



Peace Corps  
Office of Inspector General  
Semiannual Report to Congress

October 1, 2012 – March 31, 2013

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# PEACE CORPS

## OFFICE OF INSPECTOR GENERAL

### *Vision:*

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

### *Mission:*

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

### OIG:

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

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

## Semiannual Report to Congress

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## Highlights from this Report

### Message from the Inspector General



I am pleased to present the Peace Corps Office of Inspector General's (OIG) Semiannual Report to Congress (SARC) for the period of October 1, 2012 to March 31, 2013. During this reporting period, in addition to the work highlighted below, we issued two management advisory reports. The first one addressed how the agency could save hundreds of thousands of dollars globally if posts claimed exemption from value-added tax (VAT) or consistently requested reimbursement for VAT paid to vendors. The second one involved a \$10,000 theft by a cashier at PC/Sierra Leone. We are awaiting the agency's response on both of these reports.

The Audit Unit issued final reports for post audits of Malawi and South Africa and issued an agency-wide audit and a review. The agency-wide audit was on the Peace Corps' 50th anniversary program. The report documented agency spending at \$3.7 million and found that, while the agency was successful in achieving its objectives, the 50th anniversary management team was hindered by an inability to track the execution of the budget. The report also found the agency did not appropriately plan for the fundraising efforts required to support the 50th program and raised significantly less than its anticipated goal of \$1.5 million. The review focused on the agency's management of external funds and grants for Volunteer projects and highlighted the agency's need to communicate a clear strategy and implement consistent approaches to the administration of grants to Volunteers.

The Evaluation Unit issued final reports for post evaluations of Malawi and Namibia, issued a preliminary evaluation of Colombia, and initiated a post evaluation of Moldova. In addition, the Evaluation Unit, along with several OIG inspection and evaluation (I&E) units from other federal agencies, volunteered to participate in a peer review pilot project launched by the Council of Inspectors General on Integrity and Efficiency (CIGIE). The purpose of the program is to assess the feasibility of and potential approaches for conducting peer reviews of I&E units across the federal government. The results of our peer review are being used to determine where we can make improvements in our evaluation processes and products.

The Investigation Unit closed nine investigations and 96 preliminary inquiries. The Investigation Unit increased its engagement and enhanced its partnerships in furtherance of investigations of two Volunteer homicides in Africa. In one case, the host nation requested our assistance along with that of other federal law enforcement agencies. In the other case, we joined an interagency team already investigating the matter. In support of the investigations, OIG deployed two teams, including a forensic expert, to the countries where the murders occurred, adding a new perspective and dimension to the inquiries. The resolution of such cases continues to be a top investigative priority. On October 10, Jesse Osmun was sentenced to 180 months in prison,

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followed by 10 years of supervised release, for sexually abusing four minor girls, all under age 6, while he was a Peace Corps Volunteer in South Africa.

OIG made three debarment referrals to the agency with two resulting in debarments and one pending. As a result of previous referrals, the Small Business Administration (SBA) proposed the debarment of two contractors and one individual involved in providing human resources systems to the agency. The systems are used at more than eight other federal agencies. The referrals sought debarment for significant contractual violations related to SBA's 8(a) business development programs discovered during an investigation, conducted in collaboration with SBA OIG. The proposed debarment was resolved after the contractors agreed to restrict their ability to operate in certain small business programs and implemented internal controls designed to reduce the likelihood of future violations.

OIG continues to monitor the agency's progress in implementing the requirements of the Kate Puzey Peace Corps Volunteer Protection Act of 2011 (P.L. 112-57) (Kate Puzey Act), which enhances Volunteer safety and security. In November the Investigation Unit issued its first biennial report to Congress, which focused on complaints received from Volunteers relating to misconduct, management, and policy violations of Peace Corps staff, any breaches of the confidentiality of Volunteers, and any actions taken to assure the safety of Volunteers who provide such reports. The Audit and Evaluation units also both announced work on reports related to the act, which are due to Congress by November 21, 2013. The Evaluation Unit's report will evaluate the effectiveness and implementation of sexual assault policy and sexual assault risk-reduction and response training. The Audit Unit's report will focus on the Peace Corps' overseas staffing.

On November 27, President Obama signed the Whistleblower Protection Enhancement Act of 2012, strengthening whistleblower protections for federal employees and mandating that presidentially appointed OIGs designate an ombudsman to educate employees about whistleblower protections. Even though my office is not subject to the ombudsman requirement, we are committed to providing information to Peace Corps staff on whistleblower protections. OIG distributed to all staff globally the Office of Special Counsel publication "Know Your Rights When Reporting Wrongs" and is in the process of making whistleblower protection information more easily accessible to staff.



Kathy A. Buller  
Inspector General



## Management and Administration



**Returned PC/Guatemala Volunteer Laura Kutner in front of a wall she constructed using plastic bottles filled with inorganic trash at the Smithsonian Folklife Festival.**

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# Management and Administration

## Agency Context

As of March 31, 2013, 7,405 Peace Corps Volunteers and trainees were serving in 72 countries at 68 posts. This total includes 788 Volunteers and trainees funded by the President's Emergency Plan for AIDS Relief (PEPFAR) to work on HIV/AIDS projects at 21 posts and 177 Peace Corps Response Volunteers serving in short-term assignments in 37 countries (36 posts).

The Volunteers and their programs are supported by 900 American direct-hire staff: 188 abroad, 106 in the regional recruiting offices, and the remaining 606 at headquarters. Approximately 2,700 locally hired personnel complete post staffing. The Peace Corps also has corporate contracts domestically and abroad, principally for guard services and training, and hires expert consultants, largely for training and financial management.

## OIG Staffing

Zahra Farhadi joined OIG as a student intern in October 2012. Farhadi is a freshman at The George Washington University studying international affairs. A Los Angeles native, she speaks fluent Farsi and intermediate French. Prior to interning at the Peace Corps, Farhadi worked as an office assistant in a small wealth management firm in California.

Douglas Bonaro joined OIG as a senior special agent in December 2012. A retired U.S. Air Force (USAF) officer, Bonaro served for 24 years as a special agent with the USAF Office of Special Investigations. He has also worked as a special agent with the Department of Commerce and the Government Printing Office OIGs. Bonaro received a Bronze Star medal for his investigative efforts in Operation Iraqi Freedom. He holds a bachelor's degree in liberal arts from Regents College and a master's degree in the forensic sciences from The George Washington University.

Nathan Lampert also joined OIG as a special agent in December 2012. Lampert previously worked as a special agent with the Department of Health and Human Services OIG. While there, Lampert received the Inspector General's Exceptional Achievement Award, the CIGIE Award for Excellence in the Investigation Category, and a Department of Justice Civil Division's Special Commendation Award. Prior to his law enforcement career, Lampert was an active duty member of the U.S. Navy for 10 years.

Rebecca Underhill joined OIG as a lead auditor in December 2012. Underhill previously worked as an audit manager with the Nuclear Regulatory Commission OIG, conducting performance audits related to security and information management, nuclear safety, and financial areas. She recently became a Certified Internal Auditor, the only globally accepted certification for internal auditors. Underhill also co-authored an article on OIG hotline usage for the Journal of Public Inquiry and has received two President's Council on Integrity and Efficiency (PCIE) awards.

Underhill holds a bachelor's degree in mathematics from Bates College and a Master of Science in business with a focus on accounting and internal audit from the Robert H. Smith School of Business at the University of Maryland.

