



Performance and Accountability Report Fiscal Year 2010





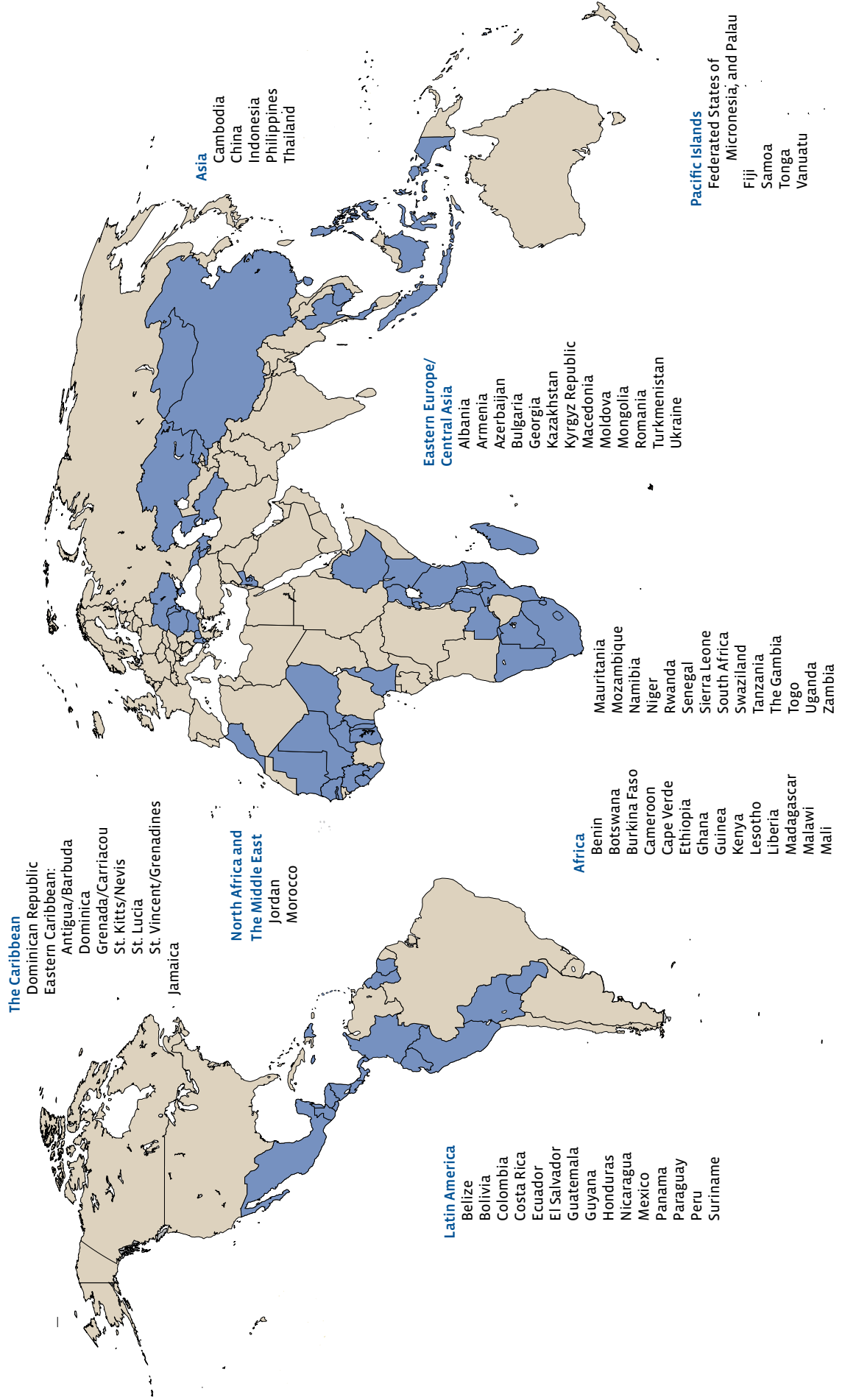
Performance and Accountability Report Fiscal Year 2010

November 15, 2010

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Where Peace Corps Volunteers Serve



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Natural resource management Volunteer works with local farmers to create an irrigation system to water soy fields.

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

I am pleased to present the Performance and Accountability Report for fiscal year (FY) 2010 on behalf of the Peace Corps Volunteers and staff serving around the world. The financial and performance results are presented in this report so the President, the Congress, and the American people can assess the agency's operations for this fiscal year.

The Peace Corps traces its roots and mission to 1960, when then-Sen. John F. Kennedy challenged students at the University of Michigan to serve their country in the cause of peace by living and working in developing countries. From that inspiration grew an agency of the federal government devoted to world peace and friendship. President Obama's call to service has renewed that spirit of enthusiasm, commitment, and compassion. Peace Corps Volunteers are America's best and most cost-effective grassroots development workers, building relationships from the ground up as partners with communities across the globe.

Fifty years later, the three goals of the agency remain as relevant today as the moment in which they were first articulated:

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.

While the mission and the core goals have not changed, operations within the Peace Corps are regularly modified and improved in response to the needs of the 77 host countries, where more than 8,600 Peace Corps Volunteers served in FY 2010—a 40-year high.

Volunteer health, safety, and security remain top agency priorities. The inherent dangers of serving in developing countries are addressed through quality training, a committed staff, and well-functioning systems. Having served as a Volunteer in the Dominican Republic from 1967 to 1970, I have the utmost appreciation for the extraordinary contribution made today by our Volunteers around the world and am personally committed to providing them with the best support possible. As part of my commitment to our Volunteers, on April 1, 2010, I increased the Volunteer readjustment allowance for each month of satisfactory service completed (payable upon return to the United States) to better support the cost of living increases experienced by Volunteers. This is the first allowance increase in 11 years.

This past year (FY 2010) has been an exciting one for the Peace Corps, and one filled with constructive changes throughout the agency. Peace Corps Volunteers re-entered three countries (Colombia, Indonesia, and Sierra Leone) to establish new programs consistent with the needs of each of those countries. In addition, I realigned the organizational structure at headquarters to allow for better operational control and established four new offices: Global Operations, Innovation, Intergovernmental Affairs, and Public Engagement.

One of the most important accomplishments in FY 2010 was the completion of an agency-wide assessment (The Peace Corps: A Comprehensive Agency Assessment), which was submitted to Congress

on June 14, 2010. This in-depth review evaluated operations across the agency, based on input from Volunteers, returned Volunteers, agency staff, host country partners, members of Congress and their staffs, and others. This assessment defined six key guiding strategies and made 63 recommendations to strengthen and reform the agency.

In the second year of implementing the FY 2009–FY 2014 Strategic Plan, the Peace Corps’ three goals remain the focus of the agency’s strategic planning efforts. Overall, the Peace Corps achieved success in 24 of its 36 (67 percent) measurable indicators. Of the 12 indicators where performance was not met, three indicators achieved substantial results, nearly meeting the targets.

Independent external auditors rendered an unqualified (clean) audit opinion on the Peace Corps’ financial statements for the fourth consecutive year, with no material weaknesses identified by the auditors or through internal managerial reviews. The agency’s success in reporting accountability was formally recognized by the receipt of the prestigious Association of Government Accountants’ Certification of Excellence in Accountability Reporting for the third consecutive year.

The Peace Corps provides reasonable assurance that its internal controls and financial systems meet the specified objectives in Sections 2 and 4 of the Federal Managers’ Financial Integrity Act, as shown in the annual management assurance statement. Further, the agency’s financial system was successfully recertified and accredited during FY 2010, confirming our strong financial management foundation.

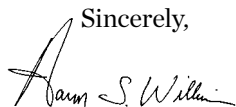
The agency’s financial and performance data presented in this report are fundamentally complete and reliable due to the diligent efforts of the financial management and performance teams.

The financial statements in the Financial Section reflect that the appropriated funds from Congress totaled \$400 million in FY 2010 and \$340 million in FY 2009, the largest year-to-year increase in history. Budgetary resources available from all years and all sources for use by the agency totaled \$445 million in FY 2010 and \$373 million in FY 2009. The agency’s total assets increased from \$177 million at the end of FY 2009 to the current level of \$228 million as of September 30, 2010.

Financial management improvements are shown in the Message from the Chief Financial Officer, also in the Financial Section of this report.

The passion, hope, empathy, and enthusiasm that motivated Volunteers in the 1960s still moves Volunteers today. I envision a Peace Corps that grows and adapts to the challenges and opportunities of our time; a Peace Corps that carries the torch of President Kennedy’s dream and responds to President Obama’s call to service. I am truly honored to lead this agency as we approach our 50th anniversary of service in promotion of world peace and friendship.

Sincerely,

A handwritten signature in black ink that reads "Aaron S. Williams". The signature is written in a cursive style with a large initial "A".

Aaron S. Williams, Director

November 15, 2010



Peace Corps Volunteer works in the Education sector in Malawi. She is helping a primary school implement a hand washing station to promote good hygiene among the students.



Overview of the Peace Corps

In 1961, President John F. Kennedy launched an innovative program to spearhead progress in developing countries and promote friendship between the American people and other men, women, and children throughout the world. Fifty years later, the mission and three goals that inspired the creation of the Peace Corps are not only still relevant, they are more important than ever in an increasingly complex, 21st century world. The passion that launched the Peace Corps is very evident in the lives of the more than 8,600 Volunteers who serve today.

On the eve of the agency's 50th anniversary, Peace Corps Volunteers continue to strengthen the capacity of host countries to address their development goals, to build a better understanding of Americans around the world, and to create greater knowledge about, and appreciation for, foreign countries and cultures here in the United States. The fact that requests for Volunteers still far exceed the Peace Corps' capacity to place them within its budget is a clear and convincing measure of the Peace Corps' importance to many nations and its impact around the world.

Since its creation, over 200,000 Americans have served as Peace Corps Volunteers, living and working side-by-side with local community members in 139 countries around the world. Based on the results achieved, the Peace Corps is widely recognized as a highly efficient and cost-effective mechanism for both community development and public diplomacy, simultaneously addressing host country needs for capacity building and contributing to ever greater

levels of cross-cultural understanding between Americans and those they serve.

Peace Corps Volunteers are among America's best and most cost-effective grassroots development workers, magnifying the impact of public, private, and civil society investments at the community level and ensuring that efforts funded by others are community-owned and sustained. In addition, the Volunteers are highly effective ambassadors for peace and friendship, building relationships with strategic partner countries from the ground up in communities across the globe.

Volunteers return to the United States eager and well-prepared to share what they have learned with friends, family members, co-workers, and the broader American public. For many Volunteers, this first exposure to international public service becomes a life's calling, launching large numbers of returned Volunteers into careers dedicated to improving the lives of others.

The Peace Corps balances the pursuit of its long-standing mission with the spirit of innovation. Today's Peace Corps is faithful to the vision first set forth by then-Sen. John F. Kennedy and brought to life by generations of Volunteers. Today's Peace Corps is also dedicated to bringing new ideas, fresh approaches, and five decades of promising practices together to ensure that Peace Corps remains in the vanguard of international volunteerism, community development, and cross-cultural exchange.



Mission and Organizational Structure

Mission Statement

The mission of the Peace Corps is firmly rooted in then-Sen. John F. Kennedy's challenge to students at the University of Michigan in 1960 to serve their country in the cause of peace by living and working in developing countries. That mission—to promote world peace and friendship—remains as critical today as it was when the first generation of Peace Corps Volunteers was sworn into service in 1961.

For almost 50 years, the Peace Corps' mission has been expressed in three core goals:

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

The agency's approach to achieving these goals is unique within the U.S. government. Volunteers spend 27 months living and working alongside community members. They interact with their partners on a regular basis, eating the same food, living in the same types of houses, using the same transportation, and communicating in the local language. This builds mutual trust and understanding. Such interaction also sets the stage for a collaboration that allows Volunteers to address host country development goals at both the individual and community levels.

Volunteers serve only in those countries where they have been invited by the host government. Today's Peace Corps Volunteers serve in 77 host countries in Africa, Asia, the Caribbean, Eastern Europe/Central Asia, Latin America, North Africa/Middle East, and the Pacific Islands.

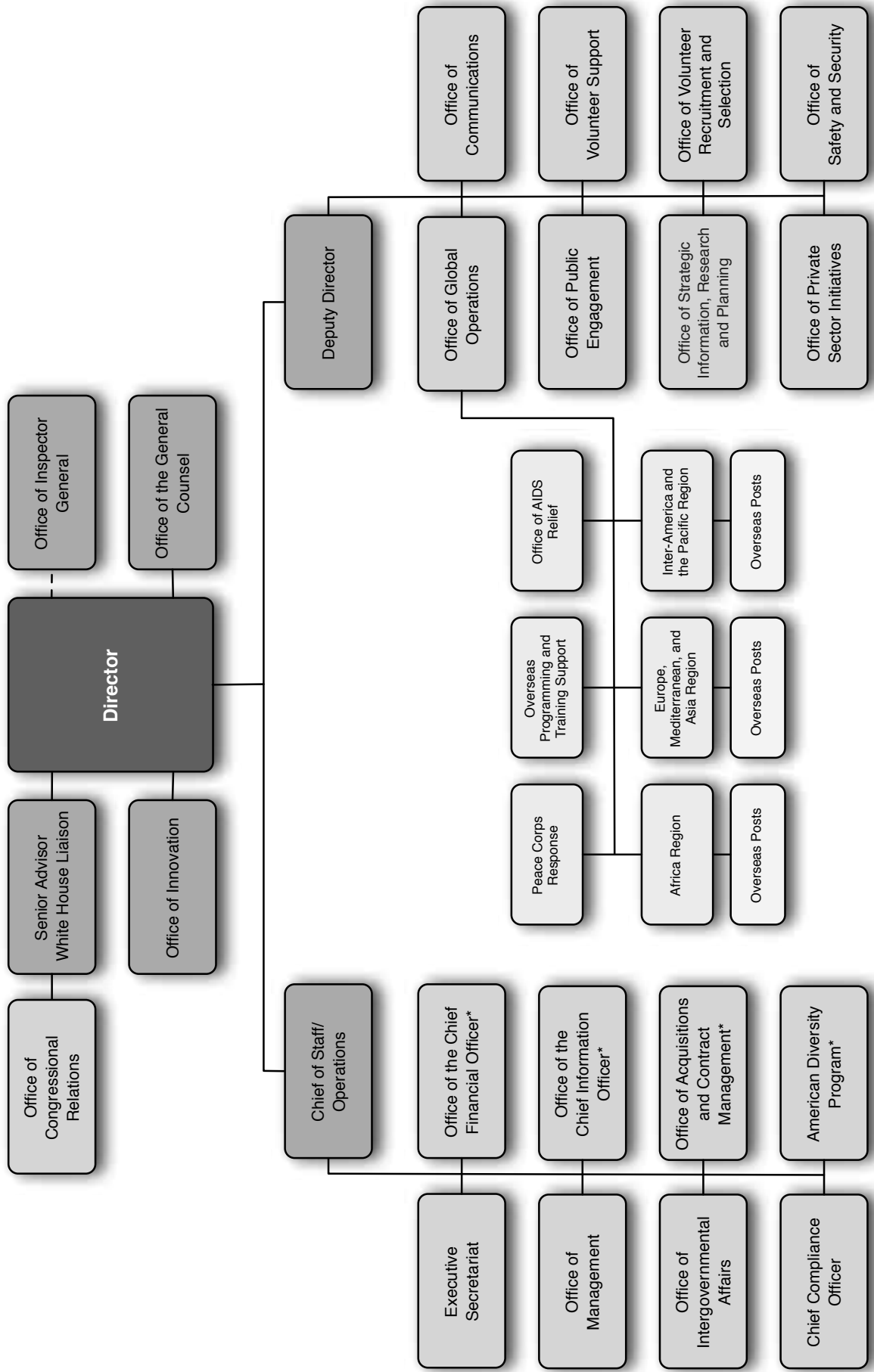
Many Volunteers live and work with underserved populations in remote, isolated communities. Others focus on those same communities within small towns and larger cities. Wherever they serve, the work of the Volunteers is focused on projects that fall into six sectors:

- Agriculture
- Business Development
- Education
- Environment
- Health and HIV/AIDS
- Youth

The medium and long-term development outcomes achieved contribute to more stable communities, build strong people-to-people relationships, and expand the number of sustainable partnerships between the United States and other countries. These partnerships foster collaboration on a range of critical global issues, building a crucial foundation for peace and friendship for years to come.

In keeping with the agency's commitment to constantly improving its level of performance, the Peace Corps Director launched an independent, comprehensive assessment of the agency's operations in December 2009. The recommendations have been endorsed by the agency's senior leadership and will inform the Peace Corps' work in the years to come.

Peace Corps Volunteers must be U.S. citizens and at least 18 years of age. Peace Corps service is a 27-month commitment. To learn more about the Peace Corps, please visit our website: www.peacecorps.gov.



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

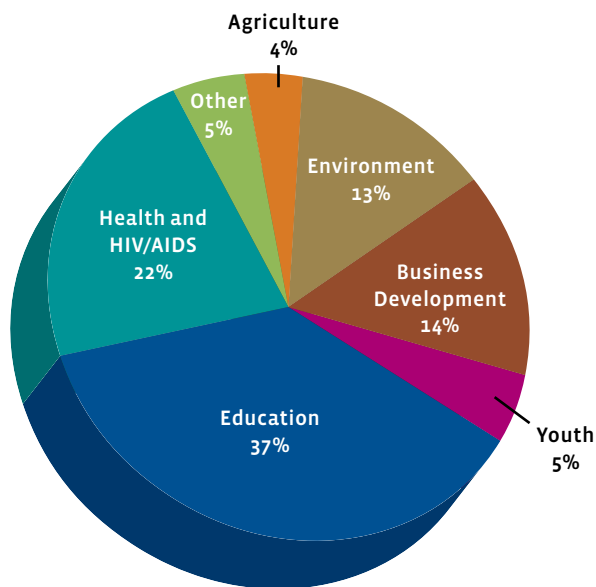


How Peace Corps Volunteers Serve Around the Globe

Volunteer activities are the primary way the Peace Corps delivers assistance to host countries and the central method for meeting the agency's three goals. By living in the community for two years, Volunteers transfer skills both on and off the job, responding to organizational and grassroots community needs at the local, regional, and/or national levels. By learning the local languages, appreciating local cultural traditions, and sharing their knowledge about America, Volunteers support the cross-cultural goals of Peace Corps in addition to their technical activities.

Volunteer activities fall into six sectors: agriculture, business development, education, environment, health and HIV/AIDS, and youth. Additionally, Volunteers working in all sectors may incorporate the following initiatives into their activities: information and communication technology (ICT), women in development/gender and development, and HIV/AIDS and youth development.

Volunteer Sectors



Education

Education is the largest technical area for the Peace Corps, with 37 percent of the Volunteers working in educational settings. Education Volunteers assist teachers, schools, and communities to better prepare students for their active participation in a globalized world. Volunteers work directly in schools in the following ways: classroom teaching; developing after-school activities; co-teaching or team teaching; developing workshops for teachers on participatory and experiential learning methods; developing classroom resources; and promoting strong Parent-Teachers' Associations and community involvement in education.

The Peace Corps' four current cross-cutting initiatives—women in development/gender and development, youth development, information and communication technology (ICT), and HIV/AIDS—play a central role in education projects, both in and out of the classroom. After-school activities, such as clubs, theater groups or women's and girls' empowerment groups, incorporate these cross-cutting initiatives consistent with community needs.

Education projects cluster in six different areas and cut across all levels, including pre-school, primary, secondary, university, and teacher training colleges:

Teaching English as a Foreign Language (TEFL)

Volunteers serve directly as classroom teachers or team/co-teach with local teachers in primary, middle, and high schools. They teach English as a foreign language, often incorporating content that is relevant to the communities in which they live and work. For example, in the African context, Volunteers integrate health and HIV/AIDS prevention in their classrooms. Finally, Volunteers serve as models to local teachers in learner-centered methodologies and approaches to teaching.

Mathematics, Science, ICT

Volunteers teach mathematics, science, and/or ICT to primary, junior high, or secondary school students. They engage students using real life applications of these subjects and pay particular attention to encouraging girls to succeed in these subjects.

Special Education

Volunteers work in schools or organizations that specifically cater to students with special needs, such as schools for the deaf or vocational schools for youth with disabilities. Volunteers also work within the general school system to train teachers on inclusive education practices for students with special needs. An important part of Volunteers' work is with parents and communities to create support groups, as well as to raise public awareness and appreciation for people with disabilities.

Teacher Pedagogy

From their own K-16 education in American schools, Volunteers bring a rich experience as active learners. They facilitate local teachers by using participatory, student-centered methodologies, such as debates, drama, role playing, group work, class discussions, competitions, science experiments, computer research, and class projects. Volunteers in many countries are trained in service learning, community content-based instruction or content-based TEFL and are able to connect the classroom subject area content to important life issues and to Peace Corps initiatives such as protecting the environment, preventing HIV/AIDS, leadership skills, and community service for youth.

Youth Development

Youth Development Volunteers incorporate important life skills into their lessons. They promote student-centered teaching, the development of critical thinking and problem-solving skills, and materials designed to connect students' learning

to the world around them. In addition to classroom work, Volunteers organize and support after-school clubs and various kinds of winter and summer vacation camps to empower youth for school and community leadership roles.

Community Development

Education Volunteers are also engaged in community projects. Volunteers use the strong relationships they have forged with young people, parents, and other community members to launch village-based projects with children or youth, including out-of-school youth, adults, marginalized populations, and elders.

Examples of Volunteer work in education:

- Working with their partner teachers, Volunteers in **Mozambique** teach lessons on HIV/AIDS, malaria, and cholera in their science and English classes.
- Volunteers in **Panama** integrate leadership, youth development, strategic planning, and tourism into their English classes.
- **Cape Verde** has a strong vocational education program focusing on teaching skills relevant for island development projects. One Volunteer trains teachers to run a practical lab centered on fundamentals of electricity and safe electrical work methods. Lab practices include safety and security in the workplace, installation of electric appliances and meters, repair of appliances, and basic residential electrical work and wiring of houses.
- Volunteers have helped address a teacher shortage resulting from the high prevalence of HIV/AIDS in **Lesotho**. Several Volunteers act as resource teachers for isolated schools in the mountains, walking or biking from school to school to teach model classes, and conduct lunch-time and after-school workshops for teachers. Thousands of teachers come together during their vacations at Lesotho College of Education to earn credit to become certified

teachers. Peace Corps Volunteers contribute by teaching methodology, social studies, English, and music.

- Volunteers in **Belize, Ghana, Jordan, and Kenya** work in special education projects with special needs children in the pre-school and primary schools.

Health and HIV/AIDS

Peace Corps health projects target the specific health risks and needs of the various regions the agency serves. Africa health projects focus on malaria and HIV/AIDS; Inter-America and Pacific projects focus on Water, Sanitation and Hygiene; and the Inter-America and Pacific region and the European, Mediterranean and Asia region focus on noncommunicable diseases. Additionally, Volunteers address a common set of health issues, including HIV/AIDS, hygiene, maternal-child health, and healthy diets.

Health education benefits youth across all regions, both in and out of school. Peace Corps' core approaches include increasing knowledge about common diseases and health issues, promoting behavior change, and capacity building among community members, community health workers, and grassroots organizations to prevent and mitigate the major causes of morbidity and mortality.

Volunteers working on HIV/AIDS prevention and care often focus exclusively on that one issue (or as part of a comprehensive community health project). Life skills training continues to be at the center of Volunteers' HIV/AIDS prevention work, particularly when targeting youth. Increasingly, Volunteers are assigned to HIV/AIDS-related nongovernmental organizations and assist in increasing the technical, managerial, and administrative capacities of these groups. The Peace Corps is collaborating with the U.S. Department of State's Office of the Global AIDS



Peace Corps Response Volunteer works in the Education sector in Liberia. She is teaching midwives remedial math that will help them in the pharmacy.

Coordinator to support the U.S. government's commitment to worldwide HIV/AIDS care, prevention, and treatment through the President's Emergency Plan for AIDS Relief (PEPFAR).

Examples of Volunteer work in this sector include:

- Increasing the awareness of hand washing benefits among students by working with Junior Red Cross members to facilitate hand washing drills for students and by producing a drama and murals on the importance of hand washing. **(Fiji)**
- Establishing a partnership with the President's Malaria Initiative and participating in the Malaria Operational Plan meetings. As a result, the President's Malaria Initiative earmarked funds to support a third-year malaria coordinator Volunteer and instructed those implementing such programs to partner with Volunteers in the field. Volunteers and their counterparts have distributed long lasting insecticide-treated nets and provided follow-up education to communities in the use of the bed nets and the prevention of malaria. **(Benin)**
- Strengthening data management systems to assist organizations in better tracking HIV/AIDS patients and locating patients for follow-up care. **(Ethiopia)**
- Developing a men's HIV/AIDS awareness campaign targeting billiards, soccer tournaments, and men's group meetings, resulting in 1,383 adult education sessions provided to formal and informal groups. **(Nicaragua)**
- Promoting basic health education in Koranic and bilingual Arab-French-speaking schools, reaching children who are not mainstreamed into the regular education system, and translating the *Peace Corps Life Skills Manual* into Arabic. **(Burkina Faso, Morocco, and Rwanda)**

Business Development

This sector includes four subsectors: enterprise development, community, municipal, and organizational development. Volunteers are assigned to projects that teach business, organizational, and communication skills in local government offices, nonprofit agencies, and for-profit businesses. Recently, work in this sector has shifted from business consulting to community economic development, emphasizing sustainability, transparency, volunteerism, and leadership. The number of business Volunteers continues to grow as efforts intensify to assist underserved communities and to expand entrepreneurial skills for women and youth.

