting in unaccounted funds amounting to nearly $7,000. These losses have resulted from ineffective oversight and a lack of internal control over the imprest fund and other cashier operations. The Agency recently revised and strengthened its policies related to imprest fund management. However, many of the problems stem from post staff failing to follow policies and a lack of effective supervisory oversight.

Challenge Information Technology Management

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

- Eight of twelve of the agency's information systems have not received final certifications and accreditations indicating that they are acceptable to use.
- Processes for systems configuration management have not been fully or consistently implemented.
- Eleven of the twelve Peace Corps systems' contingency plans have not been tested in accordance with National Institute of Standards and Technology policy to ensure full recovery following a major disruption of service.

Challenge Budget Shortfall

Peace Corps' overall FY 2008 budget derived from appropriated funds is $330.8 million. Approximately 80 percent of the budget is used to directly fund Volunteer operations at the overseas posts with the balance of the budgetary resources funding support services. This year's budget shortfall is estimated to be about $18 million. The combination of a weak U.S. Dollar and higher energy costs have resulted in significant increases in operating costs abroad. A large percentage of the overall annual expenditure to operate 68 overseas Peace Corps posts is made using local currencies. Losses attributed to foreign currency exchange alone are anticipated at almost $9 million. Peace Corps managers have been asked to make significant cuts in their budgets to cover the shortfall and to place a hold on many planned projects slated to enhance performance in anticipation that the Agency could be operating at the current budget level well into FY 2009 as a result of a continuing resolution. Increased inflationary pressures and foreign currency losses will continue to impact the Peace Corps' operating budget. As a result, we believe it will be a management challenge for the Peace Corps to sustain its operations at current levels.

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

To: Kathy A. Buller, Inspector General

From: Ron Tschetter, Director

Date: October 10, 2008

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

Thank you for your statement of September 30, addressing the management and performance challenges faced by the Peace Corps, as required by the Reports Consolidation Act of 2000 and OMB guidance.

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

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

Post Imprest Fund Management and Other Cashier Operations

During FY 2008, Peace Corps management instituted several policies and procedures to strengthen internal controls relative to post imprest fund management and operations. In order to mitigate imprest fund management risk, we issued a CFO Bulletin pertaining to cash management at post to clarify roles and responsibilities of cashiers, Administrative Officers, and Country Directors to prevent cashier irregularities and added a new reporting requirement for cash verification submitted to Headquarters. Also, we developed and deployed a self-paced training module for the Administrative Officers and Country Directors covering imprest fund controls and an understanding of actions necessary to mitigate risk. To further improve cash management controls in other cashier operations, the Office of the Chief Financial Officer will develop and issue additional policy regarding internal controls in billings and collections processes.

During this fiscal year, the agency continued to reduce the amount of dollars held in overseas imprest funds by 15 percent. This reduction was the result of:

- Automated electronic funds transfer replenishments for post imprest funds
- Continued issuance of updated financial policy via CFO bulletins and updated Manual Sections
- Increased FOR Post controls and on-site/web based FOR Post training at posts

These efforts will continue during the upcoming fiscal year along with the Office of the Chief Financial Officer providing cashier training and cashier supervisors training to further improve the post knowledge and understanding of cashiering and the associated internal controls.

Information Technology Management

The current plan for the agency, based on a reduced budget and the availability of information technology resources, is to certify and accredit four systems per year, up from three systems per year. In FY 2009 and FY 2010 we will certify and accredit the remaining eight systems, bringing our total of certified and accredited systems to 12. We will then continue the process of certifying and accrediting four systems per year for all new systems in FY 2011 and beyond.

All agency systems developed by the Office of the Chief Information Officer are standard configuration management systems and are governed by a standard configuration management process. We are in the process of implementing Federal Desktop Core Configuration, the current OMB mandate, and this will be completed in FY 2009.

Working with our partners, in FY 2007, we executed a full Disaster Recovery test at our offsite facility in Philadelphia, PA. There were several problems noted by the agency with last year's Disaster Recovery test, and in light of those problems, changes made to existing systems and the implementation of new systems, and funding issues faced by the agency, the decision was made not to conduct a full Disaster Recovery test for fiscal year 2008. The Peace Corps Business Impact Assessment was scheduled to be reevaluated every two years; however, the update was put on hold due to a data center study being performed this year. Pending the availability of funds and the completion of a data center study, a full Disaster Recovery test is planned for FY 2009 which will fulfill the agency's recovery needs. Each of the agency's current individual systems' contingency plans will be tested per National Institute of Standards and Technology norms in the scheduled certification and accreditation process above during FY 2009 and FY 2010.