Shai Fierst joined OIG as a legal administrative specialist in January 2013. Fierst previously worked as a legal intern with OIG in summer and fall 2011 and, in the interim period, worked at Columbus Community Legal Services, a legal aid clinic in Washington, D.C. Fierst served as a health Volunteer in Suriname from 2006–08, working mostly on issues of clean water access. He holds a bachelor's degree in international development from the University of Maryland, a master's degree from The George Washington University Elliott School of International Affairs, and is currently in his final year at the Columbus School of Law at the Catholic University of America.

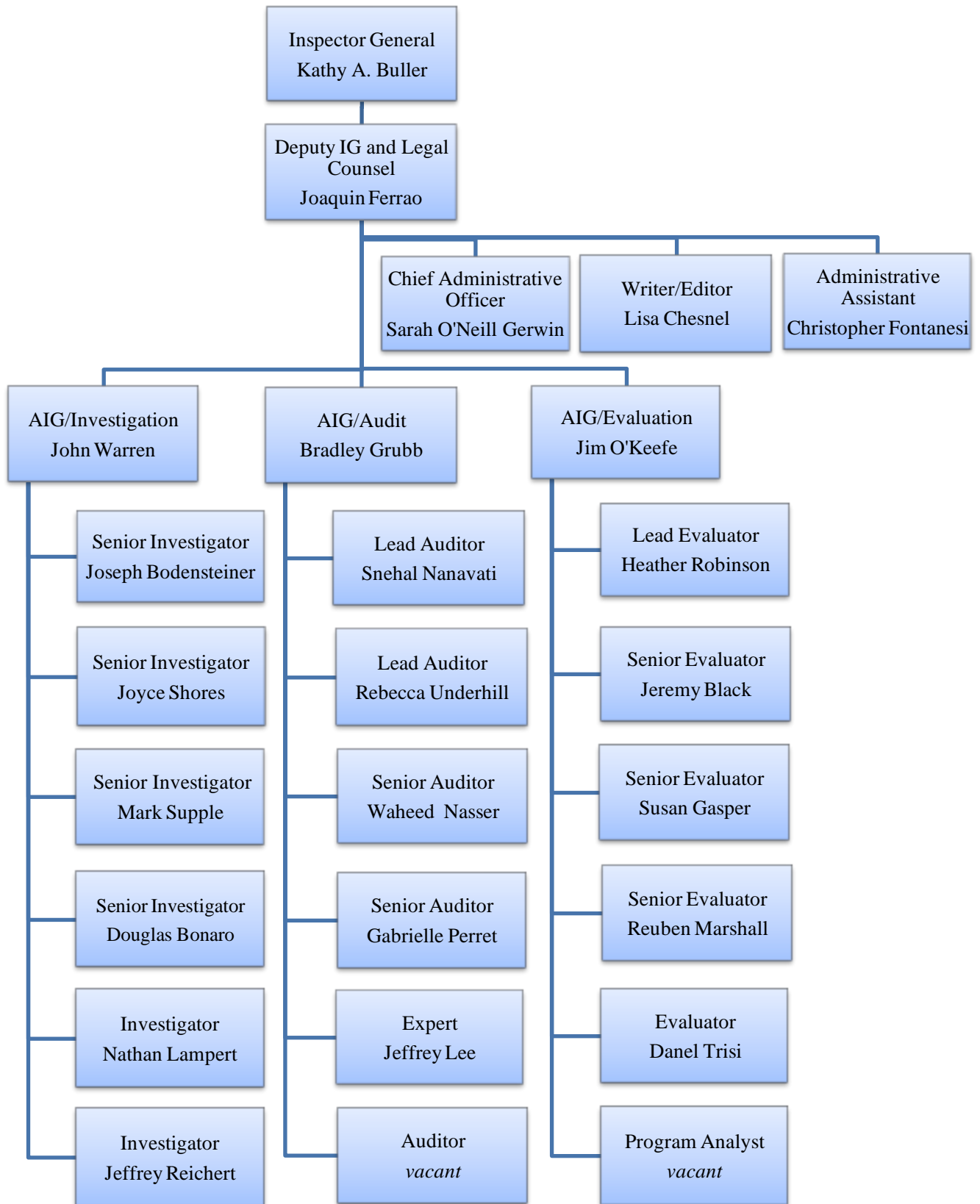
Joseph Orrigo joined OIG as an expert in the Investigation Unit in February 2013. Orrigo previously served as the senior counterintelligence (CI) advisor assigned to the Terrorist and Violent Crime Division at Interpol's National Central Bureau in Washington, D.C. Orrigo has also served in various senior special agent supervisory positions with the U.S. Naval Criminal Investigative Service (NCIS). Orrigo is a two-time recipient of the Department of Navy's Award for Superior Civilian Service and has also received the Department of Navy's Meritorious Civilian Service Award, the Commander in Chief Pacific Command Certificate of Merit, the NCIS CI Achievement Award, and the Department of Defense's CI/LE Operational Award. Orrigo holds a bachelor's degree in criminal justice from Northeastern University and a master's degree in public administration from the University of Massachusetts.

### **Outreach Committee**

In order to address the Kate Puzey Act requirement that OIG contact information be made available to all Volunteers, the OIG Outreach Committee has created a luggage tag to distribute to all new incoming trainees at agency staging events and to distribute to Volunteers in the field during OIG post audits and evaluations. In addition to OIG hotline information, the tag contains the new slogan "Together, we make a better Peace Corps."

The OIG Twitter account achieved two milestones this reporting period: 200 followers and "verified" status from Twitter. Verification is used to establish authenticity of identities on Twitter, helping users discover high-quality sources of information and trust that a legitimate source is authoring the account's tweets.

## OIG Organizational Chart



## **Advice and Assistance Provided to the Agency and Others**



**PC/China Volunteer Valerie Flynn with a resident at a home for orphans, where she used a PCPP grant to teach residents how to beautify their home.**

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# Advice and Assistance Provided to the Agency and Others

## Management Advisory Report: \$10,000 Theft at PC/Sierra Leone

Due to poor oversight by post management, the post's cashier misused over \$10,000 in imprest funds for at least two years without being detected. Posts use imprest funds to pay for small-dollar miscellaneous supplies, trainee allowances, host family payments, and in-country travel advances. The cashier told OIG that she withdrew the funds for personal use and returned the funds when needed.

## Management Advisory Report: Cost Savings Opportunity on Value Added Tax

Recent OIG audits and evaluations<sup>1</sup> noted that posts were not always claiming exemption from value added tax (VAT) or consistently requesting reimbursement for VAT paid to vendors. VAT is a multistage tax on goods and services that involves collecting increments of tax numerous times before selling goods and services to consumers. Many Peace Corps host countries charge VAT on the purchase of goods and services. Generally, country agreements specifically exempt the Peace Corps from all personal or real, national, regional, or municipal dues and taxes.

OIG estimated approximately \$450,000 in costs savings based on recent reports. By claiming all eligible tax exemptions, the agency can save taxpayer money and make more resources available to Peace Corps programs. OIG audits also found that post staff was not adequately trained on how to claim this benefit.