Enterprise Development: Volunteers train and advise entrepreneurs and managers in business planning, marketing, financial management, product design, and distribution. They advise cooperatives, assist with credit programs, and facilitate or teach business workshops. Volunteers help people launch or expand businesses, including small-scale agribusiness (fruits, vegetables, and small livestock) and ecotourism ventures. They help small businesses develop market linkages, including Web-based methods. Others help disadvantaged groups enter the workforce by learning to write resumes and hone interviewing skills. These groups include orphans, at-risk youth, and victims of trafficking.

Community Development: Volunteer activities focus on empowering communities to address their issues at a local level by facilitating community mobilization, needs assessments, project planning, resource management, and monitoring and evaluation. Volunteers are often catalysts for change and define their particular roles in response to their host communities. Community development projects may encompass any combination of disciplines depending on local priorities and resources.

Municipal Development: Working with local or regional municipalities, Volunteers help engage residents in local administrative processes. They assess

the impact of proposed activities on communities, such as economic and environmental initiatives; facilitate long-term strategic planning; and provide support to newly decentralized economies.

Nongovernmental Organizational Development:

Volunteers work with local and national nongovernmental organizations (NGOs) to increase their organizational capacity and sustainability, helping to make these organizations more effective. Volunteers train and assist staff to create strategic plans and fundraising campaigns; develop public awareness campaigns; develop mission statements and bylaws, and other NGO governance; facilitate civic education and promote volunteerism; and increase NGOs' outreach.

Examples of Volunteer work in this sector include:

- Delivering five-day seminars on agribusiness to facilitate the transition from subsistence to market-driven production. **(Panama)**
- Developing business partnerships between a Bangkok natural fertilizer factory and local villagers to save farmers money and provide a more environmentally-friendly product. **(Thailand)**
- Training and supporting young people in the Amerindian village of Kwamalasemutu in the traditional method of making beaded aprons. **(Suriname)**
- Teaching plastic recycling and biodegradable technology for plastic bottles. The one-year pilot trials moved to commercial scales, making a positive environmental impact. **(Mexico)**
- Redesigning the national curriculum with the Ministry of Education to incorporate Peace Corps' *La Empresa Creativa* (The Creative Business) entrepreneurship course in the national curriculum. **(Nicaragua)**
- Promoting self-employment and entrepreneurship for youth through training courses. As a result, 38 unemployed youth gained personal management and organization

skills, bookkeeping methods, and information about how to write resumes. **(Mauritania)**

- Developing after-school activities, including youth clubs that facilitate debates about civil society, principles of democracy, and voting rights. **(Romania)**

Environment

Volunteers working on environmental projects help strengthen a community's ability to conserve and use natural resources by working at the grassroots level. They focus on human needs and sustainable alternatives, implementing activities through environmental clubs and eco-camps. In some areas, schools and communities are connected for the first time as parents and youth work together to identify joint projects, such as bottle recycling or community clean-up days.

Examples of Volunteer work include:

- Making classrooms, visitor centers, and latrines out of plastic bottles filled with garbage. **(Guatemala)**
- Accessing global campaigns such as World Water Monitoring Day that provided water test kits to Volunteers and communities. **(Romania)**
- Developing environmental education programs, such as the "My Protected Area" project, which taught students how to communicate the importance of their respective protected areas. **(Honduras)**
- Designing annual operational plans, holding regional meetings with tourism service providers, and working as a regional marketing coordinator to increase marketing opportunities for sustainable rural tourism services. **(Guatemala)**
- Developing an environmental pen pal project between environmental clubs to facilitate discussion and problem-solving of local environmental issues between student peers from different parts of the country. **(Armenia)**

Peace Corps hosted young leaders from 46 African nations for a forum on Civic Engagement on August 4. This was part of President Barack Obama's Young African Leaders Forum designed to help leaders exchange ideas and engage U. S. citizens and government officials concerning issues key to the future of Africa, where nearly 40 percent of the Peace Corps Volunteers serve.

- Implementing a reforestation plan and raising awareness through training on how to care for trees for 100 households in collaboration with neighborhood leaders. **(Mauritania)**

Youth

Recent figures estimate that 68 percent, or roughly two-thirds, of all the people with whom Volunteers work are young men and women under the age of 25. Volunteers work with youth in all sectors, but youth development is unique in the Peace Corps as it is both a *project sector area*—designed to support the assets and capacities of young people—and an agency initiative that promotes *an approach* that can be used to strengthen the overall impact of the Volunteers' work in a community.

The Peace Corps' approach to working with young people emphasizes valuing youth as resources to be developed, rather than as problems to be solved; including youth in all aspects of an activity; and building on capacities already in place.

Volunteers' work in this sector includes such activities as:

- Providing youth exchange programs, trainings, parliaments, and forums on different topics, including gender equality and human rights, HIV/AIDS, and Roma integration. **(Bulgaria)**
- Creating a manual, *Girls Leading Our World*, that explains volunteerism and civic participation and outlines how girls can start clubs in their communities. The manual was introduced at a two-day camp. **(Jordan)**
- Leading "Camp Superman," an inaugural formal camp for adolescent boys. Boys learned

teamwork and communication skills to resolve conflicts and were educated about HIV/AIDS prevention. Volunteers and the camp attendees defined their ideal "Superman," and used games, challenges, and competitions to suit a masculine learning style, with time for processing and reflection. **(Dominican Republic)**

- Collaborating with "Hole in the Wall Camps," a five-year program to run summer camps for HIV-positive children. Ten Volunteers participated as camp leaders and 45 HIV-positive children were invited to join the camp. **(Dominican Republic)**
- Increasing student participation in "The Writing Olympics," a large-scale English creative writing competition focused on independent thought and personal empowerment held in many schools. **(Azerbaijan)**
- Forming small business groups that train youth in small businesses skills such as jewelry making and baking. **(El Salvador)**

Agriculture

Agriculture Volunteers find themselves on the front-line of food security and climate change as global commitments grow to address these issues. Their projects promote environmentally sustainable and organic farming practices by focusing on the long-term productivity of farmers' fields. Volunteers work with farmers to maintain and improve soils and manage water resources, using techniques that incorporate local, natural inputs to control pests and erosion.

Sustainable production practices also promote food security. Agriculture projects address food secu-

rity issues by promoting crop diversification and encouraging production of more nutritious foods. Volunteers work with men and women on their field crops, vegetable gardens, small animal husbandry efforts, fisheries, and beekeeping. Using a value chain approach, Volunteers assist in developing new value-added products, securing the storage and marketing of these products, and helping communities and farmers implement agroforestry techniques that conserve soils.

Agriculture Volunteers often work with women’s associations or youth clubs as their primary partners.

Examples of Volunteer work in this sector include:

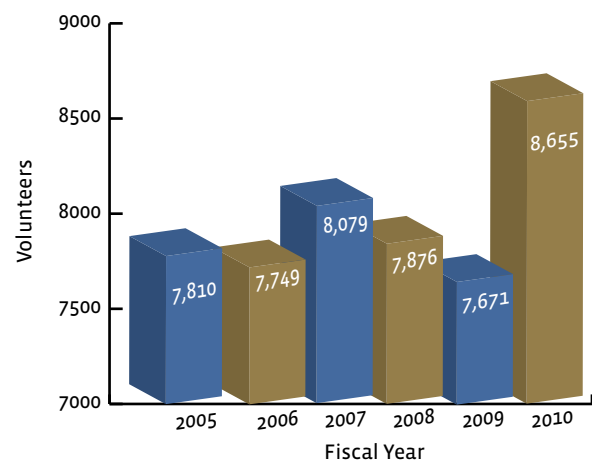
- Training and partnering with farmers on pilot projects to extend promising agroforestry/agricultural practices to other farmers through activities such as “field days,” which many farmers attend. **(Senegal)**
- Developing school gardens to increase the nutritional intake of students while also bringing in revenue for the school. **(Togo)**
- Developing networking opportunities for women leaders in agriculture to strengthen their participation in sustainable community natural resources management. This results in an increase in food security, creates additional sources of income, and increases female leadership in the community. **(Honduras)**
- Developing the “Seeders’ Group,” a Volunteer-run seed bank to make horticultural and tree seeds available to community partners. **(Panama)**

Peace Corps was ranked No. 5 among 34 small agencies in the nonprofit Partnership for Public Service’s “Best places to Work in the Federal Government.”

- Teaching potholing technology to counterparts and farmers to increase their crop yields by using smaller portions of land. This conservation farming practice involves digging small potholes in crop fields and filling them with concentrated natural fertilizers and soil conditioners, and rotating crops with nitrogen-fixing plants to produce more food on less land with few inputs and little animal or other technology. **(Zambia)**
- Conducting value chain analysis on the shea nut to incorporate conservation of shea agroecosystems and tree care in order to improve harvesting and production and increase market linkages. **(Mali)**

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, 2010, was 8,655. This number included 395 Volunteers funded by the President’s Emergency Plan for AIDS Relief (PEPFAR). The increase in the number of Volunteers in FY 2010 was directly related to the increase in appropriated funds for the agency. The on-board count includes posts in which the Peace Corps is active or suspended, but not closed.

Number of Volunteers





Comprehensive Agency Assessment

During his confirmation hearing, Director Williams made a commitment to Congress to conduct a comprehensive assessment of the agency. As the Peace Corps prepares to celebrate 50 years, the Director thought it was critical to pause and assess agency operations and guarantee we were not only honoring our rich history, but also preparing for the future.

The Peace Corps Appropriations Act of December 16, 2009, included a provision requiring the Director of the Peace Corps to submit a report to the Committees on Appropriations on the findings of an Agency Comprehensive Assessment in the areas listed below:

1. Improving the recruitment and selection process to attract a wide diversity of highly and appropriately skilled Volunteers
2. Training and medical care for Volunteers and staff, as appropriate
3. Adjusting Volunteer placement to reflect priority United States interests, country needs and commitment to shared goals, and Volunteer skills
4. Coordinating with international and host-country development assistance organizations
5. Lowering early termination rates
6. Strengthening management and independent evaluation and oversight
7. Any other steps needed to ensure the effective use of resources and Volunteers, and to prepare for and implement an appropriate expansion of the Peace Corps

The Director also asked the assessment team to address how the agency can best strengthen Third Goal activities and agency reporting mechanisms.

Relying heavily on contributions from across the entire Peace Corps community overseas and in the United States, as well as a variety of external observers, the Comprehensive Agency Assessment developed a strategic vision, six strategies, and 63

recommendations that will serve as a guide for the Peace Corps over the next decade. The assessment provides a roadmap to strengthen and reform agency operations and identifies necessary investments for quality improvements, which will allow the agency to more powerfully address future challenges.

**CollegeGrad.com named the Peace Corps
the No. 5 Top Entry Level Employer
in FY 2010**

The six recommended strategies are:

1. Target the Peace Corps' resources and country presence across countries according to specific country selection criteria to maximize grassroots development impact and strengthen relationships with the developing world
2. Focus on a more limited number of highly effective technical interventions that will enable the Peace Corps to demonstrate impact and achieve global excellence
3. Embrace generalist Volunteers, recruit them while recognizing the competition for their services, and provide them with training and comprehensive support for success in their project areas and community outreach activities
4. Make Peace Corps Response an engine of innovation by piloting new programs to expand the Peace Corps' presence and technical depth and increase overseas service opportunities for talented Americans
5. Actively engage Volunteers, returned Volunteers, and the American public through strong partnerships with private sector companies, schools, civil society organizations, returned Peace Corps Volunteer groups, and government agencies to increase understanding of other cultures

and generate commitment to volunteerism and community service as a way to “continue service”

6. Strengthen the Peace Corps' management and operations by using modern technology, innovative approaches, and an improved business process that will enable the agency to effectively carry out this new strategic vision

The Comprehensive Agency Assessment was delivered to the Committee on Appropriations on June 14, 2010.



Peace Corps is “greening” to support energy efficiency, resource conservation, and environmental stewardship. In a sampling of some agency initiatives, *The Washington Post* cited the Peace Corps for “creating an exchange for unused office supplies... and reducing its paper consumption by 25 percent by using both sides of all office paper.”



Business Volunteer teaches basic business techniques and marketing skills to local artisans such as a women's basket making co-op.



Looking Forward

The Peace Corps will commemorate its 50th anniversary in 2011. Over the course of the year, the Peace Corps will recognize this landmark occasion by reaffirming the agency's core goals and celebrating the unqualified success of its Volunteer program. The Comprehensive Agency Assessment lays out a strategic vision and a set of concrete recommendations that will guide the agency's work in the years to come. Director Williams has stated, "The assessment is our blueprint for the future."

As detailed elsewhere in the Performance and Accountability Report, based on the six strategies and 63 recommendations identified through the Comprehensive Assessment process, the agency has embarked upon reform of the agency's operational systems, a strategic portfolio review, growth in the number of Volunteers, and a variety of other operational improvements over the next decade. These steps have re-energized the agency and a variety of stakeholders around the world, producing a renewed sense of purpose.

Implementation of the six recommended strategies will be the hallmark of the agency's work in FY 2011. The assessment team and the field working group constituted in FY 2010 will carry the process forward in FY 2011, working closely with agency operating units at headquarters and in the field. The process will continue to be one that is rigorous, disciplined, and highly inclusive.

The assessment team consulted extensively with multiple stakeholders during the assessment process, including posts and headquarters staff, currently serving Volunteers (individuals and Volunteer Advisory Committees at more than 20 posts), returned Peace Corps Volunteers (RPCVs), the National Peace Corps Association, leaders in the field of international development, Peace Corps critics and supporters, numerous "Friends of" committees, the Office of Management and Budget (OMB), and members of Congress. The final report has met with a highly

favorable response from a variety of stakeholders, including members of Congress, OMB, the National Peace Corps Association, and other members of the RPCV community.

The recommendations from the assessment will be incorporated as operational strategies within the agency's Strategic Plan (FY 2009-FY 2014) during the FY 2011 mid-cycle review of that plan and progress toward its implementation will be tracked through quarterly, mid-year, and end-of-year reviews.

Growth

In FY 2010, the agency established the Office of Global Operations to provide overarching support and management of the three geographic regions, the Office of Overseas Programming and Training Support, Peace Corps Response, and the Office of AIDS Relief. The goal was to identify and implement key best practices, streamline operations, and advocate for field operations.

In FY 2010, Global Operations oversaw the re-entry into three countries. Based on recommendations detailed in the Comprehensive Assessment, a process has been established for a rigorous and systematic portfolio review prior to any decision on entering or re-entering countries.

The agency saw a growth of 9 percent in Volunteers in FY 2010 and is preparing for a nearly 9 percent growth in Volunteers in FY 2011.

The agency will increase its efforts to recruit and field Volunteers through a variety of new techniques, including an expanded use of social media networks. The majority of these Volunteers will be generalists who will receive intensive training for their Peace Corps assignments.

Peace Corps Response, a program for returned Peace Corps Volunteers who wish to return to Peace Corps service for shorter terms, more than doubled the number of Volunteers in FY 2010 to 200 and is projected to expand to 400 Volunteers in FY 2011. Peace Corps Response Volunteers will continue to take a lead role in re-entering countries and will also help to meet the agency's need for technical experts.

In FY 2011, it is expected that the Africa region will see growth in the following sectors: education (specifically, girls' education, math, and science), health, and food security. Inter-America and the Pacific region anticipate growth in: education (particularly teaching English as a foreign language (TEFL)), health, and youth development. Finally, the European, Mediterranean and Asia region projects growth in: TEFL, health, and youth development.

Eighty percent of the Peace Corps' FY 2011 budget supports direct Volunteer operations.

Strategic Partnerships

As Peace Corps celebrates its 50th anniversary, the agency will seek innovative ways to increase Peace Corps' impact both domestically and abroad. Strategic partnerships provide a mechanism for the Peace Corps to recruit the next generation of Volunteers, increase developmental impact, and further the agency's initiatives to strengthen Third Goal activities and RPCV employment. Therefore, the agency has taken steps to establish mechanisms to effectively leverage partnerships to accomplish agency priorities and contribute to a whole-of-government approach to meet overarching U.S. government priorities.

The agency partnered with five AmeriCorps groups in FY 2010 in an effort to attract more Volunteers with a proven commitment to community development. Through these partnerships, the agency expects to find more Volunteers like a currently-serving Peace Corps Volunteer in Eastern Europe who began his public service as an AmeriCorps National Civilian

Peace Corps received the 2010 Presidents' Award from the Teachers of English to Speakers of Other Languages, Inc. for important contributions to develop and maintain professional expertise in English language teaching and learning for speakers of other languages worldwide.

Community Corps member. His AmeriCorps service helped to prepare him for the Peace Corps.

In FY 2010, one year into Director Williams' administration, the Peace Corps signed new partnership agreements with five AmeriCorps groups and eight Minority Serving Institutions to strengthen general and diversity recruitment efforts and to increase our exposure among the country's leading volunteerism and service organizations. The agency also signed two new partnership agreements with leading international nongovernment organizations and five new interagency agreements (U.S. Department of State, the Environmental Protection Agency, the Millennium Challenge Account, and two with the U.S. Agency for International Development). These agreements support post programming and training to enhance the developmental impact of Volunteers.

In FY 2011, the Peace Corps will continue to look at expanding its partnerships with other government agencies and with organizations that are at the forefront of efforts to train community leaders.

Partnering with other service and development organizations will continue in order to both accomplish agency priorities and contribute to a government-wide approach to meet overarching priorities on global issues such as food security, HIV/AIDS, and basic education.

Volunteer Health and Safety

Keeping Peace Corps Volunteers healthy and safe in the challenging circumstances under which they serve is a key concern. Director Williams has stated,

“Keeping our Volunteers safe and healthy is our top priority every day.” In FY 2010, the agency reorganized the system for providing medical care to Volunteers. This reform included (though is not limited to) strengthening accountability and realigning the reporting structure to enable the Office of Volunteer Support to have a more direct approach to the management of overall quality and delivery of our health care.

The Office of Safety and Security, in collaboration with the new Office of Global Operations, began to modernize the management of the Volunteer safety and security system.

In the coming year, renewed attention will be given to Volunteer health and safety processes, including incorporating recommendations from the Inspector General's audit into the work of the Office of Safety and Security. In addition, the agency will realign the safety and security reporting structure with clearer lines of authority.

Additional resources in FY 2011 will strengthen these two key offices that support the health and safety of our Volunteers.

Third Goal

FY 2011 will see a continuation of the emphasis on the Third Goal that began in FY 2010. Ambitious targets have been established to drive performance in this critical area of citizen diplomacy. Director Williams' emphasis on the Third Goal is rooted in his belief in the valuable role played by Peace Corps Volunteers

in engaging with the outside world at this particular moment in American history.

Summary

The Peace Corps has adapted and responded to the issues of the times, mindful of the basic mission to be a force for change in the communities where Volunteers serve. In an ever-changing world, Peace Corps Volunteers meet new challenges with innovation, creativity, determination, and compassion. From AIDS education and emerging technologies to environmental preservation and income generating ideas, Volunteers help people to build better lives for themselves. The coming year offers tremendous opportunities for the Peace Corps community to share its vision for the future with the American public and inspire the next generation of Volunteers.

The Peace Corps released its first Open Government Plan at www.peacecorps.gov/open as part of President Obama's efforts to make the federal government more transparent. It received special recognition in a White House press release stating, “Independent agencies are not mandated to participate, though many, like the Peace Corps and the Corporation for National and Community Service, have taken on the challenge to open their practices to greater transparency and public participation.”



Overview of FY 2010 Goals and Results

FY 2010 Overview of Performance

Program performance improved slightly in FY 2010.

This Performance and Accountability Report is based on the agency's performance in the second year of implementing the FY 2009-2014 Strategic Plan available at <http://www.peacecorps.gov/open/>. The agency measures the Strategic Plan through a set of 38 indicators.

The Peace Corps met 24 of 36 measurable performance indicators with targets for FY 2010 (two do not have targets but were monitored). The results for FY 2010 represent a 3 percent increase over FY 2009.

Strategic Goals and Agency Core Goals

The Peace Corps' Strategic Plan identifies five strategic goals the agency seeks to achieve between 2009 and 2014. Three of the five goals align with the agency's three core goals; two goals address effective management and support of Volunteers.

Outcome Goals and Performance Goals

Each strategic goal is supported by outcome goals that define the results the agency expects to achieve in order to reach each of its long-term strategic goals. In turn, each outcome goal is supported by one or more performance goals, which define the concrete, measurable objectives the agency expects to achieve.

Performance Indicators

Performance indicators, with measurable targets, are set for each performance goal. The indicators



allow the agency to measure and report on progress toward its long-term organizational goals and are used throughout the year to inform and improve operations.

Reporting Procedures and Data Quality

The Peace Corps is committed to providing transparent and reliable data for managerial decision-making and oversight. The Office of Strategic Information, Research, and Planning oversaw the work of the posts and headquarters offices to ensure continuity and reliability of the performance data reported by the agency.

The agency continued the practice of conducting quarterly reviews of key performance indicators and focused particular attention on the mid-cycle review, reviewing performance results during the mid-year

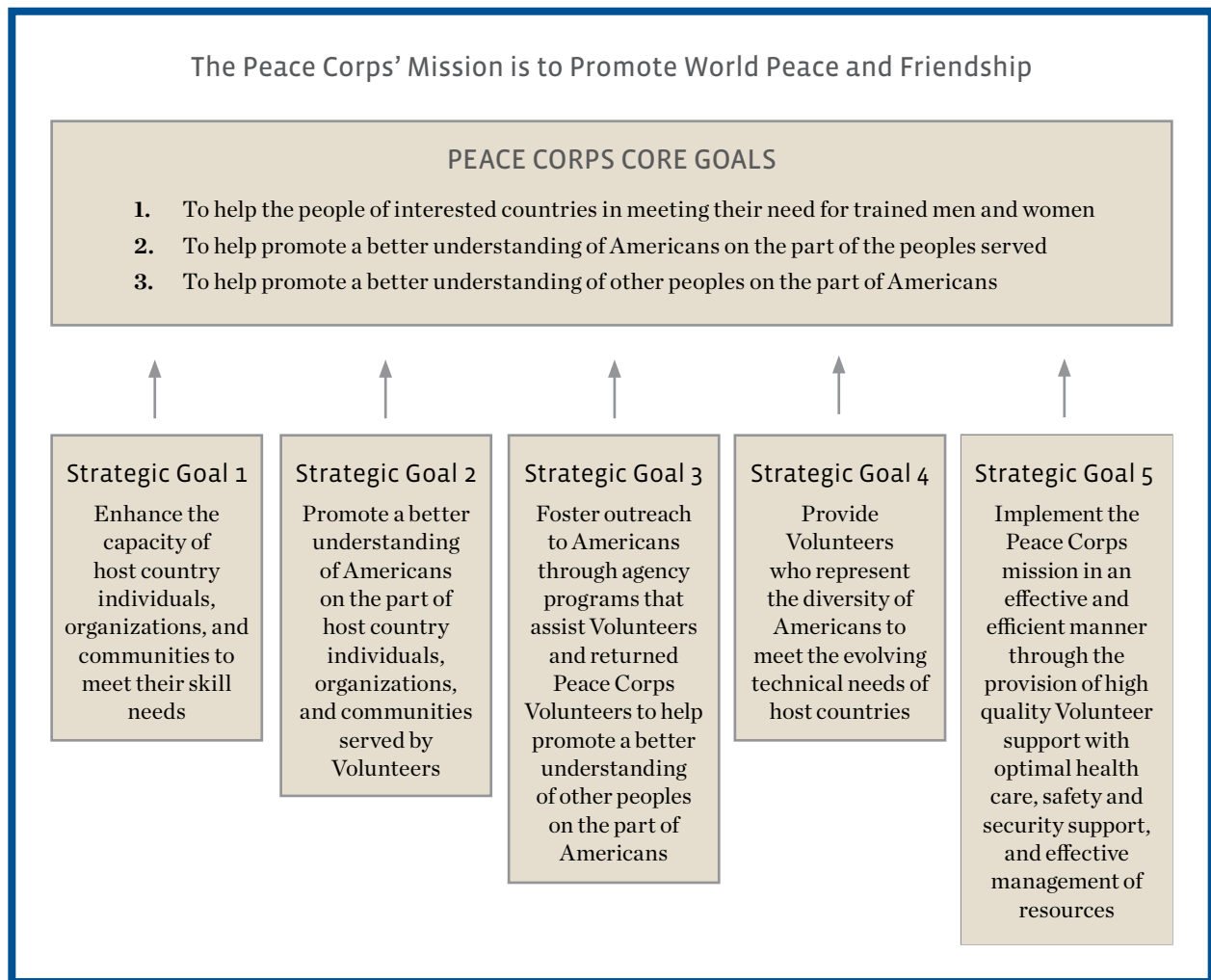
Year to Year Indicator Overview		
Description	FY 2009	FY 2010
Targets Met (Number)	23 of 36	24 of 36
Targets Met (Percentage)	64%	67%

budget reviews to reinforce performance and budgeting alignment. This integrated mid-year assessment allows for the redirection of agency resources in consideration of challenges and/or achievements.