Budget Shortfall

We agree that the decrease in purchasing power due to rapidly rising inflation and foreign currency losses will affect the level of operations at the Peace Corps, most notably the total number of Volunteers in the field.

Throughout FY 2008, Peace Corps leadership closely monitored the affects of inflation and foreign currency losses and made decisions that enabled the agency to operate soundly in FY 2008. Furthermore, the Peace Corps has prepared an FY 2009 operating plan which will allow us to run an effective program. It is hoped that in FY 2009 Congress will at least meet the appropriation level requested by the President of $343.5 million, which will allow the Peace Corps to increase Volunteer numbers, and continue to invest in operational activities that will enhance the Peace Corps' overall performance.

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 (IPIA)

No improper payments were identified this fiscal year internally or by the external auditors that would reach the defined Improper Payments Information Act (IPIA) of 2002 annual threshold of 2.5 percent and $10 million. The Peace Corps has no programs and activities that are risk susceptible to such significant improper payments. The Peace Corps is not identified in Appendix C, OMB Circular No. A-123 (formerly Section 57, "Programs for which Erroneous Payments Information is Requested," in OMB Circular No. A-11).

Business Volunteer, Tonga

APPENDICES

Appendix 1

Summary of Audit Findings

Significant Deficiency 1 - Accounting Business Processes Need Enhancement

Audit Recommendations	Estimated Completion
Improve controls associated with Property, Plant and Equipment (PP&E), calculating software developers' labor costs and verifying property accounting.	2nd Qtr FY 09
Strengthen internal controls over receipting and recording Host Country Contributions.	3rd Qtr FY 09
Record upward and downward adjustments (recoveries) of prior year obligations consistent with U.S. General Ledger guidance.	1st Qtr FY 09

Significant Deficiency 2 – Information System Security Controls Need Improvement

Audit Recommendations	Estimated Completion
Complete full certification and accreditation for the domestic and international infrastructures that support the financial management system Odyssey.	2nd Qtr FY 10
Update the agency's employee termination policies.	2nd Qtr FY 09
Reevaluate and update the Business Impact Analysis to reflect the agency's current system environment and address deficiencies noted in the FY 2007 Disaster Recovery test.	3rd Qtr FY 09
Conduct a full Disaster Recovery test to ensure all system contingency plans function; Test system backups and provide disaster recovery training to personnel.	3rd Qtr FY 09
Review the Odyssey UNIX server user accounts and maintain user access requests.	3rd Qtr FY 09
Document all Odyssey system changes; Standardize change testing documentation and review test plans and results prior to migration to the production environment.	2nd Qtr FY 09
Implement controls to restrict developer access to the FOR Headquarters application production environment and perform management review of all changes prior to migration to the production environment.	2nd Qtr FY 09
Periodically review system administrator access to the FOR Headquarters server and remove unused accounts.	2nd Qtr FY 09

Appendix 2

Glossary of Acronyms

BFC	Budget Functional Classification
CFO	Chief Financial Office
CIRS	Crime Incident Reporting System
DOS	Department of State
EFT	Electronic Funds Transfer
FECA	Federal Employees Compensation Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FSN	Foreign Service National
FY	Fiscal Year
GAO	U.S. Government Accountability Office
HCC	Host Country Contributions
HCN	Host Country National
HRM	Human Resource Management
HQ	Headquarters
IMA	Internal Management Assessment
IPIA	Improper Payments Information Act
IT	Information Technology
MD&A	Management's Discussion and Analysis
NIST	National Institute of Standards and Technology
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OPSI	Office of Private Sector Initiatives
OSIRP	Office of Strategic Information, Research, and Planning
PCSSO	Peace Corps Safety and Security Officer
PCV	Peace Corps Volunteer
PEPFAR	President's Emergency Plan for AIDS Relief
PMA	President's Management Agenda
PP&E	Property, Plant and Equipment
PSC	Personal Service Contractor
RPCV	Returned Peace Corps Volunteer
SGL	Standard General Ledger
UKW	Urbach Kahn and Werlin LLP
VDS	Volunteer Delivery System

Produced by the Peace Corps
Paul D. Coverdell Peace Corps Headquarters
1111 20th Street NW | Washington, DC 20526

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