## Update on Management Advisory Report: Peace Corps' Drug-Free Workplace Plan

In the previous SARC, OIG issued a management advisory report (MAR) about the agency's noncompliance with Executive Order (E.O.) 12564, which broadly mandates a drug-free federal workplace and makes refraining from illegal drug use on or off duty a condition of federal employment. The E.O. also created two more specific requirements: that all executive agencies create detailed, agency-specific programs to ensure a drug-free workplace and that all employees serving in "sensitive positions" with clearances authorizing access to national security classified information are randomly tested for drug use. In the MAR, OIG noted that while the agency created a drug-free workplace program in 1988, it has failed to test a single employee for drugs. OIG requested an update within 45 days of the MAR's issuance. The agency's Office of General Counsel (GC) responded that the agency is going to review its drug-free workplace plan and make updates and revisions in accordance with existing guidance and the Peace Corps' needs. The GC stated that because the E.O. dates back to 1986 and the Peace Corps' Drug-Free Workplace Plan was developed in 1988, there will be a considerable amount of legal work required to research and advise senior management on its requirements and any flexibility in

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<sup>1</sup> Includes OIG audits and evaluations of PC/China, PC/Fiji, PC/Lesotho, PC/Malawi, PC/Tonga, and PC/Zambia.

terms of implementation. The GC further emphasized it could not make any commitments on timing for this review given limited resources and a number of higher priority issues. The GC noted it would be premature to respond to the other recommendations in the MAR because they depend on the outcome of the review. Given the number of sensitive positions in the agency, OIG remains concerned about the agency's continued lack of compliance with E.O. 12564 and the potential resulting impact on both agency operations and national security.

### **Kate Puzey Act Biennial Report of Volunteer Complaints**

OIG completed and transmitted its first biennial report to Congress, as required under Section 2, §8E(d)(1)(A) of the Kate Puzey Act. The report focuses on complaints received from Volunteers relating to misconduct, management, and policy violations of Peace Corps staff, any breaches of the confidentiality of Volunteers, and any actions taken to assure the safety of Volunteers who provide such reports.

### **Review of the Improper Payments Elimination and Recovery Act**

OIG reviewed Peace Corps management's analysis of improper payments as required by the Improper Payments Elimination and Recovery Act (IPERA). The Peace Corps reported in its fiscal year 2012 Performance and Accountability Report (PAR) that it has no programs and activities that are risk-susceptible to significant improper payments. Although OIG concurred with the agency, OIG identified areas to strengthen reporting and provide greater transparency. Additionally, neither OIG nor the independent public accountant found any significant improper payments that met or exceeded the threshold established by IPERA through audits performed during FY 2012.

### **Review of Agency Regulations, Policies, and Procedures**

OIG continues to provide advice and assistance to the Peace Corps Senior Policy Committee by commenting on drafts of new or updated policies and procedures. During this reporting period, OIG reviewed 44 manual sections, corresponding procedures, and interim policy statements.

In particular, OIG has provided detailed comments concerning new or revised policies related to implementation of the Kate Puzey Act, including Volunteer sexual misconduct,<sup>2</sup> stalking, restricted reporting, sexual assault response liaisons, retention of counsel and payment of related expenses overseas, a sexual-assault hotline, and the assignment of inherently governmental functions to personal services contractors (PSCs). While OIG noted concerns with these policies in Appendix C of this report, it will be unable to complete its reviews or fully comment on these policies until the agency issues them.

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<sup>2</sup> Although not specifically required by the Kate Puzey Act, the agency considers the development of a Volunteer sexual misconduct policy establishing a process for allegations of sexual assault against Volunteers, a necessary component of the comprehensive sexual assault policy required by the legislation.

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Other notable OIG comments on the agency's proposed new or revised policies include those that do the following:

- Concern Volunteer medical evacuations and crimes against Volunteers emphasizing the need for consistent definitions for types of crimes and misconduct violations, accurate and timely reporting mechanisms, and provisions for training both staff and Volunteers.
- Address the role and responsibilities of the Office of Acquisitions and Contracts Management and the Office of Strategic Partnerships that address audit recommendations in earlier OIG reports.
- Suggest that the agency, as a matter of policy, prohibit or restrict the use of its appropriated funds to retain counsel for Volunteers who may be party to foreign proceedings when Volunteers are accused of committing a crime against the U.S. government, a staff member, or another Volunteer, particularly for heinous crimes (i.e., rape, sexual assault, or murder).
- Urge the agency to further address issues regarding unauthorized or personal use of Peace Corps vehicles overseas.

## Participation in Overseas Staff Trainings

OIG staff participated in Overseas Staff Trainings held in the Washington, D.C. area, in October 2012 and February 2013. At the trainings, OIG briefed 81 staff members on best practices and common deficiencies noted by OIG. Participants included country directors, programming and training officers, directors of management operations, and financial assistants.

## Investigative Outreach

OIG investigators continued an outreach initiative started during FY 2012. During the current reporting period, the initiative reached 77 Peace Corps staff members and Volunteers, educating them about the role of OIG investigators, the mission of OIG, the types of allegations typically referred, and OIG's readiness to respond to allegations. Additionally, discussions included ways to detect potential fraud, waste, and abuse of Peace Corps resources. Open forums followed the briefings to address any concerns and answer questions.

## Know Your Rights When Reporting Wrongs

On November 27, 2012, President Obama signed the Whistleblower Protection Enhancement Act of 2012 strengthening whistleblower protections for federal employees. The legislation also amends the Inspector General Act of 1978 mandating that presidentially appointed inspectors general designate a whistleblower ombudsman. Even though OIG is not subject to the ombudsman requirement, OIG is committed to providing information to Peace Corps staff and Volunteers on whistleblower protection. OIG distributed the Office of Special Counsel publication "Know Your Rights When Reporting Wrongs" to all staff and is in the process of developing a webpage to make whistleblower protection information easily accessible to staff.



## Audits



**Senior Auditor Gabrielle Perret (second from left) with PC/Malawi post staff in Dedza, Malawi.**

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# Audits

## Overview

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

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

At posts abroad, auditors review the financial and administrative operations for operational efficiency and effectiveness, financial stewardship, and compliance with agency policies and federal regulations. OIG's post audits frequently identify reoccurring issues and trends. Its reports contain recommendations to headquarters to strengthen controls to prevent and detect systemic weaknesses. In response to the OIG's work, the Peace Corps has revised and strengthened policies and procedures on bills of collection and has enhanced oversight and monitoring of medical supplies. OIG continues to review the implementation of policy and procedural revisions, in addition to other areas of concern noted in previous audits. OIG also monitors the agency's progress in correcting systemic weaknesses.

Along with the final reports described below, the Audit Unit initiated work on audits of PC/Jamaica and PC/Zambia. The Audit Unit is continuing to review the Peace Corps staffing abroad, which is mandated under the Kate Puzey Act, and the eligibility and suitability determinations for Peace Corps' applicants.

## Agency-wide Audits

### The Peace Corps' Fiscal Year 2012 Financial Statement Audit

The Accountability of Tax Dollars Act of 2002 mandates an annual audit of Peace Corps' financial statements. OIG contracted with Clifton Larson Allen LLP (CLA), an independent public accounting firm, to audit the Peace Corps' financial statements. The contract required the audit be done in accordance with GAGAS, Office of Management and Budget (OMB) Bulletin 07-04, Audit Requirements for Federal Financial Statements, and the Government

Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual. CLA's independent auditor's report for FY 2012 included an opinion on the financial statements and a discussion on internal control and compliance with laws and regulations related to their audit work.

In the audit of the Peace Corps, CLA found that the FY 2012 financial statements presented fairly, in all material respects, the financial position of the agency as of September 30, 2012, and its net costs, changes in net position, and budgetary resources conformed with GAGAS. In addition, the firm reported no material weaknesses related to internal control. However, CLA's report on internal control did identify two significant deficiencies:

- Internal control over property, plant, and equipment, specifically improvements to recording, tracking, and physical verification of property
- Information system security controls, specifically security management, contingency planning, access controls, and configuration management

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

In connection with the contract, OIG reviewed CLA's report and related documentation and the review disclosed no instances where CLA did not comply, in all material respects, with GAGAS. As required by OMB Circular A-136, Financial Reporting Requirements, the auditor's reports were published within the Peace Corps FY 2012 Performance and Accountability Report. In addition, a separate letter describing internal control weaknesses considered less severe than a significant deficiency was issued to Peace Corps' management.