The agency performance data are collected from three principal sources. Data for 12 of the 38 indicators are gathered directly from Peace Corps Volunteers through the Annual Volunteer Survey. The survey results represent the views of 81 percent of the Volunteers serving during the summer of 2010 and ensure that Volunteers provide direct feedback into the agency's planning and performance evaluation process. Headquarters offices provide annual

data for 20 indicators. The majority of the data for these indicators are collected and housed in the Peace Corps Volunteer Database Management System. Peace Corps posts provide information for six of the 38 indicators. Two of the 38 indicators are monitored and reported on, but do not have targets.

The Peace Corps' FY 2010 performance results are based on reliable and valid data that are complete as of the compilation of results at the end of the fiscal year. The agency places great value and emphasis on continuously improving its performance reporting procedures and processes.





Analysis of Financial Statements

Overview

For the fourth sequential year, an unqualified (clean) audit opinion was achieved on the FY 2010 financial statements. During this fiscal year, the agency’s financial system was successfully recertified and accredited. The Congressional appropriation totaled \$400 million in FY 2010 and \$340 in FY 2009. This overall increase of \$60 million was the highest year-to-year increase in appropriated funding from the Congress in history. Budgetary resources available from all years and all sources for use by the agency totaled \$445 million in FY 2010 and \$373 million in FY 2009. The agency has two years in which to obligate appropriated funds and another five years in which to complete the payout process.

Treasury was mainly due to a \$48.8 million increase in the appropriated funds not yet expensed and a \$2.7 million increase in funding for the Volunteer Readjustment Allowance. In addition, Property, Plant, and Equipment (PP&E) and other assets increased by \$1.8 million due to an increase in vehicles, IT hardware purchases, and increases in prepayments for employee travel and relocation.

Assets. As of September 30, 2010, the Peace Corps’ total assets were \$229 million on the Balance Sheet. Eighty-three percent of the assets were in the Fund Balance with Treasury and 14 percent of the assets were in PP&E. See the chart below reflecting all agency assets:

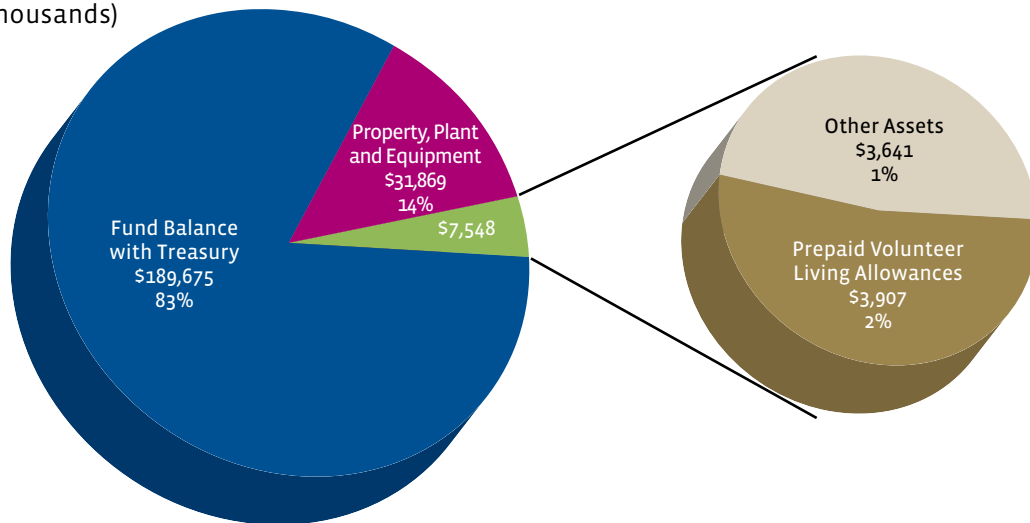
Analysis of Financial Results

Total agency assets of \$229 million were reflected on the Balance Sheet at the end of fiscal year 2010, an overall increase of more than 29 percent when compared to the FY 2009 total assets of \$176.8 million. The \$50.6 million increase in the Fund Balance with

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

FY 2010 Assets by Type

(\$ in Thousands)



Liabilities. Total liabilities of \$250 million were reflected on the Balance Sheet at the end of FY 2010. Liabilities increased \$32 million from the FY 2009 level of \$218 million primarily due to a \$16.3 million increase in the federal employee benefits actuarial projection as calculated by the Department of Labor. Other areas of significant change include an increase of \$5.5 million in accounts payable, an increase of \$3.7 million to the unfunded employment-related liability for the personal services contractors, and an increase of \$2.3 million in the unfunded Federal Employees Compensation Act (FECA) liability.

Net Cost. The net cost of operations increased 19.4 percent over FY 2009 to \$386 million. The gross costs of the agency increased by \$63.1 million during FY 2010 due to increases in the number of Volunteers and their support.

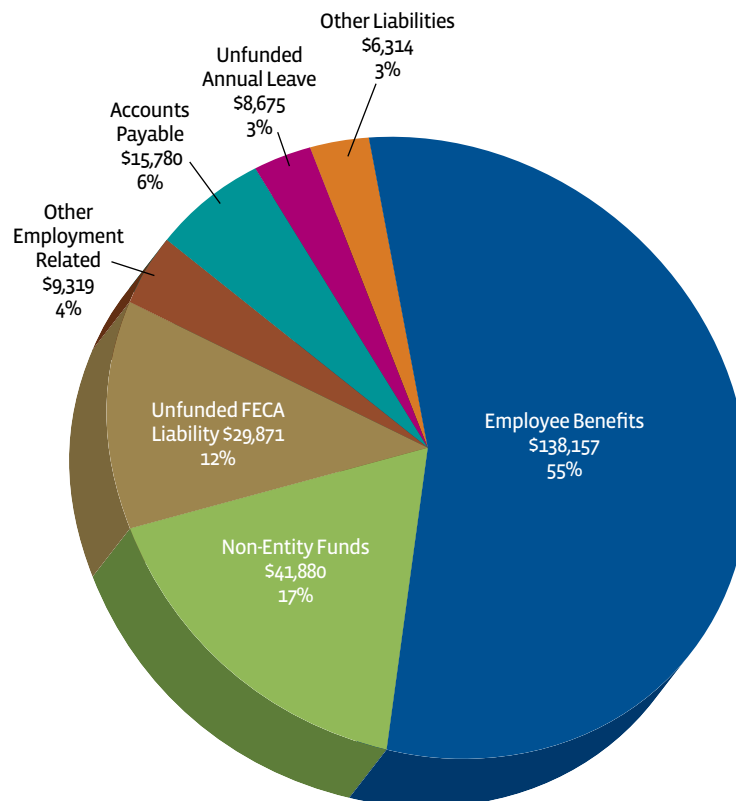
Limitations of the Principal Financial Statements

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 entity's books and records in accordance with generally accepted 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.

FY 2010 Liabilities by Type

(\$ in Thousands)





Analysis of Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 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. Further, OMB Circular A-127, *Financial Management Systems*, prescribes policies and standards to follow in managing financial management systems.

Internal Control within the Peace Corps

The Peace Corps' internal control program is governed by the senior assessment team led by the chief financial officer. This team monitors corrective action progress toward completion of the past fiscal year's significant deficiencies and audit recommendations through a series of meetings and correspondence. At mid-year, department and office heads across the agency conducted risk assessments for their business areas and identified no material weaknesses. Additionally, recent annual assurance statements attesting to the adequacy of internal controls prepared by the department and office heads did not reveal any material weaknesses. Further strengthening the internal control program were reviews, audits, investigations, and evaluations conducted by the Office of the Inspector General during FY 2010.

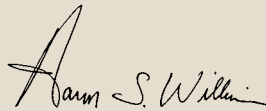
Summary

This is the fourth consecutive year in which the Peace Corps has achieved an unqualified (clean) financial audit opinion during its annual financial statement audit. The annual assurance statement on compliance that follows confirms that the agency's internal controls and financial management systems meet FMFIA objectives and that the agency is operating efficiently and effectively. The annual assurance statement is consistent with the FY 2010 audit report.

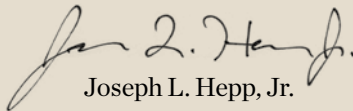
FY 2010 Annual FMFIA Assurance Statement

The Peace Corps assessed the effectiveness of internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act (FMFIA) of 1982 Section 2 and OMB Circular A-123. Based on this assessment, the Peace Corps can provide reasonable assurance for FY 2010 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Peace Corps conducted its assessment of whether the financial management systems conform to governmentwide financial systems requirements in accordance with FMFIA Section 4. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of FMFIA Section 4 and OMB Circular A-127 for FY 2010.



Aaron S. Williams, Director
November 15, 2010



Joseph L. Hepp, Jr.
Chief Financial Officer
November 15, 2010

Education Volunteer teaches Geography at a school in rural Mongolia.





Agency Performance

Introduction

In FY 2010, Peace Corps embarked on a comprehensive agency-wide assessment as a means of strengthening, reforming, and growing the agency. The Director endorsed the recommended strategies, and with that catalyst, the agency redoubled its efforts to advance the three core goals of the Peace Corps. Particular emphasis was placed on strengthening collaboration, communication, and partnerships with the countries in which Volunteers serve. The agency also worked to create more effective management mechanisms and support for Volunteers. The agency met 24 of the 36 measurable performance indicators for FY 2010 due to the dedicated work of the Volunteers and staff who support them. Of the 12 indicators where performance was not met, three indicators achieved substantial results within 5 percentage points of the target.

Status of FY 2010 Performance Measures

FY 2010 is the second year the agency is reporting on the new set of performance goals and indicator targets outlined in the Peace Corps' FY 2009–2014 Strategic Plan. Overall, the agency achieved success in two of the five strategic goals, and met or exceeded targets in 67 percent of the 36 performance indicators. The analysis of the indicators by performance goal is provided in this Agency Performance Section.

Today, nearly 22 percent of all Peace Corps Volunteers serve in 38 percent of the countries considered to be predominately Muslim (population at least 40 percent Muslim). Over 1,900 American Volunteers and staff work in these 18 host countries. This remains a top priority for the agency.

FY 2010 Strategic Performance Plan Summary		
Performance Goal	Description	Targets Met
	Strategic Goal 1 – Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs	8 of 10
1.1.1	Ensure the effectiveness of in-country programs	2 of 3
1.2.1	Ensure the effectiveness of in-country training	3 of 3
1.3.1	Increase the effectiveness of skills transfer to host country individuals, organizations, and communities	3 of 4
	Strategic Goal 2 – Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers	1 of 3
2.1.1	The work and life experiences of Volunteers in-country promote host country national learning about Americans	1 of 3
	Strategic Goal 3 – Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans	5 of 5
3.1.1	Volunteers share their in-country experiences with family, friends, and the American public	3 of 3
3.1.2	Increase returned Peace Corps Volunteers' cultural outreach to the American public through Peace Corps programs	2 of 2
	Strategic Goal 4 – Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries	3 of 6
4.1.1	Recruit Volunteers who balance the needed manpower and technical needs at posts with the available applicant pool and its skills	2 of 2
4.1.2	Manage Volunteer recruitment functions in an effective and efficient manner	0 of 2
4.2.1	Recruitment and Volunteer placement efforts reflect the diversity of Americans	1 of 2
	Strategic Goal 5 – Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources	7 of 12
5.1.1	Enhance the safety and security of Volunteers	2 of 4
5.1.2	Provide quality medical and mental health services to trainees and Volunteers	3 of 3
5.2.1	Provide effective and responsive financial management that accurately reflects domestic and overseas operations	0 of 2
5.2.2	Ensure the effective management of Peace Corps resources	1 of 2
5.2.3	Ensure optimal performance of critical Peace Corps processes	1 of 1



Annual Performance Results

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

In order to enhance the capacity of host country individuals, organizations, and communities, the Peace Corps works with each host country to identify its needs. To be successful, the agency must have open communication and a positive working relationship at all levels with host country governments, partner organizations, communities, and counterparts.

Volunteer projects and activities are designed in collaboration with national sponsoring agencies to meet the development needs of the country. Additionally, the agency has integrated cross-cutting initiatives into all sectors, as appropriate, to ensure agility in recognizing shifts in skills needed on the ground. During the time horizon of the current Strategic Plan, the agency has identified several issues for concentrated programmatic attention, including education, health, and food security. Once country needs are identified, the agency must provide appropriate Volunteers who are trained to effectively build individual and organizational capacity through the transfer of skills. Volunteers must have adequate language, cultural, technical, and capacity-building training to ensure the successful accomplishment of their work.

In this second year of the Strategic Plan, the agency has increased its focus on training as a result of the Comprehensive Assessment of the Peace Corps. The assessment calls on the agency to identify key development interventions worldwide where the Peace Corps is, or will be, working with large numbers of Volunteers, and to enhance and strengthen the technical preparation of Volunteers in these areas.

Monitoring and evaluating the effectiveness of the Volunteers' work is essential to continuous performance improvement. Throughout the year, Peace Corps posts collect qualitative and quantitative data from all Volunteers about their activities via the Volunteer Reporting Tool, an electronic data management system. Each Volunteer reports on the outcomes of his/her activities against the objectives of sector-specific projects. Measuring host country capacity building is also a major activity within each project and Volunteers report on these results through this same reporting tool.

Volunteers' perceptions on the effectiveness and impact of their work in building local capacity is also measured through the Annual Volunteer Survey, administered once a year to all currently serving Volunteers.

The Peace Corps' host country impact studies are used to measure the transfer of skills to host country nationals. The evaluations identify the types of skills transferred and the long-term sustainability of new capacities gained from working with Volunteers. A recommended strategy from the Comprehensive Assessment is to strengthen and enhance the agency's monitoring and reporting system by increasing the number of host country impact studies conducted each year.

Outcome Goals:

- 1.1 Country programs fulfill host country skill needs.
- 1.2 Volunteers have the competencies necessary to implement a country program.
- 1.3 Host country individuals, organizations, and communities demonstrate an enhanced capacity to meet their own needs.

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

Agency Level Performance Indicators:

Performance Goal 1.1.1: Ensure the effectiveness of in country programs	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of project plans meeting the expressed needs of the host country	N/A	97%	90%	98%
b. Percentage of posts providing annual progress reports to their host country agency sponsors and partners	62%	53%	80%	70%
c. Enhance the average length of service of Volunteers to equal or exceed 21 months	20.9 months	22.1 months	21 months	22.6 months

Results and Analysis: Two of the three targets were met for this performance goal.

Participatory development is the hallmark of the agency's approach to working with partner countries. The Peace Corps conducts its work in partnership with host country governments, local organizations, and communities in order to achieve participatory, community-based development.

Collaboration between the Peace Corps and host country partners allows for the creation of project plans that meet the needs of host communities. The agency assesses project plans for this indicator because of the direct impact they have on Volunteers and host communities. Volunteer training is tailored specifically to each project. Thus, each project plan contributes directly to the skills Volunteers will take with them to their host communities. At the beginning of the fiscal year, the posts reported a total of 211 projects worldwide. Of those projects, 98 percent report that the plans reflect the development needs of the country, thus exceeding the target by 8 percent.

Accountability to host country sponsors regarding program progress is a second critical aspect of the agency's commitment to participatory development. The Peace Corps achieves this by developing annual reports that are shared with host country stakeholders. Seventy percent of the posts (45) provided annual reports to stakeholders in FY 2010. While the agency did not meet the target of 80 percent, performance was significantly improved from FY 2009, when 53 percent of posts provided annual progress reports to host country partners.

The improvement is attributed to the agency's commitment to increase transparency. During FY 2010, the importance of communicating with host country stakeholders was emphasized at each of three conferences for country directors. Several directors shared their country reports and offered suggestions for a useful yet cost-effective document. The reports take several forms. For example, El Salvador produced a written report encompassing all projects, prepared a brochure for each project, captured Volunteers' work on a DVD/CD, and made a formal presentation to stakeholders.

Reports are prepared in the host country language and in English and generally combine information from the Volunteers' achievement reports, site visits by project managers, and program evaluations.

Three of the 15 posts that did not prepare annual reports were new posts and, thus, had not yet implemented programs on which to report. One post had just ratified its project with the host country government and, therefore,

did not have a report. Eight posts noted they lacked sufficient staff resources and time to complete the reports and submit them to partners.

The effectiveness of Peace Corps' in-country programs is also directly related to the length of service of a Volunteer. Longer-serving Volunteers are more fully integrated into their communities, have acquired greater language proficiency, and report higher rates of satisfaction with their work as they become more comfortable with, and rewarded by, their Peace Corps service. The average length of service in FY 2010 was 22.6 months, a slight increase over FY 2009. Thus, the target of 21 months was achieved.

Moving forward, the Peace Corps intends to increase its strategic partnerships with private sector companies, schools, civil society organizations, and returned Peace Corps Volunteers in order to continue meeting the needs of host country beneficiaries.

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

Agency Level Performance Indicators:

Performance Goal 1.2.1: Ensure the effectiveness of in country training	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of Volunteers meeting local language requirements for service, per post testing standards	N/A	93%	85%	87%
b. Percentage of Volunteers reporting training as adequate or better in preparing them technically for service	78%	80%	72%	80%
c. Percentage of Volunteers reporting training as adequate or better in preparing them to work with counterparts	74%	79%	62%	79%

Results and Analysis: All targets were met for this performance goal.

The Peace Corps is highly regarded for its language training. Proficiency in the language of the host community is critical to Volunteers' cultural integration and ability to work within their communities. This core competency is assessed by the agency's certified language proficiency interviewers who test Volunteers' language skills at the end of their pre-service training. Eighty-seven percent of Volunteers tested met or exceeded their host country's language proficiency benchmarks, which exceeded the FY 2010 target of 85 percent. The FY 2010 indicator reflects a decrease of 6 percent from FY 2009; however, the current information represents more complete data reported by 64 posts, in contrast to the FY 2009 data based on only 10 posts.

The agency currently teaches approximately 140 languages in 77 countries. Posts typically teach their Volunteers one local language during their pre-service training; however, many Volunteers learn two or more languages. In countries with significant language diversity, some posts provide instruction on as many as 15 languages in order to prepare Volunteers to serve in their communities. Many of these languages have unique grammar and alphabets that are very different from English, and some have no written form.

In support of the Energy and Climate Partnership of the Americas, the Department of State will provide \$1 million to fund Peace Corps Volunteer efforts that increase rural access to energy, mitigate the effects of climate change, and support the use of renewable energy and energy efficient technologies in Central and South American communities.

Despite the challenges of multiple languages and shortages of trained instructors and instructional materials, the Peace Corps' language training is remarkably effective. In eight to 12 weeks, Volunteers learn enough of their local language(s) to integrate into communities and carry out their work assignments.

Providing Volunteers who are adequately prepared for their work assignments is another major responsibility of the posts. The posts provide technical training during pre-service training in addition to focused technical training workshops, field exercises, and on-site visits from staff and technical experts during the Volunteers' service. In the 2010 Annual Volunteer Survey, 80 percent of participating Volunteers listed their "training as adequate or better in preparing them technically," exceeding the FY 2010 target of 72 percent.

Posts are implementing an innovative phased-in approach to technical training on an increased basis, with the sequence and length of technical training being based on trainee awareness and readiness. During the three-phase training, for example, Volunteers engage in practical activities after each training phase, providing them with an opportunity to apply their technical training before the next phase of training begins.

This phased-in approach is also helpful in preparing Volunteers to work with their host country counterparts. During pre-service training, a combination of "real-life" training activities and community involvement simulates the actual environment in which the Volunteers will be working. Seventy-nine percent of Volunteers reported the training to prepare them to work with their host country counterparts was adequate or better, significantly exceeding the FY 2010 target of 62 percent.

This year, the agency increased support for the joint training of Volunteers and their counterparts through:

- Increased funding to include host country nationals in Peace Corps' training events
- Greater emphasis on developing project advisory councils during which Volunteers and counterparts discuss the design, implementation, and results of the projects
- An increased number of project design and management workshops to train counterparts in project implementation and leadership development

A factor that also contributed to successful Volunteer training was the use of an integrated training design and evaluation model for language skill acquisition, technical training, and cross-cultural training.

Finally, the new partnership agreements with leading international organizations are providing valuable technical support for post programming and training, enhancing the developmental impact of Volunteers.

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

Agency Level Performance Indicators:

Performance Goal 1.3.1: Increase the effectiveness of skills transfer to host country individuals, organizations, and communities	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of Volunteers reporting that their work transferred skills to host country individuals and organizations adequately or better	84%	88%	72%	85%
b. Percentage of Volunteers reporting their HIV/AIDS education and outreach work is effective or better	44%	59%	80%	56%
c. Percentage of projects that document increases in host country national capacity	86%	91%	75%	85%
d. Percentage of partner organizations reporting their assigned Volunteers fulfilled their requested need for technical assistance	82%	52%	60%	72%

Results and Analysis: The Peace Corps met three of the four targets set for this outcome.

A major contribution of the Volunteers is their ability to deliver technical interventions directly to beneficiaries living in rural or underserved areas that lack local professionals. Their assignments focus on building capacity and transferring skills to host country individuals and organizations in areas such as teaching and teacher training, community development, and health. Volunteers' development perspective promotes sustainable projects and strategies by focusing on skills transfer.

Eighty-five percent of the Volunteers reported they had transferred skills to host country individuals, a significant increase over the target of 72 percent. This finding is corroborated by data gathered through the agency's host country impact studies.

Host country nationals reported in the impact studies that 94 percent of respondents said they had gained skills through their work with the Peace Corps and 85 percent of respondents reported the training they received enhanced their technical skills. Further, 90 percent of impact study respondents indicated the projects built community capacity to address local needs.

The solid performance can be attributed to an agency commitment to achieving results and emphasizing to Volunteers and overseas staff the importance of achievement and the measurement of activity outcomes. This commitment is reinforced by the agency recommendation to establish in-depth technical training programs to ensure that Volunteers, particularly generalist Volunteers, are well-prepared for service.

The agency was not able to meet its target related to the percentage of Volunteers who report that their HIV/AIDS work is effective. In FY 2010, most Volunteers (56 percent) reported conducting HIV/AIDS activities and slightly more than half (56 percent) reported their work was effective. Those Volunteers devoting significant time to HIV/AIDS activities reported higher levels of effectiveness, however. For example, 60 percent of Volunteers whose

HIV/AIDS activities were part of their primary activities report that their work is effective or better, as did 63 percent of Volunteers who conducted HIV/AIDS activities as part of their secondary activities. In contrast, only 45 percent of Volunteers who conducted HIV/AIDS activities occasionally reported that those HIV/AIDS activities were effective or better.

Prevention outreach and education is a difficult assignment due to the taboo of discussing sex and sexuality in many of the communities in which Volunteers work. The stigma that people living with HIV/AIDS encounter also makes effective engagement with these vulnerable populations very difficult.

Many Volunteers also report challenges in measuring the effectiveness of their HIV/AIDS interventions; they know they taught the lesson, but are unsure if that knowledge resulted in behavior change. While Volunteers may not be able to determine the impact of their HIV/AIDS activities, data gathered through the impact studies suggests that host country nationals are indeed seeing a difference from these activities. In two host country impact studies (Cameroon and Tanzania) additional questions were asked concerning the impact of HIV/AIDS work. Forty-one of 42 people interviewed reported they were satisfied with changes in their communities as a result of the agency's HIV/AIDS activities while 27 reported being very satisfied. When asked about personal changes, 40 of 42 people interviewed were satisfied, and 33 of 42 respondents were very satisfied with the changes.

“The prevalence of HIV/AIDS here is astronomical; however, our presence alone is enough to create some behavior change,” one Volunteer wrote.

To address these issues, the agency will conduct the following activities:

- Develop a pre-departure home preparation package. Volunteers will learn about the epidemics they may encounter
- Develop training modules for Volunteers to use during their service. Such modules will cover various HIV topics and foster integration of HIV within sector and topic areas like English language training, nutrition, and perma-gardening
- Create a package of virtual technical assistance to help posts design, implement, and evaluate their HIV programs
- Launch an expanded small grants program to support and encourage posts to consider a wide array of activities to address the HIV epidemic

All project plans have indicators for measuring capacity building. In FY 2010, 85 percent of the projects documented host country capacity built by the project activities, exceeding the target by 10 percentage points.

The target was exceeded because of the agency's continued emphasis on focusing on results. Posts received assistance to develop specific measurement tools both at country director conferences and through regional workshops on monitoring and evaluation. The methods used to measure capacity building differ across the sectors in which the Peace Corps operates, and most posts use more than one method at different times to gauge progress on this indicator. The majority (91 percent) rely on Volunteers' reports. Sixty-one percent used “documented observations” to demonstrate changes; 28 percent used pre- and post-test measures, and 23 percent conducted project evaluations. Another 52 percent reported they used other methods to document increases in host country national capacity, such as interviews with host country counterparts, presentations by beneficiaries at Volunteer training events, and information gleaned through annual regional meetings.

Posts reported several approaches they used to document capacity building. These approaches are being shared across posts and include:

- Adapting data collection methods to the populations and outcomes measured, such as using surveys with more educated populations
- Using tests to measure changes in knowledge and utilizing observation to measure changes in skills
- Investing time to ensure the change indicator(s) are reliable, valid, and practical
- Gathering data from multiple sources to develop a broad picture of project outcomes (e.g., combining information from Volunteer and counterpart reports)
- Using trainings and regional meetings that include counterparts and Volunteers as sources of information regarding capacity building
- Working to standardize Volunteer reporting to allow for easier data aggregation

The number of partner organizations that reported their assigned Volunteers fulfilled their requested needs for technical assistance reached 72 percent, exceeding the target by 12 percentage points. This result is also due to the agency's emphasis on achieving and measuring the results, especially from the perspective of the beneficiaries. Many posts gather information about this topic directly from partner agencies during site visits (84 percent), through written or verbal reports (63 percent), or during program advisory committee meetings (36 percent). Thirty-nine percent of posts reported gathering such information in other ways, such as:

- Formal impact assessments
- Satisfaction surveys
- Partners' requests for additional Volunteers

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

Key to effectively sharing information about America and Americans is to ensure that Volunteers learn the local language, customs, and culture, and can live and work alongside host country nationals in a manner that builds trust and a willingness to work together. Thus, the Peace Corps structures its programs to maximize a Volunteer's ability to integrate into the local community, thereby earning trust and the ability to share a better understanding of Americans.

Cross-cultural training for both Volunteers and their counterparts, the specific host country nationals with whom Volunteers work on a regular basis, is another key factor in fostering a better understanding of Americans. Effective training can break down cultural barriers that inherently exist. The Peace Corps strives to ensure that pre-service and in-service training sessions prepare Volunteers to integrate into their communities and work with their counterparts to build cross-cultural understanding, in addition to carrying out development projects.

Volunteers help promote a better understanding of Americans by experiencing the same living conditions as those they serve. Volunteers also exemplify the diversity, characteristics, and values of the American people. As one of the expectations set for Volunteers, they realize they represent Americans in their community and are mindful of that responsibility.

Outcome Goal:

2.1 Host country individuals and communities learn about Americans through shared experiences with Peace Corps Volunteers.

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

Agency Level Performance Indicators:

Performance Goal 2.1.1: The work and life experiences of Volunteers in country promote host country national learning about Americans	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of Volunteers reporting that training prepared them to manage cultural differences during service adequately or better	91%	92%	92%	91%
b. Percentage of posts conducting supervisory/counterpart training on working effectively with Volunteers	98%	100%	95%	98%
c. Percentage of host country nationals who have interacted with Volunteers who believe that Americans are committed to assisting other peoples	N/A	44%	N/A	N/A
d. Percentage of Volunteers reporting that their work helps promote a better understanding of Americans on the part of the peoples served	93%	74%	80%	68%

Results and Analysis: In FY 2010, the agency met one of the four targets for this performance goal, did not meet one, and came within one percentage point of a third target. The fourth indicator, measuring the “percent of host country nationals who believe Americans are committed to assisting other peoples,” was not reported this year.

Volunteers reported high satisfaction with cross-cultural training provided by the agency. Nonetheless, the agency fell short of the FY 2010 target, 92 percent, by 1 percent. The training increases Volunteers’ understanding of the culture in which they will live and work, teaches a set of skills, and establishes a framework so they can make sense of what they are experiencing in-country. The agency will continue to provide cross-cultural training to Volunteers in their pre-service training and will reinforce the importance of being aware of cross-cultural differences.

Peace Corps places equal importance on training Volunteers’ counterparts to help them understand American culture and to help the Volunteers integrate into their communities. Nearly all posts (98 percent) conducted training for counterparts and supervisors. This training ranged from counterpart orientations when Volunteers moved to their communities, to technical training conducted jointly with the Volunteers. The agency met the FY 2010 target for this indicator.

Two indicators were crafted to measure the extent to which Volunteers influence host country nationals’ perspective of Americans. The first was designed to measure *host country nationals’* opinions of Americans. The second measures the *Volunteers’* opinion of their impact on host country nationals’ understanding of Americans.

The agency is not reporting on the indicator of host country nationals' perspective of Americans in FY 2010, as the agency has determined that the indicator, as written ("the percentage of host country nationals committed to assisting other peoples") is not a valid measure of host country nationals' perceptions of Americans after interacting with Volunteers.

The FY 2008 baseline data collected in the pilot evaluations were based on host country nationals' responses to a general question: "Can you briefly describe what you think of Americans as a result of working with Peace Corps Volunteers?" Eighty-one percent of host country nationals spontaneously reported that they thought Volunteers exhibited a caring attitude toward the community. In FY 2009, the same question elicited a response of 44 percent. The review of the pilot evaluations and subsequent studies conducted in FY 2009 concluded that the indicator is not valid and the question was removed from the FY 2010 host country impact studies. The agency will revise this indicator during the mid-cycle strategy review in FY 2011.

Finally, the percentage of Volunteers reporting their work helped promote a better understanding of Americans (68 percent) fell short of the target. These results come from data gathered from Volunteers through the Annual Volunteer Survey.

These findings are corroborated by data collected from host country nationals through the Peace Corps' host country impact studies conducted during FY 2010 in: Cameroon, Guatemala, Jamaica, Mexico, Morocco, Tanzania, and Ukraine.

Fifty-nine percent of the host country nationals reported developing a more thorough understanding of Americans after interacting with Peace Corps Volunteers. Host country nationals' interactions with Volunteers helped them develop more realistic and well-rounded impressions of Americans and their opinions became more positive (77 percent of respondents said that their opinions of Americans were more positive after interacting with Volunteers).

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

Volunteers and returned Peace Corps Volunteers (RPCVs) support the Peace Corps' Third Goal "to promote a better understanding of other peoples on the part of Americans," through formal and informal interactions during and after their Peace Corps service. The agency supports such interactions by establishing programs that encourage outreach to the American public through a variety of means, such as personal interaction, electronic communication, and cross-cultural education curricula. These interactions take place both one-on-one and in large group settings in classrooms, schools, civic clubs, and with other audiences.

The agency's education partners at the K-12 and university levels emphasize global awareness and 21st century skills, creating a positive environment to expand Peace Corps' programs. These programs target different segments of the population, ranging from age-based curricula to a Correspondence Match program that connects a Volunteer with an American classroom, to a master's level program in which Volunteer service helps one make progress toward his or her academic degree. Additionally, the Peace Corps Partnership Program, in which students, clubs, individuals, and organizations contribute funds to assist a Volunteer and his or her host community

in completing a community-driven project, creates a strong connection between the American public and communities overseas.

An analysis of the Third Goal was a part of the Comprehensive Agency Assessment in an effort to determine ways to strengthen Third Goal activities and reporting mechanisms. The agency is headed toward the implementation of a substantially revitalized Third Goal effort for trainees, Volunteers, and the returned Volunteer community.

Outcome Goal:

3.1 Americans have increased awareness and knowledge of other cultures and global issues.

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

Agency Level Performance Indicators:

Performance Goal 3.1.1: Volunteers share their in country experiences with family, friends, and the American public	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of Volunteers participating in the Coverdell World Wise School Program	60%	57%	62%	63%
b. Number of individuals and organizations supporting the Peace Corps Partnership Program	8,915	10,595	8,500	9,804
c. Number of youth-serving programs hosting Volunteer activities	4,500	4,700	4,700	5,265
d. Monitor the percentage of Volunteers who report sharing their experiences with family, friends, and the American public	97%	98%	N/A	99%

Results and Analysis: All three of the targets were met for this performance goal.

Sixty-three percent of Volunteers participated in Peace Corps' Coverdell World Wise Schools Correspondence Match program, meeting the FY 2010 target.

To promote this program and boost the number of participating Volunteers, the Peace Corps undertook a number of initiatives at home and abroad in FY 2010. Peace Corps also worked with schools and youth group leaders to increase teachers' familiarity and interest in the program by increasing the number of education conferences attended to 10 in FY 2010 from four in FY 2009. This effort resulted in 5,265 schools and youth programs hosting Volunteer activities.

For the first time, Peace Corps developed a video promoting the value of the program to Volunteers and staff. The video was posted on the Peace Corps' website, shared through various social networking media outlets, and promoted at education conferences across the country. This year, all new Peace Corps staff overseas were informed about the program during overseas staff trainings and the information was included in Volunteer invitation packets; more information was provided in staging directors' manuals; and headquarters personnel worked more closely with in-country Correspondence Match contacts.

Volunteers shared their comments about the impact the program has on broadening students’ world views. One Volunteer wrote, “I am in communication with two teachers from the program. It is a wonderful program that has excited my students, as well as the students in America, to learn and open their minds to another culture.”

Another Volunteer said, “It’s been one of the highlights of my service so far. Classes have exchanged ideas about pop culture, schools, food, language, [and] foreign language learning.”

Not only is there cultural exchange, but there is knowledge exchange as well. A Volunteer wrote, “I am connected with a Spanish teacher in New Hampshire. This past school year, her students made preventive health brochures that I will be laying out in my health center, as well as story boards on preventive health themes.”

The Peace Corps Partnership Program also contributes to the agency’s Third Goal—increasing Americans’ understanding of other cultures—by connecting donors in the United States with Volunteers and their host communities overseas. According to one Volunteer, “PCPP [Peace Corps Partnership Program] is a wonderful program that makes it easy for friends, family, businesses, and organizations to get involved in Peace Corps Volunteer projects.”

U.S. donors provided 10,623 donations for 670 projects in the field. During a time when engaging donors is difficult, the Peace Corps Partnership Program raised over \$1.95 million from 9,804 donors, exceeding the FY 2010 target. Peace Corps Partnership Program projects are implemented around the world and take various shapes and sizes within each Volunteer’s community. For example, in Senegal, a Volunteer and the community built a rural health hut that provides immediate urgent health care and consultation to over 3,000 people from 10 villages. On an island in the Eastern Caribbean, the Partnership Program funded a solar mango drying project. A Peace Corps Volunteer worked with secondary school students who harnessed the sun’s energy through eight solar dryers they had built. The students learned to dry fruits and vegetables and prepare them to sell.

In FY 2010, 99 percent of all Volunteers participating in the Annual Volunteer Survey reported sharing their experiences with family, friends, and the American public. Almost 90 percent of Volunteers shared their experience through electronic updates, and more than 50 percent of Volunteers educated Americans back home about life in their host countries through personal websites or blogs. Nearly three of every five Volunteers shared their experiences and understanding of their host countries by hosting American visitors in their host community or host country. The agency monitors this indicator but does not set a target.

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

Agency Level Performance Indicators:

Performance Goal 3.1.2: Increase returned Peace Corps Volunteers’ cultural outreach to the American public through Peace Corps programs	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Number of RPCVs participating in agency-initiated activities	7,209	9,102	8,300	9,627
b. Number of schools impacted by the activities of RPCVs	N/A	502	600	829

Results and Analysis: Both targets were met for this performance goal.

Returned Volunteers are the most effective promoters of the Third Goal. By bringing their experiences back home, they help broaden the world for their fellow Americans. Returned Volunteers actively engage the American public through partnerships with private sector companies, schools, civil society organizations, returned Peace Corps Volunteer groups, and government agencies. This increases understanding of other cultures and generates commitment to volunteerism as a way to “continue service.”

Returned Peace Corps Volunteers participate in two broad categories of agency-initiated activities: those that involve returned Volunteers in recruitment activities and those that help RPCVs share the Peace Corps experience with others.

During FY 2010, the agency exceeded its target. There were 9,627 returned Volunteers participating in agency-sponsored activities and 5,529 returned Volunteers shared their experience during recruitment events. Another 4,098 returned Volunteers participated in the following activities:

- **Peace Corps Week**, a national event that engages returned Volunteers to speak in schools and at community events nationwide
- **Speakers Match** program events (requests from organizations to host a returned Volunteer as a guest speaker)
- Preparation of informational materials and resources for use by American classroom teachers and their students through the **Coverdell World Wise Schools**
- **Fellows/USA** program, which allows returned Volunteers to pursue graduate degrees while working in schools and underserved communities under Peace Corps’ sponsorship
- Informational meetings where **returned Volunteers** served as cultural resources to support Peace Corps recruiters

The number of schools benefitting from returned Volunteers’ presentations increased from 502 to 829, exceeding the target of 600.

During FY 2010, the agency increased the number of Fellows/USA graduate schools to 55 from 52 in FY 2009 and organized new regional RPCV Third Goal outreach events, both of which increased returned Volunteer participation.

In addition to the expansion of the Fellows/USA graduate program, the agency also expanded the Coverdell World Wise Schools program to include 685 schools, up from 450 in FY 2009. This program is a strong partner in U.S. efforts to teach American schoolchildren how to be global citizens with the help of returned Volunteers participating through its Speakers Match program.

During FY 2010, the agency focused on the Peace Corps’ cooperative agreement with the National Peace Corps Association to promote the agency’s Speakers Match program through their website and publications and expanded it to allow college/university professors to request returned Volunteer presentations.

Although the Peace Corps met its targets under this goal, the agency is committed to excelling in this area and is taking the following steps based on the Agency Comprehensive Assessment, to further expand its Third Goal outcomes:

- Increase the allocation of resources for Third Goal programs
- Continue to expand the Fellows/USA program
- Develop a returned Volunteer portal to collect contact information and information about returned Volunteers' Third Goal activities
- Establish awards for outstanding returned Volunteers

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

The Peace Corps is charged with helping host countries meet their needs for trained men and women. Essentially, the agency must recruit the “supply” to meet the “demand” for specific skill sets. Moreover, since the agency also has a critical cross-cultural component to its mission, it is important that Volunteers recruited reflect the rich diversity of America.

In FY 2010, the agency emphasized the importance of well-defined systems to help synchronize the recruitment of individuals with appropriate skill sets to meet the evolving technical needs of host countries throughout the world. The Comprehensive Assessment has recognized the need to embrace generalist Volunteers and to provide them with the training and comprehensive support needed to be successful in project areas and community outreach activities.

The Volunteer Delivery System refers to the continuous cycle of Volunteer recruitment, screening, and placement that allows the Peace Corps to deliver the best qualified Volunteers to meet the needs of the agency's host countries. The Peace Corps has strategically aligned its Volunteer Delivery System with the agency's mission, modernizing its processes to speed up the delivery process and to more effectively reach diverse groups of potential Volunteers.

Peace Corps Volunteers are the face of America in the communities in which they serve. When Volunteers reflect the rich diversity of our multicultural society, they help their host communities gain a better understanding of the United States and the values of the American people. Furthermore, more experienced Volunteers often bring skill sets and life experiences that can also bring a different perspective to host communities.

The Comprehensive Assessment calls on the Peace Corps to explore new recruitment models that will result in faster processing times for potential applicants while fortifying the agency's efforts to attract a wide variety of applicants to represent the diversity of the United States.

Outcome Goals:

- 4.1 Volunteers provided at every post meet the evolving technical needs of host countries.
- 4.2 Trainees assigned to serve overseas represent the diversity of Americans.

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

Agency Level Performance Indicators:

Performance Goal 4.1.1: Recruit Volunteers who balance the needed manpower and technical needs at posts with the available applicant pool and its skills	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Maximize the number of Volunteers serving annually based on available funding and the provision of support to ensure their optimal effectiveness	7,876	7,671	7,600	8,655
b. Number of trainees and skills sought annually are met	N/A	96%	95%	97%

Results and Analysis: Both targets were met for this performance goal.

At the end of FY 2010, 8,655 Volunteers were serving across the world. The agency exceeded the FY 2010 target of 7,600 by 1,055. The agency also achieved its target of filling at least 95 percent of the requests for skills sought by the countries.

To help achieve the desired increase in the number of Peace Corps Volunteers, the Director established an agency-wide growth task force during the first quarter of FY 2010. The task force examined ways in which this growth could be supported. Throughout the FY 2010 planning and budget processes, emphasis was placed on effectively meeting the growth targets in order to provide a larger number of well-qualified Volunteers for host countries.

Several headquarters offices worked closely with the overseas posts to best match the supply of qualified applicants to the needs of Peace Corps' overseas partners. The vast majority of positions requested by overseas posts were directly matched by individuals with the requested skills. In addition, a continuation of work on the Volunteer Delivery System will streamline the application process and continue to improve the matching of Volunteers to those posts that can best utilize their skills.

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

Agency Level Performance Indicators:

Performance Goal 4.1.2: Manage Volunteer recruitment functions in an effective and efficient manner	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Redesign the Volunteer Delivery System and implement recommendations to improve its effectiveness	N/A	Achieved	50%	Not Achieved
b. Reduce the response time to applicants	117 days	123 days	90 days	193 days

Results and Analysis: The agency did not meet either target for this performance goal.

A major milestone was achieved in the fourth quarter of 2010 with the award of a contract for the redesign of the Volunteer Delivery System. The needs of the agency that must be addressed by the system required a major change in the scope and breadth of the project. Therefore, the indicator no longer accurately measures the performance of the project. During the mid-cycle review of the agency's Strategic Plan, this indicator will be modified.

Implementation of this significant modernization project has begun and will ensure that the agency is utilizing best of breed systems and practices to manage the entire lifecycle of the Volunteer—from applicant to returned Volunteer. Agency staff and the vendor completed a project plan in September 2010 and execution of the plan will commence in October 2010.

The system will be used to recruit, place, and retain highly qualified, service-oriented individuals. Additionally, this system will allow the agency to better maintain relationships with returned Volunteers in order to increase the domestic activities outlined under Strategic Goal 3. The system redesign will help the agency meet its targets for FY 2011.

The agency did not succeed in reducing response times to achieve its FY 2010 target for Indicator 4.1.2.b. As was noted last year, increased analysis of data uncovered faulty methodology used to set the baseline targets. For this reason, this target has not been met during the last two years. This is an issue that will be addressed in the FY 2011 mid-cycle review of the agency's Strategic Plan.

As a result of the implementation of the redesign, in FY 2011 the agency expects major improvements in its ability to respond quickly to Americans interested in serving in the Peace Corps and to maintain better contact with applicants throughout the application process.

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

Agency Level Performance Indicators:

Performance Goal 4.2.1: Recruitment and Volunteer placement efforts reflect the diversity of Americans	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Number of mid-career to age 50 and older applicants	N/A	2,041	1,700	1,668
b. Number of applicants of diverse ethnicities	N/A	3,070	2,200	2,992

Results and Analysis: The agency met one of the two targets for this performance goal.

Peace Corps Volunteers range in age from 18 to 85 and bring unique backgrounds and experiences to their service. Americans of diverse backgrounds have always played a central role in building the agency's great legacy of service. The agency focuses on recruiting and training committed service-oriented generalists and aggressively recruits from the diverse American population.

In FY 2010, Peace Corps received 13,430 applications from Americans wishing to serve as Volunteers. The agency received applications from 1,668 mid-career and age 50 and older applicants, which fell below the FY 2010 target

of 1,700. Applications from ethnically diverse individuals increased to 2,992, significantly exceeding the FY 2010 target of 2,200 applications.

The findings of the Comprehensive Assessment have led the agency to recognize and embrace the fact that 85 percent of the agency's Volunteers are recent college graduates with little or no professional experience. As a result, the agency is focused on recruiting well-educated, highly-motivated, service-oriented generalists and providing them with enhanced training and support to become effective agents of change.

Recruitment of mid-career and age 50 and older applicants remains an agency priority. The goal was not met because of reduced resources available to support specialized recruitment.

Agency efforts to increase the number of applicants of diverse ethnicities proved successful in FY 2010 and several new activities were undertaken to improve diversity recruiting. An increase in the number of diverse applicants can be attributed to the efforts to include diversity outreach as a priority in the recruiting campaigns conducted by diversity liaisons and regional recruitment managers at the nine regional recruitment offices. Each regional recruitment office has one recruiter who is the diversity liaison and the resource on diversity recruitment. Such liaisons encouraged all regional recruiters to hold one diversity recruitment event each month.

Recruiters visited more Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges; participated at professional conferences with a diversity focus; and increased marketing outreach to diverse groups. Additionally, new partnerships with Minority Serving Institutions increased the agency's visibility among diverse populations.

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

Peace Corps Volunteers serve at the grassroots level worldwide and experience the broadest range of social and environmental conditions, making health and safety risks an inherent part of Volunteer service. Staff and Volunteers work together to create a framework that maximizes, to the extent possible, Volunteers' well-being, enabling them to focus on their work. Furthermore, the effective management of resources ensures an excellent level of support to Volunteers in all aspects of their service.

Keeping Volunteers safe and healthy are the agency's top priorities. The agency has dedicated safety and security personnel at each post and headquarters who are part of an extensive safety and security support network.

The agency enhances the safety and security of Volunteers by identifying risks, developing mitigation strategies, educating personnel, evaluating effectiveness, and incorporating feedback and appropriate policy revisions. Two key factors that ensure Volunteers are well supported to carry out their work in a safe manner are to provide adequate staff training and to continually evaluate health and safety conditions at each post.

The agency is responsible for all aspects of a Volunteer's health care during Peace Corps service. The Peace Corps provides a comprehensive Volunteer health care program that focuses on the delivery of high quality care and service, and addresses both the physical and mental health of Volunteers. Included in this program are training, access to counseling, and the provision of medical services. Volunteers work in very demanding environments;

thus, the agency focuses on issues of resiliency and a Volunteer's ability to cope with stress. The latter is particularly important since some Volunteers experience emotional challenges when working with communities affected by HIV/AIDS.

Effectively managing Peace Corps' domestic and overseas operations, including human and financial resources, is critical to carrying out the mission of the agency. When needed, the agency sends management assessment teams to support posts or offices in need of review and to make recommendations for improvement. Furthermore, the posts must work to integrate the many perspectives of their stakeholders—Volunteers, staff, and host country partners—in ensuring that their programs are on target and serving host country needs.

The Peace Corps strives for constant improvement to provide the most efficient and effective services to Volunteers, staff, and host country partners in the fulfillment of its commitment to the American people. In addition to the continual efforts to evaluate and enhance staff effectiveness throughout the agency, the agency regularly reviews its business processes.

Outcome Goals:

- 5.1 Volunteers are safe, healthy, and well supported to ensure their focus on Peace Corps' sustainable development and cross-cultural mission.
- 5.2 The Peace Corps continually improves its staff and critical work processes and manages its resources in an effective and efficient manner.

Performance Goal 5.1.1: Enhance the safety and security of Volunteers

Agency Level Performance Indicators:

Performance Goal 5.1.1: Enhance the safety and security of Volunteers	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of Volunteers reporting that their safety and security training is adequate or better	95%	96%	95%	95%
b. Percentage of posts having their safety and security plans reviewed annually by Peace Corps safety and security officers	N/A	21%	33%	33%
c. Percentage of posts implementing critical recommendations focused on Volunteer/trainee safety and security on a timely basis	N/A	84%	100%	56%
d. Percentage of Volunteers reporting they feel "usually safe" or "very safe" where they live and work	87%	89%	90%	89%

Results and Analysis: Two of the four targets were met for this performance goal.

Maintaining the safety and security of Peace Corps Volunteers is a top priority. The risks associated with being a Volunteer have changed dramatically since the inception of the agency and its policies and practices continue to evolve to anticipate and adjust to these shifts. The agency provides training for Volunteers and monitors safety conditions in each host country.

The vast majority of Volunteers report the training they receive from the agency prepares them for the safety and security challenges they face during service. Ninety-five percent of the Volunteers reported their safety and security training is adequate or better, which meets the FY 2010 performance target. Eighty-nine percent of the Volunteers report they feel safe or very safe where they live and work, missing the target by 1 percent.

The large majority of Volunteers report feeling safe during service. Slightly more Volunteers report they feel safe at work (91 percent) than at home (87 percent). Volunteers indicate their principal source of insecurity comes from the harassment and unwanted attention they face as a foreigner in their communities. Harassment includes catcalls, requests for money, marriage proposals, pinching, and derogatory comments about Americans. While unwanted attention does not present a high risk or fall into the category of violent crimes, Peace Corps provides training to help Volunteers handle these encounters.

Regional Peace Corps safety and security officers are responsible for conducting safety and security analyses for the posts, as well as providing overseas offices with technical safety and security expertise. During FY 2010, 33 percent of the posts had their safety and security plans reviewed by a safety and security officer, meeting the target for this year.

The Peace Corps met this goal by establishing and implementing a strategic plan for post security reviews and standardizing the process, including defining “critical recommendation.” However, the agency did not meet the target set for implementing those recommendations. Fifty-six percent of posts implemented critical recommendations for improving Volunteer safety and security procedures, significantly below the target of 100 percent.