### **Review of the Peace Corps' FY 2012 Information Security Program**

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

OIG contracted with CLA to perform the annual review of the Peace Corps' information security program. CLA assisted OIG in preparing responses to OMB regarding FISMA compliance and provided reports associated with reviewing a representative sample of Peace Corps' major information systems. Overall, the review concluded that Peace Corps has made progress over the last few years in addressing its information security weaknesses and becoming fully compliant with FISMA. The Office of the Chief Information Officer (OCIO) has strengthened IT management through improving customer service, better aligning its IT resources with the agency's business processes, and developing a roadmap to guide its work. However, the Peace Corps still faces some important challenges in becoming fully FISMA compliant. Although some progress was made during FY 2012, certain security issues were noted from previous FISMA

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reviews that had not been fully remediated. Some of the more significant issues included the following:

- Some processes for configuration management had not been fully implemented.
- There are contingency plan weaknesses at overseas posts and headquarters.
- Risk assessment and systems security planning documentation has not been completely updated.
- Policies and procedures related to control over portable and mobile devices had not been fully implemented.
- Media management weaknesses existed.
- Segregation of duties between the development and production environments was inadequate.

Achieving full FISMA compliance will require the agency to focus on improving IT security by efficiently using its available technical resources to find solutions and remediate issues. However, progress may be slowed by resourcing constraints. OIG indicated in its FY 2012 IG's Statement on the Peace Corps Management and Performance Challenges that OCIO resourcing issues continue to have a major impact on OCIO priorities as evidenced by high personnel turnover in key technical areas.

### **The Peace Corps' Management of the 50th Anniversary Program**

*IG-13-01-A*

In 2011, the Peace Corps marked 50 years of promoting peace and friendship around the world. Beginning in October 2010, and continuing through the end of 2011, the Peace Corps commemorated the anniversary with a variety of events and activities in the United States and around the world. The Peace Corps used its 50th anniversary as a platform to support the agency's mission and legacy by honoring its past, demonstrating its effectiveness, and inspiring the next generation of Volunteers through education and engagement. OIG estimates that total costs for the Peace Corps' 50th anniversary program (hereafter "the 50th program") were approximately \$3.7 million.

OIG found that the 50th program was successful in achieving its objectives, but the 50th anniversary management team was hindered by an inability to track the execution of the budget, limited control over use of the 50th program's funding, and the reliance on other offices to perform the 50th program's duties, such as fundraising and communications, which were outside the 50th program team's span of control. The agency did not appropriately plan for the fundraising efforts required to support the 50th program and raised significantly less than its anticipated goal of \$1.5 million.

Overall, the 50th program expenditures were properly authorized, adequately supported, and in compliance with applicable laws and regulations. However, OIG identified instances of noncompliance with expenditure guidance and budget coding errors. Further, the agency did not adequately track food and other entertainment expenses to ensure compliance with laws and regulations. OIG's limited review of the three contracts issued to support 50th program events

did not identify significant issues with the award process or contract administration. However, OIG identified areas for improvement in awarding cooperative agreements.

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

### **Questioned costs**

Recommendation Number 6: That the Office of the Chief Financial Officer allocate 50th anniversary donations to expenses related to the 50th anniversary including catering costs for events within the United States -- \$10,848

## **Review of the Peace Corps' Management of Grants for Volunteer Projects**

*IG-13-04-A*

Volunteers use grants to facilitate the development and implementation of sustainable, capacity-building projects in their communities. The primary internal grant programs overseen by Peace Corps headquarters include Peace Corps Partnership Program; Small Project Assistance; Volunteer Activities, Support, and Training; and Energy and Climate Partnership of the Americas. Funding for these internal grant programs (hereafter referred to as “grant programs”) originate from various funding sources, including Volunteer’s friends and family, other government agencies, and outside organizations.

OIG found that the Peace Corps had not communicated a clear strategy on how to use the grant programs to accomplish the Peace Corps’ goals, in part because the various internal grant programs were developed independently and at different times. In addition, many Volunteers used grant sources other than those authorized by the Peace Corps, and sometimes inappropriately solicited or accepted funds. Further, headquarters provided limited guidance to posts on vetting fund recipients, reporting lost or stolen grant funds, and on incorporating grant programs into post-specific strategic plans.

At the time of the review, the agency was realigning offices and staff, updating policies and procedures, and using a small grants working group to streamline grant programs under a unified platform. The agency was proactive and solicited feedback from OIG throughout the review. As a result, the working group was able to take corrective actions on many of the weaknesses OIG identified.

Management concurred with all 15 recommendations. At the end of the reporting period, 12 recommendations remain open.

## **Audits of Operations Abroad**

### **PC/Malawi: Audit**

*IG-13-02-A*

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OIG issued its final audit of PC/Malawi in February 2013. More than 2,500 Peace Corps Volunteers have served in Malawi since the program began in 1963. At the time of the audit the post had three U.S. direct hires, two foreign service nationals, two third-country national contractors, and 16 personal services contractors. The post's FY 2011 budget was \$1.94 million to support 124 Volunteers working in the following project sectors: education, environment, and health and HIV/AIDS.

OIG found that the post did not establish proper separation of duties and oversight over the process for collection of host country contribution payments. Further, the post did not have adequate procedures for estimating amounts owed and tracking collections. As a result, post had not collected two host country payments from March 2011. This is especially important because it relied on host country contribution payments as a funding source for operations. In addition, the post did not enforce separation of duties in property management and permitted the general services officer to carry out vehicle auctions without adequate oversight. As a result, three vehicles sold at third-party auctions did not appear to be sold with open and fair competition in accordance with Peace Corps policy.

The post did not fully implement the agency's medical supplies policy for inventory management. As a result, medical supply inventories were inaccurate and incomplete, and prevented the medical unit from having the reliable information needed to make the critical inventory planning decisions necessary to control cost and provide high-quality medical support to Volunteers.

Further, the audit determined that post had not issued bills of collection for personal telephone use since 2010 and was not claiming the value added tax deduction for utilities expenses. By improving the bills of collection process the post could recover these funds to defray other costs.

Management concurred with all 14 recommendations. At the end of the reporting period, seven recommendations remain open.

#### **Funds to be Put to Better Use**

Recommendation Number 3: Bills of collection for all host country contributions -- \$3,512

Recommendation Number 13: Value added tax payments for utility invoices -- \$7,773

#### **PC/South Africa: Audit**

*IG-13-03-A*

OIG issued its final audit of PC/South Africa in March 2013. More than 1,100 Peace Corps Volunteers have served in South Africa since the program began in 1997. At the time of the audit the post had three U.S. direct hires, five foreign service nationals, one third country national contractor, and 38 personal services contractors. The post's FY 2011 budget was \$6.31 million to support 179 Volunteers serving in the education and health project sectors.

OIG found that the post did not implement safeguards to secure medical supplies and did not fully implement the agency's policy for receiving, dispensing, and maintaining an accurate and complete inventory of controlled substances and specially designated medical supplies.

OIG also noted that the post did not provide adequate oversight over the sale of excess property, did not have a formal agreement with the auctioneer, and did not collect the sale proceeds in a timely manner. Without adequate oversight and accountability over property sales, the post could not ensure sales were properly conducted and that the Peace Corps received payments in a timely manner. As a result, the post did not obtain adequate support or establish a proper payment for \$2,145 in auctioneer expenses and commission charges and did not claim a refund for the \$1,500 VAT charged by the auctioneer.

In addition, the post did not maintain accurate and current personal property records and did not adequately control access to the cashier cage and imprest funds.