A variety of factors impeded posts’ ability to implement all of the identified recommendations. Some of the recommendations must be implemented during specific activities that take place at pre-determined intervals during the year, and therefore have not occurred yet. Other recommendations are so recent that posts have not had an opportunity to implement them. Further, posts have noted that in many cases they do not have the budgetary resources to implement some of the recommendations. Finally, the process for systematically tracking the implementation of critical recommendations requires further improvement.

The Peace Corps has taken steps to better achieve safety and security goals. In the FY 2010 Inspector General audit of the Office of Safety and Security, several recommendations were made to improve the authority and management controls of that office. These recommendations will be fully implemented in FY 2011.

The Peace Corps remains committed to preparing Volunteers for service and monitoring security situations in host countries.

Performance Goal 5.1.2: Provide quality medical and mental health services to trainees and Volunteers**Agency Level Performance Indicators:**

Performance Goal 5.1.2: Provide quality medical and mental health services to trainees and Volunteers	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of Volunteers rating their satisfaction with health care received from Peace Corps medical officers as adequate or better	92%	93%	90%	93%
b. Percentage of Volunteers reporting the emotional support received from Peace Corps staff as adequate or better	80%	81%	75%	81%
c. Percentage of Volunteers reporting adequate or better support in coping with stress issues such as food insecurity, HIV/AIDS and other stressors in their community	53%	73%	65%	74%

Results and Analysis: All three of the targets were met for this performance goal.

One of the Peace Corps' top priorities is to maintain each Volunteer's physical and emotional health. The agency provides medical and emotional support to individuals serving in challenging environments around the world and monitors the Volunteers through overseas posts' medical services and through the objective Annual Volunteer Survey. Renewed emphasis was placed on this issue during FY 2010.

All three indicators of Peace Corps' medical and mental health services for Volunteers exceeded the FY 2010 targets. These indicators reflect the high levels of Volunteer satisfaction with the Peace Corps' health care (93 percent) and emotional support (81 percent). Also, a majority of Volunteers (74 percent) reported adequate or better support to help in coping with stressful issues such as HIV/AIDS and food insecurity in their communities. One Volunteer in Rwanda, for example, wrote the following general comment: "The Peace Corps has been supportive and is very available if there are any problems. The new Peace Corps medical officer is very good. I have not needed to address problems with Peace Corps staff, but if I did, I think they would help me find solutions."

Several actions were implemented this year to ensure that Volunteers receive high quality health care from their Peace Corps medical officers:

- Intense site assessments were conducted at posts where Volunteers reported lower levels of satisfaction with their health care support
- Medical officers performing at an inadequate level were replaced
- Changes were implemented to strengthen medical officer credentialing
- Approval and oversight of medical budget expenditures were re-directed from posts to headquarters

The agency has also undertaken several other changes to ensure high quality health care delivery from medical facilities to which Volunteers are referred by their medical officers, including:

- Establishing a system of credentialing local medical providers
- Mandating medical officers conduct reviews of local health facilities
- Developing new site assessment forms for the posts and for local medical facilities

Further, the agency trained medical officers through the Continuing Medical Education program to augment posts' emotional support to Volunteers in four skill areas: short-term mental health counseling, depressive disorders, anxiety disorders, and treatment of alcohol-related problems.

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

Agency Level Performance Indicators:

Performance Goal 5.2.1: Provide effective and responsive financial management that accurately reflects domestic and overseas operations	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of posts and headquarters offices managing resources within approved budgets and operational plans	N/A	83%	95%	84%
b. Percentage of posts and headquarters offices annually reviewing resource management ratios for improvement	N/A	Not fully Implemented	95%	71%

Results and Analysis: The agency did not meet the two targets for this performance goal.

Fiscal responsibility continued to be an agency priority in FY 2010. The agency's budget grew to accommodate growth in the number of Volunteers worldwide and to support new agency initiatives.

All major offices and overseas posts are required to operate within their approved budgets and plans. Agency offices were quick to respond to the positive budget news in FY 2010 and adjusted operating plans accordingly.

In general, agency overseas posts met their targets while accepting even greater numbers of Volunteers. Eighty-four percent of the major domestic offices and posts met approved budget levels and properly executed operational plans. The offices and posts that under-executed their budgets did so primarily due to unfilled staff positions carried forward from FY 2009. However, almost all senior staff vacancies created during the change in administration last year were filled and the agency expects improved fiscal utilization in FY 2011 as a result.

The development of new financial management ratios for an ever-changing agency has been challenging, yet the agency remains committed to strong financial oversight and performance.

The agency continued a systematic review of resource management ratios in order to identify and monitor efficient and effective management and 71 percent of the departments established ratios. Departments began their reviews, analyzed their operations, and identified the best measurements for their particular organizations. Various organizational challenges, such as turnover and organizational realignment, slowed progress in establishing effective resource management ratios for all offices. Therefore, while the target of 95 percent was not met, significant progress was made in this area compared to FY 2009 when the indicator was not yet fully implemented.

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

Agency Level Performance Indicators:

Performance Goal 5.2.2: Ensure the effective management of Peace Corps resources	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Percentage of post projects engaging host country officials in their formulation and implementation	95%	94%	95%	96%
b. Percentage of posts and headquarters offices with documented personnel practices that include staff development, performance management, and awards and recognition policies	43%	56%	80%	61%

Results and Analysis: The agency met one of the two targets for this performance goal.

The Peace Corps executes a memorandum of understanding with each host country upon entry and collaborates with host country officials in developing technical programs to meet each country's needs. The first indicator measures the degree to which this initial collaboration continues as the post projects unfold. This year the Peace Corps met its performance target.

A project advisory committee engages host country partners with staff and Volunteers to ensure dialogue throughout the life of a project. Such committees are a key part of a process of systematic collaboration with stakeholders. Formal briefings are often appropriate for higher level officials, but many posts hold focus groups with regional and local level partners to help identify where Volunteers are most needed and what activities they will undertake. All posts conduct joint training with supervisors, partners, and Volunteers.

Although the agency met its performance target, posts continue to face constraints that restrict their ability to collaborate with host country stakeholders. Thirty-eight percent of posts reported that high turnover rates in government ministries prevented or significantly hampered the development of stakeholder relations. In some cases, ministry and local officials are brought into the process at the beginning, but leave office within a few months. Other countries reported that political changes keep officials in constant states of "campaigning" and that they have little time to participate in the development process. In some cases, the project advisory committee meetings were limited because host country officials expected Peace Corps to pay their per diem. Those posts, instead, relied on informal dialogues through phone conversations, focus groups, and other informal meetings with stakeholders.

Although the number of overseas posts with documented personnel practices increased from last year, the 80 percent target was not met. Sixty-one percent of the agency's operating units have documented practices in all three of the major areas of human resource management: performance, staff development, and awards. An additional 31 percent have documented practices in two of the three required areas. Eight percent have documented their personnel practices in one area.

Headquarters' staff operates under the personnel policies described in the *Peace Corps Manual*. Overseas posts operate in compliance with local laws and regulations of each country. In FY 2010, the agency convened a working group to review and make recommendations on how posts can meet the requirements of this indicator.

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

Agency Level Performance Indicator:

Performance Goal 5.2.3: Ensure optimal performance of critical Peace Corps processes	FY 2008 Baseline	FY 2009 Result	FY 2010 Target	FY 2010 Result
a. Annually review, streamline, and implement improvements to at least one agency mission critical work process	N/A	Achieved	Y/N	Achieved

Results and Analysis: The agency achieved the target for this performance goal.

The Peace Corps, in its work to review and make changes to cross-cutting agency processes, has a number of advisory councils and communication mechanisms in place to review and recommend improvements to its programs.

In FY 2010, the agency reviewed the human resource management policies for headquarters and proposed actions for improvement.

The agency developed a Managers’ Strategic Planner, a companion to the Human Capital Management Plan that supports the agency’s Strategic Plan in areas of human capital. Although the Human Resource Management Department is responsible for developing the three-year Human Capital Management Plan (FY 2009-2011), Peace Corps’ managers have the responsibility and are accountable to ensure that the agency is meeting the human capital goals. The new planner is an online resource for managers and supervisors to access human capital information and significantly improves their ability to track and accomplish tasks and report on successful completion.

This tool was approved by the Human Resources Council, the intra-agency management team where information is shared about internal customer challenges and where new opportunities for improvement are identified. The tool provides transparency to the Human Capital Processes and Systems, which are required to be reported annually to the Office of Personnel Management.

Phase 1 is complete and contains information on Strategic Planning; Leadership and Knowledge Management; Talent Management; Results-Oriented Performance Culture; Balancing Work/Life Issues; and Accountability. Additional modules will be added in FY 2011.

Volunteers are being encouraged to extend for a third year. The Peace Corps Volunteer Leadership Program permits third-year Volunteers to continue to work on development projects and also to help by mentoring and coaching new Volunteers, supporting the training process, and doing site development. With their experience and language abilities, third-year Volunteers are invaluable to the agency.



Program Evaluation

In FY 2010, the Peace Corps proactively sought to further improve its evaluation practices, continuing to conduct the Annual Volunteer Survey, the host country impact study series, and redesign the online tool Volunteers use to report on the impact of their work. Additionally, in FY 2010, Peace Corps made the decision to undertake annual portfolio reviews of its country programs. These efforts encourage data-driven decision-making and the dissemination of best practices. The agency was invited to present the findings of the impact study research in three major forums: The Brookings Institution, the annual Association of International Educators Conference, and the Third Annual Conference on Program Evaluation sponsored by the U.S. Department of State.

Annual Portfolio Reviews

In FY 2010, the first year of Director Williams' service, the Peace Corps undertook a management assessment of all operations. The first of the six recommendations in the Comprehensive Assessment calls on the agency to "Target resources and country presence across countries according to specific country selection criteria to maximize grassroots development impact and strengthen relationships with the developing world."

In the fourth quarter of FY 2010, the Peace Corps began work on the annual portfolio reviews of the country programs. The agency is currently analyzing existing sources of information and data, in addition to researching new sources of information to design the methodology for the portfolio reviews. FY 2011 will see the full implementation of this initiative, which will become standard operating procedure and inform the Peace Corps' planning and resource allocation.

Annual Volunteer Survey

The Annual Volunteer Survey assesses Volunteers' perceptions of their Peace Corps service: satisfaction with their service, training for assignments, staff support, safety and security and medical services, primary work assignments, the impact of their work, and HIV/AIDS activities. Volunteers are asked to describe their activities, the degree to which their technical and language training prepared them to carry out their work, and the extent to which their assignments built local capacity and fulfilled the three goals of the Peace Corps. The results provide a candid and comprehensive picture of activities, experiences, and impact from the Volunteers' point of view.

The survey is used for multiple purposes, including identifying trends and best practices; planning office and post priorities; and assessing performance. This information is shared widely within the agency and in FY 2010 the agency experimented with a number of different techniques to encourage utilization of this information both at headquarters and at the posts.

Findings

Goal 1

- Most Volunteers achieved their short-term goals of transferring skills to the people with whom they work.
- Many Volunteers work with young people and are involved in HIV/AIDS efforts—two activities likely to yield long-term capacity-building benefits for their host country communities.

- Volunteers expressed concerns about being fully prepared to do their Peace Corps jobs (Goal 1) and have requested additional training on working with host country counterparts and performing technical aspects of their work.

Goal 2 and Goal 3

- Volunteers are achieving the Peace Corps' Goal 2 and Goal 3.
- With better access to technology and communications, most Volunteers are able to communicate electronically with friends and family in the United States about life in their host country.

Overall Volunteer Satisfaction

- Volunteers who have been in-country longer than a year are generally more satisfied with their primary assignment and secondary activities, as well as with their Peace Corps service overall.
- Volunteers most often mentioned stress as a result of the challenges of cross-cultural issues, their primary assignments, isolation/loneliness, and the local language.

Host Country Impact Studies

In FY 2010, the Peace Corps continued the host country impact series started in FY 2008. These country-specific impact evaluations measure the impact of Peace Corps Volunteers' activities on two of the agency's three goals: Goal 1—"To help the people of interested countries in meeting their need for trained men and women"; and Goal 2—"To help promote a better understanding of Americans on the part of the peoples served." By FY 2013, the majority of the Peace Corps posts will have conducted an impact study.

The studies ask host country individuals (counterparts, host families, and beneficiaries) for their views on the changes that have occurred and the degree to which local needs were met and positive changes sustained through working with Volunteers.

The evaluations provide the agency's management with an independent assessment of Peace Corps' programs because the studies are conducted by independent, host-country researchers who interview the host families and work partners. This approach ensures that the information about the impact of Volunteers' work is gathered from the most direct sources: host country individuals who have worked with, interacted with, and/or lived with Volunteers. The studies are also relatively inexpensive to carry out.

Peace Corps' cutting edge program of host country impact studies is significantly enhancing the agency's capacity to document its results concerning Goals 1 and 2. Washington University researcher Dr. Margaret Sheridan has noted that no other international volunteer organization is measuring the impact of volunteer service on the residents of the communities in which they serve.

In just a short time, the impact studies have become an important tool that enhances the decision-making process used to allocate Volunteers and other resources among countries and to equip country leadership (both Peace Corps and host country leaders), to make evidence-based decisions via a previously untapped source of information. These impact evaluations have led to innovation and change in post administration of Volunteer training and program design.

Findings

In FY 2010, eight studies were *initiated* in Botswana, Fiji, Guatemala, Peru, Philippines, Thailand, Togo, and Ukraine. Two of these, Guatemala and Ukraine, were completed in FY 2010. The remaining studies will be completed in FY 2011. Five studies started in FY 2009 (Cameroon, Jamaica, Mexico, Morocco, and Tanzania) were also completed in FY 2010.

A total of 1,372 people have been interviewed to date. The data from 691 host country individuals in the seven countries in which studies were *completed* during FY 2010 are presented below. They are presented along with the data from 528 respondents in 2009 and 153 respondents in 2008, previously presented in the FY 2009 and FY 2008 Performance and Accountability Reports.

The majority of respondents report using the skills they gained through their work on Peace Corps projects. They also report being satisfied with the project work, note that projects are sustained after the Volunteers leave, and would want to work with another Volunteer.

Most respondents report a more positive view of Americans after interacting with Volunteers. The sustained interaction between Volunteers and host country nationals leads to significant gains in improved understanding.

Goal 1: Capacity Building and Skills Transfer

Outcome Area	FY 2008	FY 2009	FY 2010
Use project skills in their work life	Not asked	99%	84%
Use project skills in their personal life	Not asked	92%	83%
Satisfied with the Peace Corps project	96%	84%	96%
Want to work with another Volunteer	Not asked	95%	97%

Goal 2: Promoting a Better Understanding of Americans

Outcome Area	FY 2008	FY 2009	FY 2010
Had a more positive view of Americans after working with Volunteers	85%	84%	83%
Had a more positive view after living with Volunteers	72%	87%	69%
Had a more thorough understanding of Americans after working with Volunteers	Not asked	75%	60%
Had a more thorough understanding of Americans after living with Volunteers	Not asked	87%	53%

Post-initiated Evaluation Activity

Peace Corps continually works to increase the effective use of evaluations at its posts.

Findings

Forty-one posts conducted evaluations during FY 2010, by post staff, headquarters or outside evaluators.

“Our cross-sector food security initiative involves quarterly and annual evaluation of progress against our detailed implementation plan,” reported one respondent.

The primary purpose for post evaluations was to determine the extent to which projects were meeting their goals. Posts also conducted administrative evaluations to support their budgeting and planning processes. Some posts reported audits of their financial and/or medical operations as a type of evaluation. Posts used the findings to:

- Revise Volunteer training by incorporating detailed information from project partners about the most useful Volunteer work
- Revise the goals and/or focus of Volunteers’ project plans
- Strengthen post monitoring and evaluation activities

Monitoring and Evaluation Training

Posts increased monitoring and evaluation training for staff to support the agency’s emphasis on accountability and measuring results. Headquarters staff provided significant support for these initiatives in the form of regional and post specific workshops.

Findings

Fifty-three of the 67 posts operating in FY 2010 (79 percent) provided evaluation training to Volunteers; 31 of the 67 posts (46 percent) provided training to staff. Twenty-two posts (33 percent) provided training to partners/ counterparts.

Headquarters staff supported this post-level training at several regional and post-specific workshops in FY 2010 by providing technical assistance to the workshop facilitators. Additionally, headquarters staff facilitated annual Web-based training for all posts on effectively using the Volunteer Reporting Tool and completing annual status reports, both pieces of the agency’s standard monitoring and evaluation plan.

Finally, the Jordan post received a comprehensive monitoring and evaluation review by headquarters staff, which included several training sessions.

Evaluations Conducted by Headquarters Offices

Four offices at headquarters conducted evaluations of their operations.

Findings

Summary of Process Evaluations Conducted at Peace Corps Headquarters

- **Office of Medical Services:** To improve the efficiency of the medical clearance process (reduce the length of time) for Peace Corps applicants, the office designed a study to compare the length of time required for

the medical clearance process with two different approaches: applicants use their own physician (current practice) or applicants use Peace Corps-contracted physicians (test intervention). The evaluation is ongoing.

- **Office of Private Sector Initiatives:** The office’s goal is to reach new donors and increase the amount of money raised per donor. Peace Corps staff had been solely responsible for all fundraising. The office hired an outside firm to assist in fundraising for the 50th anniversary. The results of the two approaches to fundraising will be compared to determine the relative effectiveness of each approach.
- **Overseas Programming and Training Support:** The guidance provided to country posts on program design, training, and evaluation required revisions to ensure that Volunteers and staff appropriately monitored and evaluated activities. In leading the revision of the programming and training guidance, the office conducted a needs assessment and held small focus groups of those receiving guidance throughout the revision process. To date, users of the new guidance report that it is more efficient and effective in both its format and its content. Evaluation of the guidance is ongoing to determine if project evaluations are more effectively conducted.
- **Office of Public Engagement:** The office is responsible for providing a range of career services to returned Peace Corps Volunteers (RPCVs). In recent years, the number of RPCVs requesting access to career conferences has increased. In order to meet the demand, the office increased the number of such conferences outside of the Washington, D.C., region. The participation rates by geographic area will be compared to determine if locating conferences closer to clusters of RPCVs will increase participation.

Summary of Major FY 2010 Program Evaluations Findings and Conclusions

Name of Report	Issue	Findings and Recommendations	Agency’s Response
<p>Host Country Impact Studies</p>	<p>The evaluation studies were developed as part of the Peace Corps Improvement Plan. In FY 2008, the agency piloted three studies to measure one of Peace Corps’ core goals – “To help promote a better understanding of Americans on the part of the peoples served”. The agency conducted nine studies in FY 2009 and eight in FY 2010.</p> <p>The studies also ask host country partners and beneficiaries about the extent to which the work of the Peace Corps has met their need for trained men and women and built local capacity in a sustainable way.</p>	<p>The studies’ findings indicate that the Peace Corps is promoting a better understanding of Americans among the peoples served.</p> <p>The scores vary across respondent types, sectors in which Volunteers work, and countries.</p> <p>It is recommended that additional studies be conducted.</p> <p>Host country nationals report they gain useful skills and knowledge, maintain the changes which result from their work with the Peace Corps, and are satisfied with the work conducted.</p> <p>Additional analysis by region and project sector is needed.</p>	<p>Peace Corps uses the results to redesign Volunteer and partner training. Host families and work partner perceptions about Americans are shared with Volunteers in the re-designed cross-cultural training.</p> <p>The Comprehensive Agency Assessment recommends expanding the number of studies completed per year from nine to 12. The agency will benefit from additional access to objective third party information regarding program performance.</p> <p>The agency is building capacity to implement this recommendation.</p>

Volunteer Project Reviews: Findings and Recommendations

Name of Report	Issue	Finding and Recommendations	Agency Response
<p>Volunteer Project Reviews</p>	<p>Agency staff members conduct on-site reviews (process evaluations) of Volunteer projects in each sector.</p> <p>The on-site review research focuses on continuous learning through application, assessment, and redirection—learning by doing.</p>	<p>Results from a survey of field staff in FY 2009 found that they perceived the site reviews as unhelpful and unnecessarily difficult for program managers.</p> <p>The Peace Corps needs to redesign the review process and standardize the use of the data to inform management decisions.</p>	<p>The project plan review process was redesigned to be more efficient and effective. Two changes were made in the process: increase the level of technical support provided to the post during the review and decrease the time to report the results of the review to the post.</p> <p>The Office of Global Operations was created in FY 2010 to oversee the activities of the three geographic regions and the technical office. The office is encouraging more consistent use of agency performance data and data-driven decision-making.</p>
<p>Focus Groups Survey with returned Volunteers and Survey of returned Volunteers</p>	<p>No formal mechanism had existed at Peace Corps to collect comprehensive information from Volunteers after their service ends. To fill this gap, the Peace Corps conducted eight focus groups with returned Peace Corps Volunteers in FY 2010.</p> <p>The fourth decennial survey of returned Volunteers is underway and will provide the agency with important data on the impact of Peace Corps service on educational and career choices and continued involvement in international work and volunteer service, as well as their perspectives on agency outreach programs.</p>	<p>The information from the focus groups suggests that returned Volunteers are actively engaged in speaking about Peace Corps at schools and other events.</p> <p>These returned Volunteers also suggested that the Peace Corps increase its commitment to engaging them in Third Goal activities and building RPCV networks.</p>	<p>The agency has increased the level of resources devoted to serving the returned Volunteer community and will make further adjustments when the results of the survey are analyzed.</p> <p>Additional information about Peace Corps-sponsored activities to support returned Volunteers is provided in the discussion of the Strategic Indicator 3.1.2.</p>

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 Volunteers. Auditors focus on fiscal accountability and the effectiveness of internal controls over Peace Corps resources. Evaluators analyze 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. They also identify internal control weaknesses and best practices and recommend program improvements and the means to comply with Peace Corps policies.

Findings

During FY 2010, OIG issued eight audit reports and four program evaluation reports concerning 11 countries. The audits were conducted in Burkina Faso, Cape Verde, Kenya, Moldova, Mongolia, Paraguay, Suriname, and Tanzania, and these reports related to administrative and financial operations at overseas posts. Other work included: audit of the Office of the Chief Information Officer budget formulation and management; audit of the agency’s process for soliciting, awarding, and administering contracts; a review of the agency’s compliance with the Federal Information Security Management Act; and oversight of the independent auditor’s annual audit of the agency’s financial statements. OIG audit staff also performed special reviews at Peace Corps posts in Ecuador, The Gambia, and Vanuatu.

The evaluations were conducted in Morocco, Suriname, Togo, and Turkmenistan. The program evaluation reports addressed issues such as the extent to which each post has developed and implemented programs that met agency goals and provided adequate training, health care, support, and oversight to Volunteers to enable them to increase host country capacity and promote cross-cultural understanding.

During FY 2010, the OIG audit, evaluations, and investigative units contributed staff resources to jointly produce an assessment of Morocco medical care and an audit of the Peace Corps Volunteer safety and security program. Reports from OIG audits and evaluations are submitted to management, which then takes appropriate action to address any concerns that have been identified.

Program Evaluations Conducted by the Office of the Inspector General: Findings and Recommendations

Country	Major Findings and Recommendations
<p>Turkmenistan</p>	<ul style="list-style-type: none"> • Turkmenistan is a challenging post for staff and Volunteers. Host country government restrictions, its control over Volunteer worksite selection, and limitations on activities within host communities have a considerable impact on program effectiveness and sustainability. • The post may not be able to meet the agency’s expectations for program growth; it was recommended that the viability of project plans be assessed before expanding the number of Volunteers. The post can also address some obstacles through memoranda of understanding with host government ministries. • Despite these challenges, it was determined that the Turkmenistan staff and Volunteers believe Peace Corps has the potential to make a positive contribution to the people of Turkmenistan. • Volunteers need accurate information about the reality of serving in Turkmenistan; the post must address this in pre-service information and during its training programs. Volunteers, particularly those over the age of 50, need additional support with language learning before and during service.

Country	Major Findings and Recommendations
Morocco	<ul style="list-style-type: none"> • The Morocco program staff is experienced, resourceful, and dedicated to the Peace Corps mission, but staffing levels are insufficient to meet the complex support needs of the program and they are struggling under heavy workloads. • Volunteers are widely dispersed throughout mountainous and sometimes hard-to-access areas in Morocco and face an assortment of challenges during their service related to language, religion, politics, gender, and harassment. • Programming staff are stretched thin and struggle to provide Volunteer support needs, such as site visits, report feedback, and regular communication. • The Peace Corps medical officer and the medical unit's large volume of work has had an impact on the quality of medical support to the Volunteers. Also, the safety and security coordinator is strained by a continuous flow of Volunteer communications.
Suriname	<ul style="list-style-type: none"> • Suriname has faced challenges developing and maintaining effective Volunteer assignments. A period of frequent senior staff turnover over several years had an impact on the stability of post operations. While obstacles remain, Suriname has made progress toward increasing the effectiveness of its operations and programs and furthering Peace Corps' goals. • Suriname government representatives have positive working relationships with Peace Corps staff. They believe Volunteers have good language skills, are well-integrated into their host communities, and are making contributions to Suriname's development. • Suriname does not have current agreements with project partners; this has created some confusion about roles and responsibilities of the cooperating parties. Government officials would like a more structured collaboration with Peace Corps, with program sectors and Volunteer assignments more directly centered on ministry goals. • The post is working to address site development and programming support challenges. Our review found the program staff members do not adequately engage host communities during site development, nor are they thoroughly assessing host community needs or a community's capacity to host a Volunteer. • Volunteer housing did not consistently conform to established housing criteria. We recommended that staff inspect housing to ensure it meets the criteria prior to the Volunteer's arrival.
Togo	<ul style="list-style-type: none"> • For more than 48 years, Togo has successfully met the First Goal of the Peace Corps mission – to help the people of interested countries in meeting their need for trained men and women. Volunteers are satisfied with their assignments and feel positive about accomplishing their project goals and objectives. • Training is a strong point for Togo. Volunteers are satisfied with the effectiveness of pre-service training and expressed high regard for the host family experience as good preparation for service. • Some Volunteer projects have been slow to develop due to challenges identifying appropriate counterparts to undertake project activities. The post needs to address this issue during site development and encourage the community to provide housing. • Volunteers report they are generally well-supported by Togo staff, but flagged uneven staff communication or follow-up as areas that need improvement – particularly program manager's site visits, follow-up to Volunteer Reporting Tool submissions, and responsiveness to diversity issues. • Volunteers are not in compliance with Togo's out-of-site policy and Volunteer site locator forms frequently contained inaccuracies, which would make them less useful during an emergency situation. • The post needs to engage in more regular, substantive communication with national ministry officials and re-energize its project advisory council with more frequent meetings and activities.

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Business Volunteer teaches basic business techniques and marketing skills to leather artisans.



Message from the Chief Financial Officer

The Peace Corps again received an unqualified (clean) audit opinion issued by external auditors Clifton Gunderson LLP during the FY 2010 financial statement audit. For the fourth consecutive year, no material weaknesses or federal system noncompliances were identified during the financial audit or otherwise within the agency. The Peace Corps also received, for the third consecutive year, the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting award for quality reporting in the FY 2009 Performance and Accountability Report. During FY 2010, the agency's financial system, Odyssey, was successfully recertified and accredited, reconfirming our strong financial management foundation.

These achievements can only be attained through the continuing dedicated efforts of the financial management team and others who support financial management throughout the three regions, the worldwide posts, and within the headquarters. Our goal is to always provide excellent service to our Volunteers and to manage the resources provided to the agency in the most effective and efficient manner. This fiscal year we provided budget, finance, and accounting support for 77 countries encompassing more than 81 currencies for over 8,600 Volunteers. We strive to improve financial management each year.

The financial position of the agency continues to improve significantly with the support of the President and the U.S. Congress, allowing us to increase the number of Volunteers and provide the necessary support throughout the agency.

The two significant deficiencies and 12 audit recommendations identified during the FY 2009 audit were monitored throughout the year by the operational managers and the senior assessment team through the corrective action plan. One significant deficiency, Accounting Business Processes Need Improvement, and its two audit recommendations were successfully reduced in severity level during FY 2010, while one significant deficiency, Information System Security, and its audit recommendations were not successfully mitigated. Audit recommendations not resolved during this fiscal year were due to pending future events, systems implementation, and other agency priorities.

The FY 2010 audit identified two significant deficiencies in our internal controls for Property, Plant, and Equipment and Information System Security. The 12 audit recommendations for these two significant deficiencies and the estimated completion dates for the corrective actions are addressed in Appendix 1, Summary of Audit Significant Deficiencies.

Our FY 2010 financial management improvements include:

- Negotiated a \$46.15 million increase in the President's FY 2011 budget to Congress
- Implemented a readjustment allowance increase for the first time in 11 years to better support Volunteer living costs
- Obtained \$5 million through open obligation reviews by closing or adjusting obligations in current and prior years' (expired) funds
- Implemented the Citi Declining Balance Card, allowing closure of the domestic imprest fund (headquarters cashier bank account) that previously made cash payments for Volunteer medical evacuations and the initial orientation (staging) of Volunteers, significantly reducing the risk of fraud

- Converted 100 percent of the posts from paper checks to electronic funds transfer for those posts with electronic funds transfer technology capability
- In-sourced the Office of Global Accounts Payable document processing payment function by replacing contractors with direct hire employees, resulting in an annual savings of \$220,083
- Completed the first archiving of Volunteers' description of service documents from 1960 to the present and had the documents declared permanent historical documents by the U.S. National Archives
- Corrected the 1989 Social Security filing for more than 9,000 former Volunteers

Volunteer In-Country Allowances (VICA), a Web-based payment application, was successfully piloted and implemented at all posts during FY 2010. VICA eliminated duplicate data entry and enabled posts to efficiently process their Volunteers' in-country allowances and interface with Odyssey, the agency financial system. Eighty-five percent of the VICA payments are now individual electronic funds transfers to Volunteer accounts, compared to 1 percent of the same type payments in FY 2009.

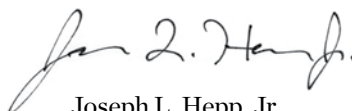
During the fourth quarter of FY 2010, a new budgeting, planning, and forecasting software, Hyperion Planning, was implemented. Hyperion integrates data from Odyssey, the agency's financial system, and uses agency and region projections to calculate Volunteer requirements, allowing more thorough analysis by the budget personnel. Hyperion also automated the unfunded requirement request process to provide better visibility and status tracking of the agency's funding decisions.

Our most significant financial management challenge continues to be improving operational growth and infrastructure efficiently and cost-effectively to meet planned future Volunteer growth to 10,000 in FY 2011. We are also working to integrate an electronic savings bond process for the Volunteers in FY 2011.

While the agency continues to recognize the benefits of formally correlating costs to the agency strategic goals and outputs, the accounting system currently is not capable of accurately capturing those costs. The agency operates as one program with the purpose of providing trained Volunteers to host countries to promote world peace and friendship.

The Peace Corps' financial statements and notes that follow are both reliable and complete. The documents were prepared in accordance with generally accepted accounting principles for federal government entities and were subjected to an independent audit.

We are moving forward in FY 2011, seeking new improvements in financial management, continuing to promote effective internal controls, and working diligently toward securing future unqualified audit opinions.



Joseph L. Hepp, Jr.
Chief Financial Officer
November 15, 2010



Financial Statements

Peace Corps Balance Sheet As of September 30, 2010 and 2009 (In Thousands)

	<u>2010</u>	<u>2009</u>
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2 and 3)	\$ 189,675	\$ 139,058
Accounts Receivable (Note 5)	780	878
Total Intragovernmental	<u>190,455</u>	<u>139,936</u>
Cash and Other Monetary Assets (Note 4)	-	40
Accounts Receivable, Net (Note 5)	26	17
General Property, Plant, and Equipment, Net (Note 6)	31,869	30,503
Other		
Prepaid Volunteer Living Allowances (Note 7)	3,907	3,863
Other Assets (Note 8)	2,835	2,485
Subtotal Other	<u>6,742</u>	<u>6,348</u>
Total Assets	<u>\$ 229,092</u>	<u>\$ 176,844</u>
Liabilities		
Intragovernmental		
Accounts Payable	\$ 2,590	\$ 1,219
Other		
Unfunded FECA Liability (Note 9)	29,871	27,560
Other Liabilities (Note 10)	-	2
Subtotal Other	<u>29,871</u>	<u>27,562</u>
Total Intragovernmental	<u>32,461</u>	<u>28,781</u>
Accounts Payable	13,190	9,104
Federal Employee and Veterans Benefits (Note 9)	138,157	121,902
Other		
Other Employment Related Liability (Note 9)	9,319	5,629
Non-Entity Funds (Note 2)	41,880	40,060
Accrued Funded Payroll and Leave	6,268	5,346
Unfunded Annual Leave (Note 9)	8,675	7,237
Other Liability (Note 10)	46	-
Subtotal Other	<u>66,188</u>	<u>58,272</u>
Total Liabilities	<u>249,996</u>	<u>218,059</u>
Commitments and Contingencies (Note 11)		
Net Position		
Unexpended Appropriations	121,532	80,239
Cumulative Results of Operations	(142,436)	(121,454)
Total Net Position	<u>\$ (20,904)</u>	<u>\$ (41,215)</u>
Total Liabilities and Net Position	<u>\$ 229,092</u>	<u>\$ 176,844</u>

The accompanying notes are an integral part of these financial statements

Peace Corps
Statement of Net Cost
For the Periods Ended September 30, 2010 and 2009
(In Thousands)

	<u>2010</u>	<u>2009</u>
Program Costs:		
Gross Costs	\$ 390,374	\$ 327,233
Less: Earned Revenue (Note 12)	4,000	3,610
	<hr/>	<hr/>
Net Cost of Operations	<u>\$ 386,374</u>	<u>\$ 323,623</u>

The accompanying notes are an integral part of these financial statements

Peace Corps
Statement of Changes in Net Position
For the Periods Ended September 30, 2010 and 2009
(In Thousands)

	<u>2010</u>	<u>2009</u>
Cumulative Results of Operations:		
Beginning Balances	\$ (121,454)	\$ (126,984)
Adjustments		
Corrections of Errors	-	122
Beginning Balances, As Adjusted	<u>(121,454)</u>	<u>(126,862)</u>
Budgetary Financing Sources:		
Appropriations Used	358,442	322,738
Other Financing Sources (Non-Exchange):		
Transfers-In/Out Reimbursement	387	250
Imputed Financing (Note 16)	<u>6,563</u>	<u>6,043</u>
Total Financing Sources	365,392	329,031
Net Cost of Operations	<u>386,374</u>	<u>323,623</u>
Net Change	(20,982)	5,408
Cumulative Results of Operations	(142,436)	(121,454)
Unexpended Appropriations:		
Beginning Balances	80,239	68,274
Adjustments		
Changes in Accounting Principles	-	3
Corrections of Errors	-	(1)
Beginning Balances, As Adjusted	<u>80,239</u>	<u>68,276</u>
Budgetary Financing Sources:		
Appropriations Received	400,000	340,000
Appropriations Transferred In/Out	-	(2,000)
Other Adjustments	(265)	(3,299)
Appropriations Used	<u>(358,442)</u>	<u>(322,738)</u>
Total Budgetary Financing Sources	<u>41,293</u>	<u>11,963</u>
Total Unexpended Appropriations	<u>121,532</u>	<u>80,239</u>
Net Position	<u>\$ (20,904)</u>	<u>\$ (41,215)</u>

The accompanying notes are an integral part of these financial statements

Peace Corps
Statement of Budgetary Resources
For the Periods Ended September 30, 2010 and 2009
(In Thousands)

	<u>2010</u>	<u>2009</u>
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	\$ 29,980	\$ 24,921
Recoveries of Prior Year Unpaid Obligations, Actual	8,919	7,778
Budget Authority		
Appropriation	400,000	340,000
Spending Authority From Offsetting Collections		
Earned		
Collected	6,554	4,872
Change in Receivables from Federal Sources	(98)	248
Change in Unfilled Customer Orders		
Advance Received	(2)	-
Without Advance from Federal Sources	38	(8)
Subtotal	<u>406,492</u>	<u>345,112</u>
Nonexpenditure Transfers, Net, Anticipated and Actual:		
Actual Transfers, Budget Authority	-	(2,000)
Permanently Not Available		
Cancellations of Expired and No-Year Accounts	(574)	3,252
Total Budgetary Resources	<u><u>\$ 444,817</u></u>	<u><u>\$ 372,559</u></u>
Status of Budgetary Resources:		
Obligations Incurred:		
Direct (Note 13)	\$ 382,380	\$ 339,280
Reimbursable (Note 13)	3,905	3,299
Subtotal	<u>386,285</u>	<u>342,579</u>
Unobligated Balance:		
Apportioned	48,292	22,829
Unobligated Balance Not Available	10,240	7,151
Total Status of Budgetary Resources	<u><u>\$ 444,817</u></u>	<u><u>\$ 372,559</u></u>
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 70,481	\$ 62,396
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(1,085)	840
Total Unpaid Obligated Balance, Net	<u>69,396</u>	<u>61,556</u>
Obligations Incurred, Net	386,285	342,579
Gross Outlays	(357,533)	(326,716)
Recoveries of Prior Year Unpaid Obligations, Actual	(8,919)	(7,778)
Change in Uncollected Customer Payments from Federal Sources	60	(240)
Obligated Balance, Net, End of Period		
Unpaid Obligations	90,315	70,481
Uncollected Customer Payments from Federal Sources	(1,026)	(1,081)
Total Unpaid Obligated Balance, Net, End of Period	<u><u>\$ 89,289</u></u>	<u><u>\$ 69,400</u></u>
Net Outlays:		
Gross Outlays	\$ 357,533	\$ 326,716
Offsetting Collections	(6,553)	4,872
Net Outlays	<u><u>\$ 350,980</u></u>	<u><u>\$ 321,844</u></u>

The accompanying notes are an integral part of these financial statements



Notes to the Financial Statements

Note 1 Significant Accounting Policies

a) Reporting Entity

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

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

b) Basis of Presentation

The financial statements present the financial position, the net cost of operations, and changes in net position along with budgetary resources activities of the agency pursuant to the requirements of 31 U.S.C. 3515 (b). They have been prepared using Peace Corps' books and records in accordance with agency accounting policies, the most significant of which are summarized in this note. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements are presented in accordance with the applicable form and content requirements of OMB Circular A-136, Financial Reporting Requirements, issued September 2010. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

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

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

Federal Financial Statements	
Statement	Federal Objective
Balance Sheet	Reflects the agency's financial position as of the statement date. The assets are the amount of 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 for adjusting obligations and for completing the liquidation of open obligations, advances, and receivables. After the five-year period, all open transactions for the respective fiscal year will be cancelled and funds will be returned to the U.S. Treasury. Any valid claims associated with these funds after closure must be processed against current year funds.

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

f) Revenues and Other Financing Sources

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

g) Fund Balance with the Treasury

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

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

The funds that make up post cashiers' imprest funds belong to the U.S. Treasury through DOS's accountability. These funds are routinely used to pay for small-value purchases of goods and services and are also used to make an occasional emergency payment. Per agreement with DOS, the Peace Corps is responsible for paying for any losses incurred by the cashiers that would normally fall on the account holder. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps' appropriation unexpended balance in U.S. Treasury records. As of September 30, 2010, cashier imprest funds represented by cash on hand, checks on hand, interim advances, and cashier checking account balances totaled approximately \$1.4 million in U. S. dollar equivalents.

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

h) Foreign Currency

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

i) Accounts Receivable

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

j) Advances and Prepayments

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

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

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

The agency capitalizes property, plant, and equipment that has an individual acquisition cost of \$25,000 or greater, a useful life of two years or more, not intended for sale in the ordinary course of business, and intended to be used or available for use by the entity. Aggregate purchases of General Property, Plant, and Equipment in the amount of \$500,000 or greater are capitalized. Software purchased for \$25,000 or developed for internal use at a cost of \$25,000 or greater is capitalized and amortized over its expected life (currently 3 to 9 years). Vehicles in the amount of \$10,000 and over are capitalized. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method. The agency has established a policy that uses an estimated salvage value of 40 percent for the agency's vehicles based on their resale value in recent years.

Nonexpendable personal property is depreciated over 3 to 15 years. The agency operates land, buildings, and equipment that are provided by the General Services Administration and overseas. Rent for General Services Administration property is expensed. Deferred maintenance amounts are immaterial with respect to the financial statements.

l) Accounts Payable and Other Liabilities

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

m) Employee Benefits

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

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

The Peace Corps recognizes its share of the cost of providing future pension benefits to eligible employees throughout their period of employment. The pension expense not covered by budgetary resources is calculated using actuarial factors provided by OPM and is considered imputed cost to the agency.
- VII. *Valuation of Host Country Resident Personal Services Contractor Severance and Retirement Liability*—The Peace Corps is generally liable for separation or retirement payments to eligible host country resident personal services contractors (PSCs) in countries that require payments under local labor laws. Until systems are in place to track this liability in a timely manner, the estimate of the current and future costs of the severance and retirement liability is determined annually.

n) Commitments and Contingencies

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

o) Use of Estimates

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

p) Interest on Late Payments

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

q) Intragovernmental Net Costs

The Statement of Net Cost is consolidated for the agency using a budget functional classification code. This code is used to classify budget resources presented in the budget of the United States government per OMB.

The agency is categorized under budget functional classification code number 150—International Affairs. Gross cost and earned revenues from other intragovernmental agencies (reimbursable agreements) fall under this code.

r) Adjustments to Maintain Inherent Account Relationship Integrity

In order to correct the relationships between the proprietary and budgetary accounts, a high-level analysis was performed. Cash balances were adjusted to align with the U.S. Treasury fund balance to permit the agency to pass edit checks and submit FACTS II reports to Treasury. All of the adjustments for fiscal year 2010 were immaterial.

s) Allocation Transfer

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

t) Fiduciary Activities

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

Note 2 Non-Entity Assets

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

Non-Entity Assets	September 30, 2010 <i>(in thousands)</i>	September 30, 2009 <i>(in thousands)</i>
Trust Fund		
FSN Separation Liability Trust Fund	\$ 7,309	\$ 7,222
Special Fund		
Host Country Residents Contractors Separation Liability Fund	13,102	13,971
Deposit Funds		
Volunteer Readjustment Allowance	21,093	18,325
Volunteer Payroll Allotment Account (Payroll Savings Bond Account)	-	11
Clearing Accounts	376	531
Total Non-Entity Assets	41,880	40,060
Total Entity Assets	187,212	136,784
Total Assets	\$ 229,092	\$ 176,844

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

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

Deposit 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, 2010 (in thousands)	September 30, 2009 (in thousands)
Appropriated Funds	\$ 147,795	\$ 98,998
Total Non-Entity Assets (Note 2)	41,880	40,060
Total	\$ 189,675	\$ 139,058

Status of Fund Balance with Treasury	September 30, 2010 (in thousands)	September 30, 2009 (in thousands)
Unobligated Balance		
Available	\$ 48,292	\$ 22,829
Unavailable	10,240	7,151
Obligated Balance Not Yet Disbursed	131,143	109,078
Total	\$ 189,675	\$ 139,058

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, 2010 (in thousands)	September 30, 2009 (in thousands)
Total Cash and Other Monetary Assets	\$ -	\$ 40

The imprest funds held in U.S. currency at headquarters were closed during FY 2010.

Note 5 Accounts Receivable, Net

Accounts Receivable as of September 30, 2010 <i>(in thousands)</i>	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 780	\$ -	\$ 780
Other	26	-	26
Total	\$ 806	\$ -	\$ 806

Accounts Receivable as of September 30, 2009 <i>(in thousands)</i>	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 878	\$ -	\$ 878
Other	17	-	17
Total	\$ 895	\$ -	\$ 895

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

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

Annually, a determination of the amount of the Allowance for Doubtful Accounts will be established for material amounts exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts of nonfederal (public) debts are more likely than not to be totally uncollected. An allowance was not established for the agency as of September 30, 2010.

Note 6 General Property, Plant, and Equipment, Net

Components of Fixed Assets as of September 30, 2010 <i>(in thousands)</i>	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Land	10	\$ 15	\$ -	\$ 15
Buildings	10	15	1	14
General Property, Plant, and Equipment	5–10	3,165	2,780	385
Vehicles	5	21,785	6,792	14,993
IT Hardware	3–15	15,035	9,393	5,642
Leasehold Improvements	10	1,042	180	862
Internal-Use Software	3–9	32,238	22,280	9,958
Total		\$ 73,295	\$ 41,426	\$ 31,869

Components of Fixed Assets as of September 30, 2009 <i>(in thousands)</i>	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
General Property, Plant, and Equipment	5–10	\$ 3,008	\$ 2,716	\$ 292
Vehicles	5	19,657	6,002	13,655
IT Hardware	3–15	12,789	8,001	4,788
Leasehold Improvements	10	402	140	262
Internal-Use Software	3–9	30,036	18,530	11,506
Total		\$ 65,892	\$ 35,389	\$ 30,503

As of September 30, 2010, 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 nine regional offices, and the overseas posts. Values for all assets other than internally developed software were obtained from data extracted from the databases. Values for internally developed software were derived from the most reliable available data for each system. Peace Corps acquired land and building in Swaziland during FY 2010. Peace Corps funded renovation of headquarters building which began in FY 2010 is classified as Leasehold Improvements. 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, 2010 <i>(in thousands)</i>	September 30, 2009 <i>(in thousands)</i>
Prepaid Volunteer Living Allowances	\$ 3,907	\$ 3,863

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

Note 8 Other Assets		
	September 30, 2010 <i>(in thousands)</i>	September 30, 2009 <i>(in thousands)</i>
Travel Advances to Employees	\$ 216	\$ 48
Relocation Advances to Employees	13	68
Prepaid Rent	2,461	2,350
Prepaid PSC Payroll	145	19
Total Other Assets	\$ 2,835	\$ 2,485

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, 2010 <i>(in thousands)</i>	September 30, 2009 <i>(in thousands)</i>
Intragovernmental Liabilities		
Unfunded FECA Liability	\$ 29,871	\$ 27,560
Liabilities		
Unfunded Annual Leave	8,675	7,237
Unfunded Employment-Related Liability	9,319	5,629
Federal Employee and Veterans Benefits	138,157	121,902
Total Liabilities Not Covered by Budgetary Resources	\$ 186,022	\$ 162,328

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

Unfunded Annual Leave—A liability for annual leave is accrued as leave is earned and paid when leave is taken or when the individual terminates. The balance represents the estimated value of annual leave for U.S.-hired employees earned but not used on September 30, 2010. Payments are charged to the appropriation current at the time of payment. The valuation of the accrued annual leave for foreign service national employees and the foreign national PSCs has been estimated for this financial statement. There were 209 foreign service nationals and 2,264 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 estimated severance of foreign national PSCs. Lump-sum payments are generally made to eligible international long-term personal services contractors based on local labor law requirements for separation. These payments are made when the individual terminates and are paid out of current appropriations.

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

Note 10 Other Liabilities

	September 30, 2010 (in thousands)	September 30, 2009 (in thousands)
Intragovernmental		
Advances from Others	\$ -	\$ 2
Other Liabilities		
Contingent Liability-General Counsel Cases	46	-
Total Other Liabilities	\$ 46	\$ 2

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 11.

Note 11 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 \$46,000 as of September 30, 2010.

Disclosure is required if there is a reasonable possibility that a loss may be incurred. The likelihood of a reasonable possibility of a loss related to administrative proceedings, legal actions, or claims is estimated to be \$450,000 as of September 30, 2010.

Note 12 Exchange Revenues

	September 30, 2010 (in thousands)	September 30, 2009 (in thousands)
Intragovernmental Earned Revenues	\$ 3,751	\$ 3,195
Earned Revenues from the Public	249	415
Total Exchange Revenues	\$ 4,000	\$ 3,610

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

Note 13 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable

	September 30, 2010 (in thousands)		September 30, 2009 (in thousands)	
	Direct	Reimbursable	Direct	Reimbursable
Category A	\$ 382,380	\$ 3,905	\$ 339,280	\$ 3,299
Total Obligations Incurred	\$ 382,380	\$ 3,905	\$ 339,280	\$ 3,299

Category A apportionments distribute budgetary resources by fiscal quarters. Category B apportionments typically distribute budgetary resources by activities, projects, objects, or a combination of these categories. All obligations incurred are Category A. The Peace Corps does not have any Category B or Exempt apportionments.

Note 14 Undelivered Orders at the End of the Period

	September 30, 2010 (in thousands)	September 30, 2009 (in thousands)
Undelivered Orders – End of Period	\$ 74,987	\$ 61,156

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

Note 15 Fiduciary Activities

Schedule of Fiduciary Activity as of September 30, 2010 (in thousands)	Host Country Contributions Cash	Host Country Contributions In-Kind
Fiduciary Net Assets, Beginning	\$ 1,049	\$ -
Contributions	1,090	4,684
Disbursements	(1,169)	(4,684)
Increase/(Decrease) in Fiduciary Net Assets	(79)	-
Fiduciary Net Assets, Ending	\$ 970	\$ -

Schedule of Fiduciary Net Assets as of September 30, 2010 (in thousands)	Host Country Contributions Cash	Host Country Contributions In-Kind
Fiduciary Net Assets		
Cash and Cash Equivalents	\$ -	\$ -
Other Assets	975	-
Less: Liabilities	5	-
Total Fiduciary Net Assets	\$ 970	\$ -

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

The agency received cash and in-kind contributions from host countries. In-kind contributions estimated at \$4.7 million in fair market value were received at posts through the end of September 30, 2010, for services, supplies, equipment, and facilities. The September 30, 2010, host country cash balance is \$970 thousand.