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

**Questioned costs**

Recommendation Number 9: Inadequate support for auctioneer expenses and commission charges on property and vehicle sales -- \$2,145

**Funds to be Put to Better Use**

Recommendation Number 9: Unclaimed value added tax charged by auctioneer on commission and expenses -- \$1,500

## Contract Audits

### CHP International, Inc. Contract Closeout Audit

As requested by the Peace Corps Office of Acquisitions and Contract Management, OIG conducted an audit of CHP International, Inc. The audit included the evaluation of recorded direct and indirect costs to determine final contract costs for its performance from January 1, 2005 through December 31, 2009, under contract number PC-05-2-001. OIG reviewed the contractor's accounting procedures and practices, internal controls, and compliance with contract provisions, applicable cost accounting standards, and Federal Acquisition Regulations. OIG determined that Peace Corps overpaid direct costs of \$2,161 and general and administrative costs of \$18,371. The audit results were provided to the contracting officer for resolution.

**Questioned Costs**

Overpaid direct costs -- \$2,161

Overpaid general and administrative costs -- \$18,371

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# Evaluations



**PC/Namibia Volunteer Lukas Johnson with children from his village.**

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# Evaluations

## Overview

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

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

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

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

During this reporting period, OIG continued to conduct and provide management with comprehensive assessments of how effectively overseas country programs and headquarters operations are functioning. In addition to final reports issued on the country program evaluations of Namibia and Malawi, a country program evaluation of Moldova was initiated and a preliminary report of Colombia is under review by the agency. The Evaluation Unit also began fieldwork for reporting required by the Kate Puzey Act, which will evaluate the effectiveness and implementation of sexual assault policy and sexual assault risk-reduction and response training required under the act. In November, the Evaluation Unit participated in a peer review pilot project launched by CIGIE. The results of the peer review are being used to determine where the unit can make improvements in its evaluation processes and products.

## Country Program Evaluations

### PC/Namibia: Country Program Evaluation

*IG-13-01-E*

OIG issued its final country program evaluation of PC/Namibia in March 2013. More than 1,200 Peace Corps Volunteers have served in Namibia since the program began in 1990. At the time of OIG's visit, there were three U.S. direct hire, two foreign service national, and 21 personal service contract staff supporting 118 Volunteers serving in the following project sectors: education, community health, and entrepreneurial development. The post's FY 2012 appropriated budget was \$2.1 million, which was supplemented by \$1.79 million of PEPFAR funds.<sup>3</sup>

The post has embraced the agency-wide Focus In/Train Up initiative and is aligning its two longest-running projects, education and health. Its newest project, entrepreneurial development, is off to a promising start. Although the post's relationships with host country stakeholders seemed generally positive, the post's projects did not have Project Advisory Committees, nor did the post provide a comprehensive annual report for stakeholders.

While most Volunteers were satisfied with their site placement, OIG found that key staff members, such as Peace Corps medical officers and the safety and security coordinator, were not sufficiently involved in the Volunteer site development process and the availability of medical and health resources were not fully assessed. In addition, site history files were not organized in a logical, accessible manner. Staffing turnover and vacancies in those and other positions likely contributed to post's noncompliance with its own process.

Although Volunteers felt that training was generally effective, education and health Volunteers reported that technical training did not adequately prepare them for their job placements. Volunteers also reported that poor local language proficiency was a barrier to integration into their communities.

In general, the post has a solid Volunteer support structure. However with regard to safety and security, OIG determined that some Volunteers were unaware of their emergency consolidation points and did not have current emergency action plans, and many Volunteers' Site Locator Forms were missing important information. Lastly, the post had not articulated clear guidelines about hitchhiking, even though Volunteers reported that hitchhiking was their primary mode of transportation.

Management concurred with all 14 recommendations. At the end of the reporting period, six recommendations remain open.

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<sup>3</sup> This amount does not include the salaries, benefits, and related cost of U.S. direct hires assigned to post and other costs the agency has determined should be centrally budgeted.

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## PC/Malawi: Country Program Evaluation

IG-13-02-E

OIG issued its final country program evaluation of PC/Malawi in March 2013. More than 2,500 Peace Corps Volunteers have served in Malawi since the program began in 1963. At the onset of the evaluation there were three U.S. direct hire, two foreign service national, and 28 personal service contract staff supporting 88 Volunteers serving in the following project sectors: community health, secondary education, and natural resource management. The post's FY 2012 budget was \$2.9 million.

In late 2011, post management experienced turnover in all three of the post's U.S. direct hire staff: the country director, the director of management and operations, and the director of programming and training. OIG found that the incoming management team encountered significant funding shortfalls during 2012 caused by issues with both the post's financial management processes and headquarters oversight. The post's FY 2012 budget was virtually the same as the previous year despite anticipated increased operational costs due to local economic conditions and high inflation. It relied too heavily on host country contributions and failed to allocate sufficient funds to fully support the operations of the post. The post's 2012 operations plan indicated the post's budget mark for 2012 fell short of its needs, however insufficient actions were taken by post and headquarters staff to guard against these risks or address these concerns.

The post benefits from a history of strong support from host country officials, but collaboration would be enhanced if ministry officials were better informed about Volunteers' project goals and activities. Insufficient site preparation created additional obstacles for some of the Volunteers at the start of their service and significantly reduced the impact of the Peace Corps Response Volunteers, who serve short-term assignments of up to one year.

Volunteers overall felt well supported by staff; however, program staff communicated poorly with Volunteers and failed to provide effective supervision and expectation setting, which broadly impacted Volunteer morale and professionalism. Volunteer training programs needed improvement in grants and HIV/AIDS training, and preparation for the technical aspects of their assignments. The post was implementing its PEPFAR objectives, but struggled to collaborate effectively with other agencies and to collect essential HIV-related data.

Management concurred with all 21 recommendations. At the end of the reporting period, 21 recommendations remain open.

# Investigations



**Northern Region, Malawi.**

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# Investigations

## Overview

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

During this SARC period, OIG increased its engagement in the investigations of two Volunteer homicides in Africa. In one case, the host nation requested the assistance of OIG and other federal law enforcement agencies. In the other case, OIG joined an interagency team already investigating the matter. In support of the investigations, OIG deployed teams, including a forensic expert, to the countries where the murders occurred, adding new perspectives and dimensions to the inquiries. The resolution of such cases continues to be a top investigative priority for OIG.

OIG made three suspension and debarment referrals to the agency during this period, with two resulting in debarments and one pending. As a result of referrals reported in the previous SARC, two contractors and one individual were proposed for debarment by the Small Business Administration (SBA).

During this SARC period, OIG continued to experience significant increases in allegations and complaints submitted to its office over the previous reporting period. By the end of the first half of FY 2013, the Investigative Unit handled 173 complaints and allegations, a 34 percent increase from the previous reporting period.

OIG continues to build its capacity to achieve its investigative objectives. The Investigative Unit filled two new special agent positions. The increase in personnel will allow OIG to expand the number of case initiations, including those concerning fraud by Federal Employees' Compensation Act recipients.

## Legacy Cases

### Homicide Investigation at a Post in Central Africa

The investigation of a 1998 Volunteer homicide remains ongoing. Following an Interpol request for assistance from the host country, the Peace Corps inspector general, assistant inspector general for investigations, and two investigators (a forensic expert and a former homicide detective) traveled to the country to further the investigation. The OIG team, U.S. embassy officials, and an FBI representative met with host nation law enforcement and judicial officials to

review evidence and formulate an investigative strategy. Additionally, the interagency team reviewed files and identified several possible investigative leads.

## **Criminal and Misconduct Related Investigations**

### **Homicide Investigation at a Post in West Africa**

The investigation of a 2009 Volunteer homicide remains ongoing. Two OIG investigators, including a forensic expert, traveled to the post to join an interagency investigation. The investigators met with U.S. law enforcement partners, U.S. embassy officials, and host country law enforcement and justice officials.