Note 16 Reconciliation of Net Cost to Budget

	Direct	Reimbursable	Total
	(\$ in thousands)		
Net Obligations Incurred	\$ (372,236)	\$ (3,787)	\$ (376,023)
Less: Undelivered Orders	(13,794)	(37)	(13,831)
Total Expended Obligation Authority	<u>(358,442)</u>	<u>(3,750)</u>	<u>(362,192)</u>
Financing Sources Used	<u>(358,442)</u>	<u>(3,750)</u>	<u>(362,192)</u>
Obligations Not Resourced	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Adjustments Reconciling Obligations To Costs Included in Obligations Not in Costs			
Acquisition of Assets	10,280	-	10,280
Subtotal	<u>10,280</u>	<u>-</u>	<u>10,280</u>
Included in Costs Not in Obligations			
Future Funded Expenses	5,158	-	5,158
Depreciation, Amortization, and Depletion	7,952	-	7,952
Employer Contributions to Employee Benefit Programs	2,327	-	2,327
Changes in Actuarial Liabilities	16,255	-	16,255
Offsetting Revenues	-	(3,750)	(3,750)
Imputed Financing	6,563	-	6,563
Nonfederal Receivables	(10)	-	(10)
Net Change on Dispositions	(15)	-	(15)
Other Financing Sources	(18)	-	(18)
Subtotal	<u>38,212</u>	<u>(3,750)</u>	<u>34,462</u>
Adjusted Expended Obligation Authority	(386,374)	-	(386,374)
Statement of Net Costs	<u>386,374</u>	<u>-</u>	<u>386,374</u>
Unexplained Differences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Direct	Reimbursable	Total
	(\$ in thousands)		
Net Obligations Incurred	\$ (331,360)	\$ (3,187)	\$ (334,547)
Less: Undelivered Orders	(8,696)	8	(8,688)
Total Expended Obligation Authority	<u>(322,664)</u>	<u>(3,195)</u>	<u>(325,859)</u>
Financing Sources Used	<u>(322,739)</u>	<u>(3,195)</u>	<u>(325,934)</u>
Obligations Not Resourced	<u>75</u>	<u>-</u>	<u>75</u>
Adjustments Reconciling Obligations To Costs Included in Obligations Not in Costs			
Acquisition of Assets	6,880	-	6,880
Subtotal	<u>6,880</u>	<u>-</u>	<u>6,880</u>
Included in Costs Not in Obligations			
Future Funded Expenses	(10,358)	-	(10,358)
Depreciation, Amortization, and Depletion	7,705	-	7,705
Employer Contributions to Employee Benefit Programs	2,002	-	2,002
Changes in Actuarial Liabilities	2,600	-	2,600
Offsetting Revenues	-	(3,195)	(3,195)
Imputed Financing	6,043	-	6,043
Nonfederal Receivables	14	-	14
Net Change on Dispositions	(166)	-	(166)
Other Financing Sources	(1)	-	(1)
Subtotal	<u>7,839</u>	<u>(3,195)</u>	<u>4,644</u>
Adjusted Expended Obligation Authority	(323,623)	-	(323,623)
Statement of Net Costs	<u>323,623</u>	<u>-</u>	<u>323,623</u>
Unexplained Differences	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 17 Imputed Financing		
	September 30, 2010 <i>(in thousands)</i>	September 30, 2009 <i>(in thousands)</i>
Federal Employees Health Benefit Program	\$ 4,372	\$ 3,884
Federal Employees Group Life Insurance Program	13	13
Civil Service Retirement System	816	1,842
Federal Employees Retirement System	1,227	169
Foreign Service Retirement and Disability System	135	135
Total Imputed Costs	\$ 6,563	\$ 6,043

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

Note 18 Disclosure on Contributions to the Peace Corps


Media Contributions Received –The agency was provided free donated space equivalent to \$5.5 million in print, radio, and television media through public service announcements in the first 11 months of FY 2010. These donations are not included in the financial statements.



Inspector General's Audit Transmittal Letter

Office of Inspector General

To: Aaron S. Williams, Director

From: Kathy A. Buller, Inspector General 

Date: November 10, 2010

Subject: Audit of Peace Corps' Fiscal Year 2010 Financial Statements

This letter transmits the reports of Clifton Gunderson LLP (CG) on its financial statement audit of the Peace Corps' Fiscal Year (FY) 2010 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and subjected them to audit.

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

We contracted with Urbach Kahn & Werlin LLP (UKW), an independent certified public accounting firm, to audit the Peace Corps' financial statements as of September 30, 2010 and 2009. UKW's practice was acquired by CG by merger on March 22, 2010. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards, OMB audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

CG's audit reports for FY 2010 includes: (1) an opinion on the financial statements, (2) a report on internal control over financial reporting, and (3) a report on compliance and other matters. In the audit of the Peace Corps, CG found:

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

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

- CG's report on internal control identified two significant deficiencies:²
 - Business processes related to property, plant, and equipment accountability need to be improved. Improvements needed are related to recording, tracking, and physical verification of certain assets.
 - Information system security controls need improvement. The auditor cited security management, contingency planning, access controls, and configuration management as areas needing improvement.

- CG found no instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

OIG Evaluation of CG's Audit Performance

In connection with the contract, we reviewed CG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on Peace Corps' financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. CG is responsible for the attached auditor's reports dated November 9, 2010 and the conclusions expressed in the reports. However, our review disclosed no instances where CG did not comply, in all material respects, with U.S. generally accepted government auditing standards.

We would like to extend our thanks to the Peace Corps staff involved in issuing the financial statements within the established OMB milestones. Their professionalism, courtesy, and cooperation allowed us to overcome the many challenges associated with performance of the audit and our oversight of the audit process. If you or a member of the Peace Corps staff has any questions about CG's audit or our oversight, please contact me or Acting Assistant Inspector General for Audit Steven Kaffen, at 202-692-2905.

Attachments

cc: Carrie Hessler-Radelet, Deputy Director
Stacy Rhodes, Chief of Staff
Joseph Hepp, Chief Financial Officer
Daljit Bains, Chief Compliance Officer

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



Auditor's Report



Independent Auditor's Report

To the Director and Inspector General,
Peace Corps

We have audited the accompanying Balance Sheet of Peace Corps as of September 30, 2010, and the related statements of Net Cost, Changes in Net Position and Budgetary Resources for the year 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 audit. The financial statements of Peace Corps as of September 30, 2009 were audited by Urbach Kahn & Werlin LLP, which practice was acquired by Clifton Gunderson LLP by merger on March 22, 2010. Urbach Kahn & Werlin LLP's report dated November 12, 2009 expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and applicable provisions of Office of Management and Budget 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 audit provides a reasonable basis for our opinion.

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of Peace Corps as of September 30, 2010, and its net costs, changes in net position, and budgetary resources for the year 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 9, 2010, on our consideration of Peace Corps' internal control over financial reporting and on our tests of its 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, 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.

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The Management's Discussion and Analysis (MD&A) section 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 Appendices 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.

Clifton Henderson LLP

Arlington, Virginia
November 9, 2010



Independent Auditor's Report on Internal Control Over Financial Reporting

To the Director and Inspector General,
Peace Corps

We have audited the financial statements of the Peace Corps as of and for the year ended September 30, 2010, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin 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 by obtaining an understanding of the design effectiveness of internal controls, determined whether these controls had been placed in operation, assessed control risk, and performed tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Peace Corps' internal control over financial reporting. 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 deficiencies, 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 deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We believe that none of the significant deficiencies described below is a material weakness.

A significant deficiency is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described below to be significant deficiencies.

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Significant Deficiencies

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

1. Controls over property plant and equipment need improvement
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 will report to the management of Peace Corps in a separate letter.

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.

Clifton Henderson LLP

Arlington, Virginia
November 9, 2010

SIGNIFICANT DEFICIENCY 1

CONTROLS OVER PROPERTY PLANT AND EQUIPMENT NEED IMPROVEMENT

Throughout Fiscal Year 2010 (FY 2010), OCIO worked to improve asset receiving and reporting procedures; however, our audit procedures showed that OCIO continued to experience difficulties in properly reporting and tracking capitalized IT equipment. We found several IT equipment assets that we observed 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.

We found nine assets out of ten tested were not tagged with a Peace Corps property tag number. There were also instances where some assets had two tag numbers. We were informed that sometimes the vendor sends the assets already tagged with a Peace Corps tag, but that the Office of Management retags the pre-tagged asset thereby creating two tags.

We also found that the asset listing contained numerous assets without identification numbers.

Peace Corps' Odyssey PCA FA Asset Additions Report provided to the auditors is not accurately capturing all of the asset additions that occurred during the fiscal year resulting in management's inability to provide an accurate additions listing.

Recommendations

We recommend the Peace Corps Director ensure that:

- 1a. Current policies designed to ensure complete and accurate asset listing are enforced. Procedures should be developed to ensure assets are properly tagged upon receipt and that OCFO is provided with complete and timely data to record additions.
- 1b. Roles and responsibilities outlined on Peace Corps Standard Operating Procedures (SOP) are carried out by posts and HQ for property accounting and financial reporting personnel that perform accuracy, verification, and completeness checks on the capitalized property listings.
- 1c. Procedures are developed to ensure that additions and disposals are recorded accurately and timely. OCIO should provide OCFO with timely disposal data to ensure the property balances are not overstated.
- 1d. The financial management system is providing proper output for designated auditor reports in accordance with Federal Agency regulations.

SIGNIFICANT DEFICIENCY 2

INFORMATION SYSTEM SECURITY CONTROLS NEED IMPROVEMENT

Peace Corps made improvements to its information systems control environment during FY 2010. However, we found that certain internal control weaknesses related to the Financial Management System and Peace Corps' overall Information Technology (IT) environment continued to exist at September 30, 2010. Our assessment of the general and application controls of Peace Corps' key IT infrastructure and financial systems identified the following conditions.

Control Weaknesses

Security Management

- As reported under the FY 2010 Federal Information Security Management Act (FISMA) assessment, the Global Infrastructure Risk Assessment has not been approved or include critical regions including; Europe, Mediterranean, and Asia Region General Support System or the Africa Region General Support System. Without current system risk assessments, it is difficult to determine the probability of occurrence, the resulting impact, and the additional safeguards needed to mitigate the impact of potential risks to the systems environment. In addition, lack of reviews and updates to existing risk assessments may expose the agency to new unidentified risks through the system lifecycle.
- As reported under the FY 2010 FISMA assessment, Peace Corps was operating one system without a valid Certification and Accreditation (C&A) or Authority to Operate (ATO) during a majority of the fiscal year. Specifically, the Global General Support Systems which supports Peace Corps financial management systems was not operating under an approved C&A or ATO during 364 days during fiscal year 2010. Without completing the certification and accreditation process in a timely manner, 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 and timely 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. However, the overall pace of this progress has been slow in coming into full compliance with the FISMA regarding achievement of final certifications and accreditations for 100 percent of its major information systems.
- As reported under the FY 2010 FISMA assessment, Peace Corps Information Technology policies have not been approved or finalized to date. Specifically, in regards to the Peace Corps Manual Section (MS) 542: *Information Technology Security Policies* although revised to be consistent with current OMB and National Institute of Standards and Technology (NIST) standards, the revised MS 542 is currently being reviewed by General Counsel and had not been approved and published by Peace Corps Management. Additionally, it was noted that no policy has been formalized which dictates controls over the monitoring and oversight of external systems used by the agency. Clearly documented and published policies and procedures are the first step towards ensuring the security of information systems. Without a published policy surrounding information security management, Peace Corps cannot ensure that its

personnel understand or know how to perform their information security responsibilities in accordance with FISMA.

- During FY 2010, Peace Corps management modified the Enterprise System Inventory reduced the number of Major Applications and General Support Systems to eight. Seven of the eight systems currently have System Security Plans. However, the Global Infrastructure System Security Plan excludes the Europe, Mediterranean, and Asia Region as well as the Africa Region. The Security Plan also does not contain the most up to date information. For example, the plans states that no privacy impact assessment had been identified for the information system; however, one is posted to the Peace Corps website. Without complete and current system security plans, security responsibilities and controls are not appropriately documented, disseminated, implemented, or monitored, therefore, the Peace Corps information systems may be more susceptible to improper access, use, or loss of sensitive information.

Contingency Planning

During the FY 2010 FISMA assessment, we noted the Peace Corps Business Impact Analysis had not been updated by the agency to ensure identified impacts reflect current agency continuity of operations planning and are accurately incorporated into disaster recovery planning for the agency's current system environment.

Peace Corps management did make improvements related to contingency planning during FY 2010; however, the lack of an up to date agency Business Impact Analysis creates a deficiency in the contingency planning process for information systems. A deficiency in this process means that key impacts or threats could be overlooked leading to the ineffective or delayed recovery of agency systems.

Access Controls

- Peace Corps network accounts are not being deactivated in a timely manner. We noted the following conditions: multiple accounts were enabled with passwords that have not been reset in over ninety days, accounts remained active that had never been logged into, accounts were enabled without having a password set and accounts were enabled that did not require a password. Since accounts are not disabled after a defined period of inactivity, accounts may be left active increasing the risk associated with unauthorized access to the system.
- Peace Corps was unable to provide documentation that audit logs for the Domestic portion of the Global Infrastructure System are reviewed for suspicious/unusual activity. There are no procedures for reviewing the audit logs of the Global Infrastructure System servers within a specific schedule, and although operations personnel plan on implementing a tool to capture audit logs and place them on a server for contractor review; that had not yet occurred as of the date of our testing. As a result, vulnerabilities could exist that could be left unchecked due to the lack of monitoring or other detective controls. Regular review of audit logs reduces the risk of actions that could lead to data loss not being detected and corrected.

Configuration Management

- As reported under the FY 2010 FISMA assessment, Peace Corps had not implemented all of the Federal Desktop Core Configuration (FDCC) requirements as required by OMB Memorandum M-07-11, *Implementation of Commonly Accepted Security Configurations for Windows Operating Systems* and OMB Memorandum M-08-22, *Guidance on the Federal Desktop Core Configurations (FDCC)*. In addition, workstations were lacking centrally managed controls such as session locking. Without being FDCC compliant agencies are at risk of increased disruption, slower network capabilities and unauthorized access. For example, Peace Corps settings for idle time required before suspending session had not been set. Therefore, end users may alter desktop settings such as the screen saver and the requirement for entering a password upon return to a computer. Small changes such as these increase the potential for unauthorized access to the sensitive information on Peace Corps computers.
- As reported under the FY 2010 FISMA assessment, mandatory security settings and baseline configurations are not adequately applied for Oracle, UNIX Servers and Microsoft Servers. Specifically, Microsoft Servers and Oracle instances do not have mandatory security settings and related baseline configurations are not currently documented. In addition, UNIX servers are not configured in accordance with the mandatory security setting checklist applied by the Center for Internet Security (CIS) benchmarking tool, based upon a review of June 2010 CIS reporting results. The lack of mandatory security settings and baseline configurations may increase the risk of security vulnerabilities that expose systems to potential unauthorized access, data loss, data manipulation, and system unavailability.

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.

NIST Special Publication (SP) 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems*, states “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 SP 800-53 Revision 2, *Recommended Security Controls for Federal Information Systems* control RA-3, states the following regarding risk assessments, “The organization conducts assessments of the risk and magnitude of harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support the operations and assets of the agency (including information and information systems managed/operated by external parties).”

NIST SP 800-12, *An Introduction to Computer Security: the NIST Handbook* states: “A management official, normally the head of the organization or the senior administration official, issues program policy to establish (or restructure) the organization's computer security program and its basic structure. This high-level policy defines the purpose of the program and its scope within the organization; assigns responsibilities (to the computer security organization) for direct

program implementation, as well as other responsibilities to related offices (such as the Information Resources Management [IRM] organization); and addresses compliance issues. Program policy sets organizational strategic directions for security and assigns resources for its implementation.”

The Federal Information Security Management Act of 2002 states: “Each agency shall develop, document, and implement an agency-wide information security program, approved by the Director under section 3543(a)(5), to provide information security for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.”

NIST SP 800-53, Revision 2 *Recommended Security Controls for Federal Information Systems Control PL-2* states: “The organization develops and implements a security plan for the information system that provides an overview of the security requirements for the system and a description of the security controls in place or planned for meeting those requirements. Designated officials within the organization review and approve the plan.”

NIST SP 800-18, *Guide for Developing Security Plans for Federal Information Systems* states: “The objective of system security planning is to improve protection of information system resources. All federal systems have some level of sensitivity and require protection as part of good management practice. The protection of a system must be documented in a system security plan.

NIST SP 800-53 Revision 2, *Security Control 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.”

NIST SP 800-53 Revision 2, *Security Control AC-2 – Account Management*, states: “The organization manages information system accounts, including establishing, activating, modifying, reviewing, disabling, and removing accounts. The organization reviews information system accounts at least annually.”

NIST SP 800-53 Revision 2, *Recommended Security Controls for Federal Information Systems control AU-6*, states the following regarding Audit and Accountability, “The organization regularly reviews/analyzes information system audit records for indications of inappropriate or unusual activity, investigates suspicious activity or suspected violations, report findings to appropriate officials, and takes necessary actions.”

NIST SP 800-53 Revision 2, *Recommended Security Controls for Federal Information Systems control CM-2*, states the following regarding baseline configurations, “The organization develops, documents, and maintains a current baseline configuration of the information system.”

NIST SP 800-53 Revision 2, *Recommended Security Controls for Federal Information Systems control CM-6*, states the following regarding configuration settings, “The organization: (i) establishes mandatory configuration settings for information technology products employed within the information system; (ii) configures the security settings of information technology products to the most restrictive mode consistent with operational requirements; (iii) documents the configuration settings; and (iv) enforces the configuration settings in all components of the information system.”

Recommendations

We recommend the Peace Corps Director ensure that:

- 2a. The risk assessment for the Global Infrastructure is revised to incorporate critical regions reviewed, approved and updated periodically.
- 2b. Full certification and accreditation efforts are completed for all Peace Corps information systems in a timely manner in accordance with Peace Corps policy, NIST Special Publication 800-37 guidance, and OMB Circular A-130.
- 2c. Manual Section 542: *Information Technology Security Policies* is complete, updated and approved.
- 2d. The Business Impact Analysis is reevaluated and updated to 1) accurately reflect the current Peace Corps continuity of operations planning; 2) support disaster recovery planning and testing, and 3) reflect the agency's current environment.
- 2e. Procedures are developed and implemented to periodically audit network user accounts to (a) verify that user accounts are still currently being used, (b) verify that there are reasonable justifications for any user accounts that are not being accessed, and (c) disable any user accounts that have not been accessed without reasonable and documented justification.
- 2f. Review audit logs on the domestic portion of the Global Infrastructure Operating System periodically for suspicious activity.
- 2g. Implement FDCC compliant group policies and ensure that all workstations are compliant with the FDCC requirement checklists.
- 2h. Management maintains mandatory security settings and baseline configurations for Oracle instances, UNIX Servers, and Microsoft Servers.



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, 2010, and have issued our report thereon dated November 9, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and, Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

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, as amended. We limited our tests of compliance to those 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 Bulletin 07-04, as amended.

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.

Clifton Gunderson LLP

Arlington, Virginia
November 9, 2010

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OTHER ACCOMPANYING INFORMATION

Health Volunteer helps her community members sew an AIDS prevention mural in Tonga.






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

Office of Inspector General

TO: Aaron S. Williams, Peace Corps Director

FROM: Kathy A. Buller, Inspector General 

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

DATE: October 12, 2010

In accordance with the Reports Consolidation Act of 2000, we are submitting what we have determined to be the most significant management and performance challenges facing the Peace Corps. Our challenges, discussed in the attachment to this memo, are to be included in the Agency's Performance and Accountability Report for fiscal year 2010. In our fiscal year 2009 challenges we indentified five areas, which in our opinion were the most serious issues facing management. We believe those same areas continue to present significant management and performance challenges at the Peace Corps. In addition, this year we have identified three new management and performance challenges. The challenge areas are listed below:

Fiscal Year 2009 Challenges

- Capacity of Peace Corps Business Operations to Support Growth and Expansion
- Information Technology Management
- Acquisitions and Contract Management
- Property Management
- Protection of Personally Identifiable Information

New Challenges

- Capacity of Overseas Posts to Support Growth and Expansion
- Remediation of Audit Findings and Recommendations
- Accessibility of Agency Data

These challenges illustrate the most significant areas we believe need improvement for Peace Corps to effectively keep pace with projected growth and minimize the potential for fraud, waste, and abuse occurring in its operations. By addressing the issues related to our challenge areas the agency could potentially achieve operational efficiencies and improve mission effectiveness.

Attachment

ATTACHMENT

FY 2009 Challenges

Challenge Capacity of Peace Corps Business Operations to Support Growth and Expansion

Last year we reported that as a result of the response to the President's "call to service," and as more developing nations request Peace Corps programs, it is anticipated the agency will experience significant growth. According to the Peace Corps Director's Integrated Planning and Budget System (IPBS) guidance for FYs 2011-2013, Peace Corps' goal is to have 10,000 Volunteers on board by the end of FY 2011, 12,000 by the end of FY 2012, and 14,000 by the end of FY 2013. Such growth will necessitate increased funding levels. Efficient and effective management of the resulting rapid growth and larger budgets will continue to present challenges for agency management.

In our opinion, without enhancements to its business processes the agency will have difficulty continuing to provide the current level of Volunteer support based on projected growth. Significant increases in the number of Volunteers will have a major impact across overall operations and cause considerable stress in service delivery capabilities of several key business operations. Operations most impacted include:

- Volunteer Recruitment & Selection
- Volunteer Support Services
- Financial Management
- Information Technology
- Acquisitions & Contracting
- Safety & Security
- Human Resources
- Administrative Services

As a result, we believe it remains a management challenge for the Peace Corps to ensure that business operations can respond with an effective level of support in an era of increased volunteerism and resulting rapid expansion of agency programs and/or operations around the world.

Challenge Information Technology Management

In last year's Challenges, we indicated that the agency had not established an adequate information technology (IT) strategy or an effective IT governance process as required by the Clinger-Cohen Act of 1996 and OMB Circular A-130. Also, overall budgeting for IT resources was not effective and had placed the agency at risk. The most significant risks have been, and continue to be, associated with ensuring that: limited resources will be put to use where most needed; funds spent on contracts consistently meet requirements; and the IT infrastructure effectively supports the Peace Corps mission. Achieving full compliance with federal laws and

regulations that apply to managing the Peace Corps IT infrastructure and improving the IT budget process are critical management challenges.

Management is making progress in strengthening the Peace Corps' IT architecture and security management. We noted that seven of eight systems had been issued an authorization to operate by the end of this fiscal year. However, the overall pace of this progress has been slow in coming into full compliance with the Federal Information Security Management Act (FISMA) regarding adequate contingency planning and achievement of final certifications and accreditations for 100 percent of its major information systems. Further, there are a number of open IT-related recommendations that were made during prior FISMA reviews and financial statement audits that have not been fully remediated, some dating back to audits performed in FYs 2003-2006.

Challenge Acquisitions and Contract Management

Last year we included a challenge area on acquisitions and contract management. Operations relating to Peace Corps' acquisitions and contracting are worldwide in scope adding complexities, not common at most federal agencies. In FY 2010 the agency expended nearly \$84.3 million for goods and services, or approximately 21 percent of the Peace Corps budget. This figure includes expenditures of about \$53.4 million for personal services contracts and nearly \$31 million for other contracts. We mentioned in the FY 2009 challenge that White House initiatives implemented through OMB have directed federal agencies to undertake a number of initiatives relating to strengthening acquisitions and contract management, including reducing baseline contract expenditures and achieving improvements in agency contracting processes, such as reducing the use of high risk contracts. OMB has continued to emphasize that agencies strive for making their procurement processes more efficient and cost effective.

Although progress is being made to improve the agency's overall contracting processes, we believe some of the same problems are impacting operations. For example, resourcing issues continue to impact the ability to quickly implement plans for strengthening contract surveillance; compliance with applicable laws and regulations; and customer support services. Additional personnel resources have been authorized to assist with the agency's management of the acquisition process. However, three senior managers assigned to the Peace Corps' acquisition workforce left within the last 12 months, including both the chief and deputy acquisition officers. The requirements imposed upon the Peace Corps' acquisition organization continue to present challenges for already strained resources.

Challenge Property Management

Accountability over Peace Corps property continues to present challenges for management. The FY 2010 (Third Quarter) Balance Sheet indicates the agency's general property, plant, and equipment (PP&E) has a net book value of about \$29.6 million. Peace Corps' general PP&E includes primarily vehicles, office furniture, computer equipment and software. Property management involves organizational activities related to acquiring, tracking, controlling, and disposing these items. In last year's Challenges, we reported that audits and investigations performed had disclosed that not all Peace Corps property is adequately safeguarded or disposed in accordance with applicable Federal and Peace Corps requirements. Although we did find that

certain policies regarding disposal of fleet vehicles have been strengthened, our work in this area during FY 2010 concluded that issues with overall property accountability have continued to impact operations.