### **Volunteer Misconduct Allegation at a Post in West Africa**

OIG received information from the post indicating that a Volunteer fatally stabbed a host country national during an attempted armed robbery. OIG initiated an inquiry and subsequent investigation to ascertain the facts and circumstances of the incident. The Volunteer involved in the stabbing refused to cooperate with OIG; however, the local police investigation concluded that the Volunteer's actions constituted self-defense. The OIG investigation determined that a group of Volunteers delayed reporting the stabbing while they conspired to provide false information to post staff in order to conceal an unauthorized Volunteer transit house they had rented for several years without the post's knowledge. Further, several Volunteers who were part of the group made inconsistent or false statements to an OIG investigator. Prior to OIG investigative interviews, the country director coached Volunteer witnesses on how to handle OIG's questions and admonished them not to volunteer information to OIG. These circumstances limited OIG's ability to independently ascertain all of the facts and circumstances surrounding the incident. The Department of Justice declined to prosecute the Volunteers for making false statements in lieu of administrative remedies. To date, the agency has not taken administrative action against any of the Volunteers involved for providing false statements/information to Peace Corps staff and/or OIG.

### **Theft of Funds Allegation at a Post in West Africa**

OIG received information that the post's cashier had stolen more than \$10,000. The theft was discovered when the cashier had insufficient funds to provide a travel advance to the country director. The cashier admitted to taking the funds and was arrested by local authorities. A joint OIG audit and investigation team was deployed to post. The investigation is ongoing.

### **Improper Hiring and Sexual Harassment Allegations**

OIG received an allegation that a Peace Corps manager hired an employee without appropriate consideration of qualified, preference-eligible veterans. OIG determined that the manager's selection of the employee was not based on merit principles and failed to adequately consider

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qualified veterans who had applied for the position. The manager also admitted to helping the employee prepare the job application. During the course of the investigation, OIG uncovered substantial evidence that the manager exchanged numerous lewd email messages, accepted improper gifts, and made inappropriate comments of a sexual nature to the selected employee. The manager left government service.

### **Acceptance of Bribes Allegation at a Post in Asia**

OIG received an allegation related to the acquisition of staff lodging facilities for the post's 2011 pre-service training. The investigation determined that the general services manager (GSM), a personal services contractor, accepted numerous kickbacks related to contracts issued by post to hotels and conference facilities. In at least one instance, the GSM conspired with a hotel operator to obtain lodging facilities at a higher than typical rate and receive the increased expense in the form of a kickback. The total amounts received by the GSM as either kickbacks or bribes amounted to more than \$12,000. The Department of Justice declined to prosecute in lieu of administrative remedies. The GSM's employment contract was terminated. OIG referred its investigative findings to the agency's suspension and debarment official for possible action.

### **Theft Allegation at a Post in the South Pacific**

OIG received information from the Office of the Chief Financial Officer indicating that a recent reconciliation at a South Pacific post disclosed that the equivalent of \$4,249 USD was discovered missing from the Peace Corps funds. The cashier, who was a personal services contractor, admitted to the theft and his/her employment contract was terminated. Funds withdrawn without authorization were withheld from the cashier's severance. OIG referred investigative findings to the agency's suspension and debarment official for possible action.

### **PROTECT<sup>4</sup> Act Allegation at a Post in Eastern Europe**

OIG received a report from the country director indicating that he received a complaint that a Volunteer was in a sexual relationship with a 15-year-old host country national female. OIG coordinated the investigation with the U.S. embassy's regional security officer. The security officer interviewed the Volunteer, who denied engaging in a sexual relationship with a host country minor. Efforts to locate the minor or contact the individual making the allegation were unsuccessful. No evidence or information was developed to substantiate the allegation.

### **PROTECT Act Allegation at a Post in West Africa**

OIG received an allegation that a former Volunteer had a child as the result of sexual relations with an underage female. The former Volunteer admitted to OIG that he fathered a baby with a

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<sup>4</sup> Prosecutorial Remedies and Other Tools to end the Exploitation of Children Today - PL. 108-21, 117 Stat. 650, S. 151, enacted April 30, 2003



16-year-old host country national (HCN). The former Volunteer married the HCN and was in the process of obtaining a U.S. visa for his family. The U.S. Attorney's Office declined to prosecute the matter.

### **PROTECT Act Allegation at a Post in Central America**

OIG was forwarded a concern from a U.S. consular employee that a former Volunteer was married to a 16-year-old visa applicant. The visa was granted as the wife had parental permission to marry and the couple had been issued a valid marriage certificate. The Department of Justice declined prosecution.

### **Conflict of Interest Allegation at Headquarters**

OIG received a concern from the Office of General Counsel (GC) regarding a potential conflict of interest violation. GC advised OIG that the Office of Human Resource Management received an award nomination form submitted on behalf of an agency official and that the same official was involved in approving the award. OIG reviewed relevant documents and interviewed the official, who acknowledged signing the award recommendation form, which indicated that funds were available in the office's award account. The official's supervisor approved the monetary award. Additionally, records reflected that the same official certified the availability of funds for all award recommendations for the office, and that no other individual in the office had sufficient knowledge of the award account balance to certify the availability of funds. The investigation did not substantiate a conflict of interest violation.

### **Misappropriation of PEPFAR Funds Allegation at a Post in East Africa**

OIG received an anonymous hotline complaint in reference to the misappropriation of funds intended for the PEPFAR at the post. OIG reviewed PEPFAR documentation from 2010 to date with the Office of the Chief Financial Officer. The review found no evidence that funds were misappropriated.

### **Volunteer Operation of an NGO Allegation at a Post in North Africa**

OIG received an allegation that a Volunteer was operating a nongovernmental organization (NGO) while serving as a Volunteer in violation of agency policy. OIG discovered a website for the NGO, which made reference to the Volunteer's work with the Peace Corps. OIG referred the matter to the country director, who counseled the Volunteer.

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## **Sexual Assault and Misuse of Government Property Allegations at a Post in Southern Africa**

A Volunteer reported being sexually assaulted by a Peace Corps medical officer (PCMO) during a medical examination. Although the PCMO denied the sexual assault occurred, an OIG investigation determined that the PCMO misused a government computer by accessing pornography and operating a private business during official hours. The PCMO's contract was not renewed and his employment with the Peace Corps ended. The Department of Justice declined to prosecute. OIG referred investigative findings to the agency's suspension and debarment official for possible action.

## **Violation of Small Business Development Program Regulations**

The Small Business Administration (SBA) proposed two contractors and one individual for debarment based upon referrals reported in the previous SARC. The contractors and individual resolved the proposed debarments with administrative agreements during this reporting period.

The Peace Corps awarded a \$1.5 million human resources technology contract to a small business under the 8(a) Business Development Program, which is intended to provide eligible small disadvantaged businesses additional opportunities to obtain set asides and sole-source government contracts. The program requires that eligible small businesses perform significant portions of the contracts in order to gain competency and experience. The investigation disclosed that the small business that contracted with the Peace Corps did not comply with the percentage of work requirements under the 8(a) program. Instead the small business contractor allowed a larger subcontractor, not eligible under the 8(a) program, to perform the vast majority of the work.

In February 2013, SBA proposed two contractors and one individual for debarment based upon referrals from Peace Corps OIG and SBA OIG. These referrals sought debarment for significant contractual violations discovered during an investigation into the Peace Corps' acquisition of human resources systems. Ultimately, the parties entered into one-year administrative agreements with SBA to resolve the proposed debarments. Under the agreement, the two contractors agreed not to obtain or attempt to obtain any new contracts or act as a subcontractor for any new contracts provided under half a dozen SBA business development programs. The contractors also agreed to implement internal controls designed to reduce the likelihood of future violations. Elements of the investigation remain ongoing in collaboration with SBA OIG.