We noted during the last 12 months there were significant problems with accountability of certain assets, managing excess property, and recording and tracking. For example, we found at some Peace Corps posts that records were not being updated to reflect all property that had been disposed and/or added to inventory and periodic required physical counts were not being conducted. Our external auditors reported that the agency had not taken the necessary corrective actions that were recommended last year to ensure accurate tracking of assigned laptop computers at headquarters. As a result, there were still problems determining the location of these assets. Other examples of deficient property management includes failing to dispose of property identified as excess to needs in a timely manner and inadequate physical control. Ineffective property management unnecessarily exposes the agency to risks associated with fraud, waste, and abuse and drives operating costs up. Agency management has informed us that a new property accountability software solution is projected to be fully implemented in the Fourth Quarter of FY 2011. However, the capabilities for improving accountability will not be known until the new system has been fielded and an assessment made as to its effectiveness. As a result, improving overall property management and strengthening internal control related to property accountability continues to be a management challenge.

Challenge Protection of Personally Identifiable Information

In FY 2009 we identified a challenge area in the agency's management and internal control regarding the protection of Personally Identifiable Information. The Peace Corps routinely receives, processes, and maintains significant amounts of Personally Identifiable Information (PII). PII includes information that can be used to distinguish or trace an individual's identity, such as name, Social Security Number, or biometric records. Such information can be used to link to other data such as bank accounts and other financial or personal information that can assist perpetrators in committing crimes associated with identity theft. During FY 2009 a number of cases of PII security breaches involving social security numbers, medical data, and other PII data had been brought to our investigators' attention. This trend has continued to be a problem this fiscal year. In both this fiscal year and last, investigations into these security lapses disclosed internal control weaknesses and failure to follow federal laws and regulations and Peace Corps policy on protecting PII. As a result, we believe it continues to be a challenge for management to improve its system for internal control over PII and ensure Peace Corps personnel consistently comply with applicable federal and agency guidance.

New Challenges FY 2010

Challenge Capacity of Overseas Posts to Support Growth and Expansion

The Peace Corps is experiencing significant growth as it strives to achieve the President's initiative to increase the number of Volunteers by about 18 percent at the end of FY 2012 and approximately 38 percent by the end of FY 2016. The agency has proposed even more aggressive growth in the Director's IPBS guidance for FYs 2011-2013 increasing Volunteer

strength by about 75 percent from its current level by the end of FY 2013. Programmatic and administrative support operations face difficult challenges ahead to ensure the growth process is efficient and effective. Further, the budget is anticipated to increase significantly to accommodate the continued growth. The Peace Corps must ensure headquarters functions can provide effective oversight and support to overseas posts while developing streamlined processes to ensure “intelligent” growth and not just an increase in the number of staff.

Peace Corps management and overseas posts face additional challenges as they prepare to support a significantly increased numbers of Volunteers. Peace Corps must ensure that posts’ staffing, site development, Volunteer training and support, and related infrastructure are sufficiently robust to support the agency’s expansion into new countries and establishment of much larger programs in some existing countries.

There are unique challenges faced by start-up and established posts, which have been designated for high growth. Start-up operations require a level of expertise for U.S. direct hire (USDH) and other key staff positions that is more advanced than what is normally required for to staff ongoing post operations. For example, start-up USDH staff is called upon to establish relationships with key U.S. mission and host country officials; recruit and train local staff; identify appropriate office and residential space; negotiate and consummate leases; ensure an effective IT/communications infrastructure; and create and develop pre-service and other trainings for new Volunteers. Established posts also need to effectively plan, manage, and recruit experienced managers to fill key positions in anticipation of growth. Although such challenges are known, we found significantly deficient conditions at recently re-opened and established, high-growth designated posts we visited this year. These conditions related to ineffective post management, weak overall internal control structure, and failure to comply with applicable federal laws, regulations, and Peace Corps policy.

In FY 2010 the agency conducted a self assessment of current operations. A final report entitled “The Peace Corps: A Comprehensive Agency Assessment” was issued in June 2010. The Assessment concluded that existing post planning and staffing required strengthening. It asserted that “there is a need for agreement on what constitutes the basic level of support that Volunteers can expect when serving in the Peace Corps . . .” and called for an analysis of post staffing patterns and support requirements.

The Assessment identified critical program-related responsibilities of the agency. For example, posts are responsible for “ensuring every Volunteer has a meaningful job and is properly trained to effectively carry it out,” and, in this regard, are required to identify Volunteer site placements where the Volunteers’ “skills and expertise are needed, wanted and will allow them to make a difference.” Moreover, “the Peace Corps must establish a new level of commitment to ensuring Volunteers will receive world-class language, cultural and technical training in preparation for the meaningful work that awaits them.” The ability of the agency to fulfill these critical responsibilities is directly tied to agency management of human and budget resources.

The Assessment contains 63 recommendations; the implementation is just beginning. It will be a management challenge to ensure the infrastructure requirements to adequately support growth are in place prior to significantly increasing the number of Volunteers. Anticipating and

effectively planning and managing post staffing and infrastructure requirements is a significant challenge to the agency as it continues to expand.

Challenge Timely and Effective Remediation of OIG Findings and Recommendations

Based on the projected growth of Volunteers in the field it is crucial that Peace Corps' business processes be capable of effectively meeting the challenges brought on through significant expansion. Over the years, in particular last year, we reviewed some of the agency's key headquarters' level business processes and made a number of recommendations that would improve efficiencies and effectiveness associated with delivering services to Volunteers in the field; serve to strengthen internal control; and ensure compliance with applicable Federal laws, regulations, and Peace Corps policy. However, although management concurred with most of the associated findings and recommendations, it has not been timely in taking corrective actions necessary to remediate the deficiencies noted in the related reports. Management has taken sufficient corrective actions to enable us to close just six of 68 recommendations made in FY 2010 audit reports that addressed deficiencies in key agency business processes.

During FY 2010 we issued three audit reports that address significant issues with Peace Corps business operations. For example, in a report issued in January we found that the agency's Office of the Chief Information Officer did not ensure its budget resources were adequate or expended efficiently; failed to provide sufficient guidance to the Office of the Chief Financial Officer regarding requests for additional funds; and did not comply with important provisions included in the Clinger-Cohen Act and OMB Circular A-130. Another audit report issued in March discussed issues regarding improving the overall contracting process through recommendations aimed at establishing new policy; improving customer service; and ensuring full compliance with the Federal Acquisition Regulation and other applicable laws, regulations, and Peace Corps policy. We also performed an audit of Peace Corps' program on safety and security of the more than 8,000 Volunteers who serve around the world. We found, among other things, that the agency's program for protecting Volunteers in the field lacked a clear management structure, no single office accepted comprehensive ownership of the safety and security program, and management did not ensure that Peace Corps overseas posts fully implemented required policies related to its security program.

We have recently issued a preliminary report on our follow-up evaluation of the Volunteer Delivery System (VDS). This system is used by the agency to recruit, select, and place Volunteers in the field. In 2003, OIG issued an evaluation report on the VDS and concluded that the system had significant weaknesses, particularly in the areas of leadership and organizational change; information flow; information technology; medical screening; customer service; and staffing and staff training. Our follow-up reviewed actions taken by management to address the recommendations made in the previous report. The evaluation results show that the Peace Corps did not fully address the recommendations made in the 2003 report. At the time the report was issued, the agency concurred with all 24 recommendations and described specific plans for remediation of the findings. However, based on our follow-up effort we have determined that many of the corrective actions agreed to by management were either not initiated or were not fully carried out.

In 2008, OIG also issued a program evaluation report on the Peace Corps' Medical Clearance System (MCS), which is one component of the VDS. The MCS is the agency's mechanism for medically screening applicants to ensure that Peace Corps posts receive healthy Volunteers who can serve overseas for 27 months. The 2008 medical clearance evaluation report contained 55 recommendations, seven of which targeted the same medical screening weaknesses identified in the 2003 OIG VDS evaluation report. To date we have not received sufficient evidence that appropriate corrective actions have been taken to fully remediate deficient conditions associated with nine of the 55 recommendations.

Management filled the position of the chief compliance officer in August, 2010. This position had either been vacant or occupied by a staff member serving in a temporary, part-time capacity since January 2009. As a result, corrective actions to implement OIG audit and evaluation recommendations were hampered and their remediation did not receive sufficient priority by management. Many of the significant deficiencies noted have remained in an open status for six months or more. The new chief compliance officer has recently begun a comprehensive effort of reviewing and following up on the significant open recommendation backlog. Timely remediation of recommendations is dependent on top management's full attention and support in correcting known deficient conditions, as well as having a proactive agency compliance program in place.

Challenge Accessibility of Useful and Accurate Data Related to Peace Corps Operations

Peace Corps has difficulty maintaining and accessing certain types of data regarding selected operations. While conducting audits and evaluations over the past 12 months, OIG encountered problems obtaining significant data for key business processes. In particular, data related to the following operational areas was generally not readily available:

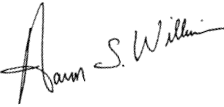
- Summary data related to employee retention and turnover
- Cost and cumulative impact of Volunteer medical accommodations
- Acceptance rate for Volunteer applicants
- Number of Volunteer applicants who do not fully match the skills requested by host countries

We found that some of the databases and information technology systems used by the agency do not effectively capture and distribute useful data to decision makers. Data is often not centralized and accessible to the staff that needs the information to perform their jobs. For example, the agency does not have timely access to employee turnover and tenure data and could not produce the data needed to determine the average length of time it takes to fill vacant positions. Gathering such data often requires access to numerous systems and databases and staff must manually assemble it from multiple sources to develop needed reports and information. This manual process is not efficient and can lead to errors unless staff undertakes time-consuming data validation efforts. Furthermore, without timely access to relevant data, the agency cannot easily obtain the data necessary for making informed management decisions and assessing whether the agency is meeting its performance goals.



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

To: Kathy A. Buller, Inspector General

From: Aaron S. Williams, Director 

Date: November 8, 2010

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

Thank you for your October 12, 2010 memorandum and attachment setting forth the Office of the Inspector General's (OIG) determinations on management and performance challenges of the agency which will be included in the Performance and Accountability Report for fiscal year 2010.

I would like to address the eight specific areas the OIG has identified as challenges for facing the agency as it keeps pace with its growth strategies and plans.

FY 2009 Challenges

Challenge Capacity of Peace Corps Business Operations to Support Growth and Expansion

In support of the President's goal to expand the size of the Peace Corps, targets were initially established to increase the number of Volunteers to 10,000 by the end of FY 2011, 12,000 by the end of FY 2012 and 14,000 by FY 2013. These goals have been revised to reflect a more gradual increase in the number of Volunteers in the out-years. For our 50th anniversary year, FY 2011, the agency's target of 10,000, complies with the stated policy in the Peace Corps Act to maintain a Volunteer corps of at least 10,000 individuals. A more gradual increase in the number of Volunteers to 10,800 is planned for FY 2013.

In FY 2010, Peace Corps assessed its business processes to determine the impact of increasing the number of new Volunteers. Increased appropriated resources were allocated to support growth areas while assuring a continuation of quality work. The Comprehensive Agency Assessment, an agency-wide assessment, was conducted during this year and submitted to Congress in June. This in-depth review evaluated operations across the agency and identified six key guiding strategies and 63 recommendations to strengthen and reform the agency over the coming years. The agency is committed to implementing the Comprehensive Assessment and believes the quality improvement measures included in the report will help position Peace Corps to improve the quality of operations as we increase Volunteer numbers.

Systems improvement efforts are underway. The newly redesigned Volunteer Delivery System (VDS) supports the continuous cycle of Volunteer recruitment, screening, and placement. Peace Corps awarded a contract in the fourth quarter of FY 2010, to assist in the redesign of the supporting business processes to automate and streamline the entire cycle to dramatically improve the total cycle time, communications with Volunteer applicants, and retention rates. The new VDS is planned to be operational by the end of FY 2011. Additionally, the agency will acquire an electronic medical records system and redesign medical screening to support business processes in FY 2011, to be operational by the end of FY 2012. This will accelerate the medical

approval process, improve communications with applicants, and increase the quality of medical support for in-service Volunteers.

In FY 2010, the agency restructured medical support operations to enhance the quality of health care services to the Volunteers. The realigned reporting structure will be fully realized in FY 2011 and will significantly improve accountability and delivery of services to Volunteers.

The agency has defined and begun implementation of a process that will continue to strengthen the management of the Volunteer Safety and Security System. Specific steps have been taken to establish clear lines of technical oversight by the Office of Safety and Security to ensure the efficient and effective operation of the safety and security program, the top priority of the agency.

Challenge Information Technology Management

A new information technology (IT) strategic five-year plan and project portfolio, along with a reconstituted Investment Review Board (IRB) proposal, was presented to the agency's senior management in early November 2010. This plan addresses many of the issues raised by the OIG in previous audit reports.

The agency continues to consider continuity of operations an important IT priority and is improving Data Center operations. For example, in FY 2010, the agency added temperature and humidity monitoring, smart-UPS to automatically shut down the servers in emergencies, and physical access controls with privileged badge access and real-time data feeds from the five cameras.

The agency certified and accredited three systems during FY 2010 in accordance with the Federal Information Security Management Act (FISMA) and the 2007 plan to certify and accredit appropriate Peace Corps systems. The only system not certified is the Volunteer Life Cycle Management System, which is still under development. That system will be certified after system development is completed in 2011.

FISMA and financial audit recommendations identified as low risk related to legacy systems, or have remediation costs that substantially exceed implementation benefits in accordance with the provisions of OMB Circular A-130 may not be implemented; however, mitigation measures have been put in place to reduce potential risk to the agency.

Challenge Acquisitions and Contract Management

Despite the departures noted by the OIG, the Office of Acquisitions and Contract Management (OACM) is now fully staffed, with the exception of the chief acquisition officer position for which the hiring process will be completed in November 2010. The deputy acquisition officer position was filled with a very experienced senior contracting officer. Two seasoned supervisory contracting officers were hired for the domestic complement of contracting officers. Additionally, the overseas support staff was enhanced by the addition of a field-experienced

business specialist. In the fourth quarter of FY 2010, customer support service was increased due in large part to additional staffing, both overseas and domestic.

Rapid progress is being made to strengthen contract surveillance and compliance with applicable laws and regulations. Contracting Officer's Technical Representative (COTR) training has been scheduled for overseas staff in each of the three regions in the first quarter of FY 2011. This will intensify the development of contract surveillance plans.

With respect to the White House's initiative on reducing the use of high risk contracts, the agency terminated two cost reimbursement contracts in FY 2010 for overseas training and awarded fixed price personal services contracts to trainers. The agency currently has no cost reimbursement contracts. The agency will continue to improve the contracting processes with the goal of more efficient and cost effective contract support.

Challenge Property Management

Although the agency has challenges in property management accountability with the wide dispersal of property, plant, and equipment in 77 countries and multiple sites in the U.S., Peace Corps has been working diligently to improve the safeguarding, accounting, and disposal processes for its property:

- The contract for the new property accountability software solution referred to by the OIG was awarded in September 2010, and a specific training program is being developed for rollout with the software by the end of FY 2011.
- In FY 2010, the agency doubled the amount of property management training for personal property and vehicle accountability during overseas staff training.
- By September 2011, the planned certification of the agency's IT assets will be completed.
- The Office of Management has clarified property accountability policies and procedures and the agency expects to issue a revised manual section and property accountability handbook in FY 2011.
- The agency has purchased a vehicle fleet management software system which is expected to be implemented by the end of FY 2011 and will provide the headquarters with oversight capabilities for vehicle usage and disposals.

Challenge Protection of Personally Identifiable Information

The implementation of the Volunteer Life Cycle Management System that is scheduled for implementation in FY 2011 will significantly reduce the risk of PII security breaches. This system will generate a unique identifier for each individual and Social Security numbers will no longer be used as search criteria. The system has rules and procedures for locking down PII and for allowing access to the information based on roles and responsibilities within the agency. Similar controls on medical information regarding Volunteers will be built into the electronic medical records system that is now scheduled to be operational by the end of FY 2012.

The number of reported breach events dropped from ten in FY 2009 to nine in FY 2010. With the introduction of the redesigned Volunteer Life Cycle Management System and electronic medical records, these breaches should be significantly minimized.

FY 2010 New Challenges

Challenge Capacity of Overseas Posts to Support Growth and Expansion

The agency agrees that building the capacity of overseas posts and providing ongoing support to sustain quality growth is essential. The initial goals set for growth were subsequently revised to support a more gradual increase in the number of Volunteers to 10,800 by the end of FY 2013. This more gradual growth is due to several factors, including the agency's commitment to strengthen Volunteer training and better prepare Volunteers for meaningful work, the uncertainty regarding future budget levels and the desire to ensure overseas posts are properly supported and prepared to absorb a greater number of Volunteers prior to the Volunteers arriving in country.

To help achieve the desired increase in the number of Peace Corps Volunteers, the Director established an agency-wide growth task force during the first quarter of FY 2010. The task force examined ways in which this growth could be supported. Throughout the FY 2010 planning and budget processes, emphasis was placed on strengthening the capacity of overseas posts to meet the growth targets, in order to provide a larger number of well-qualified Volunteers for host countries. Several headquarters offices worked closely with the overseas posts to best match the supply of qualified applicants to the needs of Peace Corps' overseas partners.

Peace Corps' Comprehensive Assessment conducted in FY 2010 places increased focus on the critical importance of Volunteer training and calls on the agency to identify key development interventions worldwide where the Peace Corps is, or will be, working with large quantities of Volunteers, and to enhance and strengthen the technical preparation for Volunteers in these areas. A quarterly reporting process was established in the fourth quarter of FY 2010 to capture progress toward implementation of the assessment recommendations. During FY 2010, the agency made significant investments in its human and physical infrastructure to accommodate an increase in the quantity of Volunteers while ensuring their safe and successful service, including: the length of pre-service training for new Volunteers was increased by one week; critical programming and administrative staff at overseas posts was expanded; the number of medical officers and safety and security coordinators were increased; site development was improved; and regional offices and transit houses within larger countries, especially in Africa, were set up to provide closer oversight and support services to Volunteers. A critical initiative in FY 2011 will be to "focus in and train up" – to ensure strategic growth and strengthen agency performance, by identifying the highest priority programs and then improving staff and Volunteer capabilities in those sectors.

Challenge Timely and Effective Remediation of OIG Findings and Recommendations

The agency responses to prior audit reports and evaluations continue to be implemented in key business areas. With the newly assigned Chief Compliance Officer, the agency is benefitting

from more efficient reviews and more effective follow-up. Forty-four recommendations to audits, evaluations, and assessments issued in FY 2010 were closed during FY 2010. An additional 20 recommendations were closed for audits and evaluations conducted prior to FY 2010.

The Director has also put in place a Senior Policy Committee, assisted by a Policy Secretariat and a new Associate General Counsel for Policy Development, to oversee the process of updating and maintaining the agency's policies and procedures. This new senior level body will streamline the policy development process and allow the agency to respond in a more timely fashion to audit recommendations that require policy or procedural changes.

Challenge Accessibility of Useful and Accurate Data Related to Peace Corps Operations

The functionality of existing stand-alone systems used to track Peace Corps prospects, applicants, Volunteers and returned Volunteers is incorporated into the new Volunteer Life Cycle Management System. This will allow the agency to retire some 28 of the existing 64 legacy systems related to Volunteer delivery, and provide a single database of Volunteer non-medical data. With the implementation of the Volunteer Medical Records System, another 20 legacy systems will be retired and provide a single Health Insurance Portability and Accountability Act (HIPAA) compliant database of Volunteer medical data. These two major systems will significantly improve the collection, analysis, and availability of data to support Volunteers throughout the life cycle.

With respect to maintaining information related to employees, the agency has an employee trained to extract data reports from the National Financial Center which will provide data related to employee retention and turnover.



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
<i>Total Material Weaknesses</i>	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
<i>Total Material Weaknesses</i>	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
<i>Total Material Weaknesses</i>	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
<i>Total Non-Conformances</i>	0	0	0	0	0	0

Improper Payments Information Act

Agencies are required to annually review their program and activities to identify those payments susceptible to significant improper payments under the provisions of the Improper Payments Information Act of 2002, Public Law No. 107-300. Effective in FY 2010, Executive Order 13520, Reducing Improper Payments, implemented by OMB Memorandum, M-10-13, Subject: Issuance of Part III to OMB Circular A-123, Appendix C, established \$750 million as the threshold for reporting improper payments. The Peace Corps has no programs and activities that are risk-susceptible to such significant improper payments and no improper payments were identified this fiscal year internally or by the external auditors.

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Community and Youth Development Volunteer greets children from a community where she is giving life skills training in Paraguay.



Appendix 1

Summary of Audit Significant Deficiencies

The FY 2010 financial statement audit report issued by Clifton Gunderson LLP through the Inspector General on November 10, 2010, shown on pages 78 through 88 identified two significant deficiencies in internal control. Significant Deficiency 1, Controls over Property, Plant, and Equipment Need Improvement, consists of four recommendations and the estimated dates for resolution of those recommendations are shown in the table below. Significant Deficiency 2, Information System Security Controls Need Improvement, consists of eight audit recommendations and the estimated dates for resolution of those recommendations are also shown in the table.

Significant Deficiency 1 – Controls over Property, Plant, and Equipment Need Improvement

Audit Recommendations	Estimated Completion
Ensure asset listings are complete and develop procedures to tag assets upon receipt	4th Qtr FY 11
Perform accuracy, verification, and completeness checks on capitalized property listings in accordance with the standard operating procedures for posts and headquarters	4th Qtr FY 11
Develop procedures to ensure additions and disposals are recorded accurately and timely	4th Qtr FY 11
Ensure the financial management system provides proper output for designated auditor reports	1st Qtr FY 11

Significant Deficiency 2 – Information System Security Controls Need Improvement

Audit Recommendations	Estimated Completion
Ensure risk assessment for Global Infrastructure is revised to incorporate critical regions reviewed, approved, and updated periodically	4th Qtr FY 11
Complete full certification and accreditation for all information systems	4th Qtr FY 11
Complete, update and approve Manual Section 542, <i>Information Technology Security Policies</i>	3rd Qtr FY 11
Reevaluate and update the Business Impact Analysis to reflect the current continuity of operations planning, support disaster recovery planning and testing, and reflect the agency's current environment	4th Qtr FY 11
Develop and implement procedures to periodically audit network user accounts	3rd Qtr FY 11
Review audit logs on the domestic portion of the Global Infrastructure Operating System periodically for suspicious activity	4th Qtr FY 11
Implement FDCC compliant group policies and ensure that workstations comply with the FDCC requirement checklists	4th Qtr FY 11
Maintain mandatory security settings and baseline configurations for Oracle instances, UNIX servers, and Microsoft servers	4th Qtr FY 11



Appendix 2 Glossary of Acronyms

AC-2	Account Management (NIST SP 800-53)	MD&A	Management's Discussion and Analysis
ATO	Authority to Operate	MS	Manual Section
AU-6	Audit Monitoring, Analysis, and Reporting (NIST SP 800-53)	NGO	Nongovernmental Organization
CG	Clifton Gunderson LLP	NIST	National Institute of Standards and Technology
CIS	Center for Internet Security	NIST SP	National Institute of Standards and Technology Special Publication
C&A	Certification and Accreditation	OACM	Office of Acquisitions and Contract Management
CM-2	Baseline Configuration (NIST SP 800-53)	OCFO	Office of the Chief Financial Officer
CM-5	Access Restrictions for Change (NIST SP 800-53)	OCIO	Office of the Chief Information Officer
CM-6	Configuration Settings (NIST SP 800-53)	OIG	Office of the Inspector General
COTR	Contracting Officer's Technical Representative	OMB	Office of Management and Budget
DOL	Department of Labor	OPM	Office of Personnel Management
DOS	Department of State	PCA FA	Peace Corps Assets Fixed Assets
FDCC	Federal Desktop Core Configuration	PEPFAR	President's Emergency Plan for AIDS Relief
FECA	Federal Employees Compensation Act	PII	Personally Identifiable Information
FISMA	Federal Information Security Management Act	PL-2	System Security Plan (NIST SP 800-53)
FMFIA	Federal Managers' Financial Integrity Act	PP&E	Property, Plant, and Equipment
FSN	Foreign Service National	PSC	Personal Services Contractor
FY	Fiscal Year	RA-3	Risk Assessment (NIST SP 800-53)
GAO	Government Accountability Office	RPCV	Returned Peace Corps Volunteer
HQ	Headquarters	SOP	Standard Operating Procedures
HIPAA	Health Insurance Portability and Accountability Act	TEFL	Teaching English as a Foreign Language
ICT	Information and Communication Technology	UKW	Urbach Kahn & Werlin LLP
IPBS	Integrated Planning and Budget System	UNIX	Computer Operating System
IRM	Information Resources Management	USDH	U. S. Direct Hire
IT	Information Technology	VDS	Volunteer Delivery System
MCS	Medical Clearance System	VICA	Volunteer In-Country Allowances

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Front cover: Peace Corps Response Volunteer teaches reading to children in Guyana. Above: Volunteer walks down the street in his new community with his students.



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