## Tables



**Etosha National Park, Namibia.**

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# Tables

## 1: List of Reports: Audits and Evaluations

<b>Agency-wide</b>
Peace Corps' 50th Anniversary Program Audit (IG-13-01-A)
Review of the Peace Corps' Management of Grants for Volunteers Projects (IG-13-04-A)
CHP International, Inc. Contract Closeout Audit
<b>Post Audits</b>
PC/Malawi: Audit (IG-13-02-A)
PC/South Africa: Audit (IG-13-03-A)
<b>Country Program Evaluations</b>
PC/Namibia: Country Program Evaluation (IG-13-01-E)
PC/Malawi: Country Program Evaluation (IG-13-02-E)

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

<b>Report</b>	<b>Questioned Costs<sup>5</sup></b>	<b>Unsupported Costs<sup>6</sup></b>	<b>Funds Put to Better Use<sup>7</sup></b>
<b>Peace Corps' 50th Anniversary Program Audit (IG-13-01-A)</b>			
Expenses related to catering costs for events within the United States	\$10,848	-	-
<b>PC/Malawi: Audit (IG-13-02-A)</b>			
Bills of collection for all host country contributions	-	-	\$3,512
Value added tax payments for utility invoices	-	-	\$7,773
<b>PC/South Africa: Audit (IG-13-03-A)</b>			
Unclaimed value added tax charged on property auction expenses	\$1,500	-	-
Auctioneer expenses and commission charges on property and vehicle sales	-	-	\$2,145
<b>CHP International Inc. Contract Closeout Audit</b>			
Overpaid direct costs	\$2,161	-	-
Overpaid general and administrative expenses	\$18,371	-	-
<b>Subtotal</b>	\$32,880	-	\$13,430
<b>Total</b>		\$46,310	

<sup>5</sup> Questioned costs: a cost that is an alleged violation of government or Peace Corps regulations, e.g., prohibited purchases and expenditure of funds for purposes that do not relate to the Peace Corps mission

<sup>6</sup> Unsupported costs: a cost that is not supported by adequate documentation

<sup>7</sup> Funds put to better use: a cost that could be used more efficiently, e.g., costs for unnecessary goods or services

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

	Number of Reports	Questioned Costs	Unsupported Costs
<b>A. Reports issued prior to this period</b>			
For which no management decision has been made on any issue	-	-	-
For which some decisions had been made on some issues	-	-	-
<b>B. Reports issued during this period</b>			
	3	\$32,880	-
<b>Totals of Categories A and B</b>			
	3	\$32,880	-
<b>C. For which final management decisions were made during this period</b>			
Dollar value of disallowed costs	3	\$32,880	-
Dollar value of costs not disallowed	-	-	-
<b>D. For which no management decisions were made during this period</b>			
	-	-	-
<b>E. For which management decisions were made on some issues during this period</b>			
	-	-	-
<b>Totals of Categories C, D, and E</b>			
	3	\$32,880	-
<b>Total questioned costs and unsupported costs</b>	<b>3</b>	<b>\$32,880</b>	

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

	<b>Number of Reports</b>	<b>Funds Put to Better Use</b>
<b>A. Reports issued prior to this period</b>		
For which no management decision has been made on any issue	-	-
For which some decisions had been made on some issues	-	-
<b>B. Reports issued during this period</b>		
	2	\$13,430
<b>Totals of Categories A and B</b>		
	<b>2</b>	<b>\$13,430</b>
<b>C. For which final management decisions were made during this period</b>		
Dollar value of recommendations agreed to by management	2	\$13,430
Dollar value of recommendations not agreed to by management	-	-
<b>D. For which no management decisions were made during this period</b>		
	-	-
<b>E. For which management decisions were made on some issues during this period</b>		
	-	-
<b>Totals of Categories C, D, and E</b>		
	<b>2</b>	<b>\$13,430</b>

## 5: Recommendations on which Corrective Action has not been Completed

### Audits and Evaluations

Open Recommendations 60–119 Days					
Report	Date Issued	Total Open Recommendations	Agency Concurrence <sup>8</sup>		
			Concur	Non	Partial
-	-	-	-	-	-
	<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Open Recommendations 120–179 Days					
Report	Date Issued	Total Open Recommendations	Agency Concurrence <sup>8</sup>		
Audit of Peace Corps' 50th Anniversary Program (IG-13-01-A)	10/25/2012	8	8	-	-
	<b>Total</b>	<b>8</b>	<b>8</b>	<b>-</b>	<b>-</b>
Open Recommendations More than 180 Days					
Report	Date Issued	Total Open Recommendations	Agency Concurrence <sup>8</sup>		
PC/HQ Medical Clearance System: Evaluation (IG-08-08-E)	3/31/2008	2	2	-	-
PC/HQ Office of Chief Information Officer: Budget Formulation and Management Audit (IG-10-05-A)	1/11/2010	2	2	-	-
PC/HQ Volunteer Delivery System: Evaluation (IG-11-01-E)	11/6/2010	12	12	-	-
PC/Ukraine: Audit (IG-11-06-A)	3/31/2011	2	1	1	-
PC/Liberia: Country Program Evaluation (IG-11-07-E)	9/8/2011	2	2	-	-
PC/Fiji: Country Program Evaluation (IG-12-01-E)	11/30/2011	1	1	-	-
PC/HQ The Process for Formulating and Executing Peace Corps' Budget: Audit (IG-12-02-A)	2/14/2012	5	4	1	-
PC/Costa Rica: Audit (IG-12-03-A)	3/9/2012	1	1	-	-
PC/Mali: Audit (IG-12-04-A)	3/22/2012	6	6	-	-
PC/HQ The Impact of the FYR on Operations of the Peace Corps: Evaluation (IG-12-05-E)	6/20/2012	5	5	-	-
PC/Lesotho: Audit (IG-12-05-A)	6/29/2012	1	1	-	-
PC/Uganda: Evaluation (IG-12-06-E)	7/6/2012	8	8	-	-
PC/China: Limited Scope Audit (IG-12-06-A)	8/15/2012	1	1	-	-
PC/Indonesia: Evaluation (IG-12-07-E)	9/19/2012	4	4	-	-
PC/Jordan: Audit (IG-12-07-A)	9/25/2012	6	6	-	-
PC/HQ The Peace Corps' Implementation of Guidelines and Protocols Related to Volunteer Victims of Sexual Assault: Review (IG-12-08-E)	9/27/2012	12	12	-	-
PC/Tonga: Audit (IG-12-08-A)	9/28/2012	1	1	-	-
	<b>Total</b>	<b>71</b>	<b>69</b>	<b>2</b>	<b>-</b>

<sup>8</sup> The sum of open recommendations in the Agency Concurrence columns equals the number in the Total Open Recommendations column.



*Financial Statement and FISMA Recommendations*<sup>9</sup>

Fiscal Year Issued	Open Recommendations	Agency Concurrence			
		Concur	Non	Partial	
<b>PC/HQ FY 2012 Financial Statement Audit (IG-12-00-A)</b>					
FY 2004	1	1	-	-	
FY 2009	2	2	-	-	
FY 2010	1	1	-	-	
FY 2011	1	1	-	-	
FY 2012	3	3	-	-	
<b>Total</b>	<b>8</b>	<b>8</b>	-	-	
<b>PC/HQ FY 2012 Information Security Program Audit (IG-12-99-A)</b>					
FY 2007	3	3	-	-	
FY 2008	3	3	-	-	
FY 2009	2	2	-	-	
FY 2010	1	1	-	-	
FY 2012	1	1	-	-	
<b>Total</b>	<b>10</b>	<b>10</b>	-	-	

<sup>9</sup> All recommendations issued in conjunction with these two reports are part of a normal 12-month audit cycle. As a result, recommendations made during a given fiscal year will remain in an open status during the entire subsequent fiscal year. At the beginning of each new fiscal year, the auditors will notify management whether sufficient corrective actions have been taken regarding the prior-year recommendations and issue current notifications of findings and recommendations. Prior-year findings and recommendations may be reissued if management has not taken sufficient corrective actions.

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## 6: Summary of Investigative Activities and Outcomes<sup>10</sup>

### *Investigative Activities*

	<b>Preliminary Inquiries<sup>11</sup></b>	<b>Cases</b>
Open as of 10/1/2012	28	15
Opened during 10/1/2012–3/31/2013	109	8
Closed during 10/1/2012–3/31/2013	96	9
<b>Total Open as of 4/1/2013</b>	<b>43</b>	<b>14</b>

### *Referrals*

Referrals to Department of Justice	4
Referrals to Agency for Administrative Action	3
Other Referrals to Agency Management	51
Referrals to Other Agencies	3

### *Court Actions*

Trial(s) Pending	2
Ongoing Prosecution <sup>12</sup>	-
Convictions	-
Judgments	-
Fines/Restitution	-

### *Administrative Actions*

Employees (Resignations and Terminations) <sup>13</sup>	2
Other Employee Actions	-
Suspension/Debarment Referrals	3

### *Monetary Results*

Annual Savings	-
Recoveries/Restitution	-
Cost Avoidance	-

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<sup>10</sup> Volunteers/trainees are included as Peace Corps staff for the purpose of reporting investigative activity.

<sup>11</sup> Preliminary inquiries are initiated for complaints which either (1) are received from a Peace Corps source (e.g., staff, Volunteer, contractor) or (2) relate to a matter within the jurisdiction of OIG. A preliminary inquiry is limited in scope to the verification of information in a complaint or allegation and to confirm that it falls within the jurisdiction of OIG.

<sup>12</sup> Includes arrests, indictments, information, and overseas criminal proceedings.

<sup>13</sup> Includes all Peace Corps staff.

## 7: Summary of Hotline and Other Complaints

Hotline Complaints Received	139
Complaints Received from Other Sources <sup>14</sup>	34
<b>Total Complaints from All Sources<sup>15</sup></b>	<b>173</b>
Resulted in Investigations	3
Resulted in Preliminary Inquiries	98
Resulted in Audits or Evaluations	-
Referred to Agency Management	45
Referred to Other Agency	3
No Action Needed	16

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<sup>14</sup> These complaints are largely a result of outreach by OIG staff and were received by email, phone calls, and conversations.

<sup>15</sup> In some instances, OIG received multiple complaints for the same issue, which resulted in fewer actions (investigations, preliminary inquiries, audits, evaluations, referrals, or no action) than complaints received.

## 8: References to Reporting Requirements of the Inspector General Act

<b>Act Reference</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of legislation and regulations	41-42
Section 5(a)(1)	Significant problems, abuses, and deficiencies	24-28
Section 5(a)(2)	Significant recommendations for corrective actions	8-21
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	34
Section 5(a)(4)	Matters referred to prosecuting authorities	24-28; 36-37
Section 5(a)(5)	Summary of instances where information was refused	n/a
Section 5(a)(6)	List of audit reports, including evaluations, inspections, and reviews	30
Section 5(a)(7)	Summary of significant reports	12-21
Section 5(a)(8)	Statistical table: questioned and unsupported costs	33
Section 5(a)(9)	Statistical table: funds to be put to better use	35
Section 5(a)(10)	Summary of previous audit reports without management decisions	n/a
Section 5(a)(11)	Significant revised management decisions	n/a
Section 5(a)(12)	Significant management decisions with which the inspector general disagrees	n/a
Section 5(a)(13)	Information under Federal Financial Management Improvement Act of 1996	n/a

## Appendices



**Liwonde National Park, Malawi.**

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## Appendices

### A: Reporting of Peer Reviews

Pursuant to Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203),<sup>16</sup> OIG reports the following peer review information:

During the reporting period, Peace Corps OIG conducted a peer review of the audit organization of the National Credit Union Administration OIG. No peer reviews were conducted of the Peace Corps OIG. The Audit and Investigation units are required to conduct peer reviews and be subject to a peer review every three years.

#### Audit Unit

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

In February 2013, the Peace Corps OIG conducted a peer review of the audit organization of the National Credit Union Administration OIG for the year ending September 30, 2012. There were no recommendations made.

#### Investigation Unit

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

### B: Contract Audit Reports

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

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<sup>16</sup> Section 989(C) of the Frank Wall Street Reform and Consumer Protection Act amends Section 5(a) of the Inspector General Act of 1978 (5 U.S.C. App.).

## C: Review of Legislation and Regulations

### Implementation Highlights of The Kate Puzey Act<sup>17</sup>

The agency has reported the following progress in implementing the Kate Puzey Act requirements to OIG. OIG has not independently verified or assessed the information below.

In February 2013, the agency launched a 24-hour anonymous sexual assault hotline pilot program for Volunteers in seven countries. The agency projects to phase-in the hotline for all Volunteers by fall 2013. The agency has designed a procedures manual and delivered training curricula for the hotline counselors. The agency also hired a clinical psychologist and a social worker to manage the hotline.

Additionally, the agency has created or revised several internal policies to comply with the Kate Puzey Act requirements, including the previously mentioned hotline, restricted reporting of sexual assaults, stalking, sexual assault response liaisons, retention of counsel and payment of services, medical evacuation, and policies concerning personal services contractors (PSCs). The agency also hired a chief of operations support, who oversees implementation of the sexual assault programs and policies of the act; a training specialist; and an attorney advisor.

The agency is implementing the majority of the 46 recommendations issued by the Sexual Assault Advisory Council in its November 2012 report. The agency assisted the council by designating a staff member to serve as a liaison and provide administrative support. The agency is working with the council to revise the sexual-assault categories within the agency's global incident tracking system.

The agency has trained 81 overseas and 82 headquarters staff on the agency's sexual-assault protocols and methods for supporting victims of sexual assault. In addition, the agency reported that 81 overseas staff received training on the agency's policies to protect and support Volunteers who make allegations of wrongdoing. Additionally, more than 1,500 overseas and headquarters staff were trained in Peace Corps' new online sexual-assault awareness and sensitivity training.

Further, all current licensed mental health clinicians in the Counseling and Outreach Unit are being trained in evidence-based approaches to providing psychological support and care to Volunteers who are victims of sexual assault. In December 2012, the agency implemented an online Health Care Consultant Survey about the medical and mental health care Volunteers receive from consultants at posts, while on medical evacuation status, and in Washington, D.C.

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<sup>17</sup> As part of the Kate Puzey Act, OIG will be reporting to Congress on (1) the effectiveness and implementation of the agency's sexual assault risk-reduction and response training and policy, including a case review; (2) how the agency hires/terminates its country directors, including an assessment of the implementation of country director performance plans as well as how country directors hire post staff; and (3) allegations received from Volunteers relating to misconduct, mismanagement, or policy violations of Peace Corps staff, any breaches of the confidentiality of Volunteers, and any actions taken to assure the safety of Volunteers who provide such reports.

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The Office of Victim Advocacy (OVA) distributed 356 posters and 17,215 wallet cards to posts for Volunteers. Since June 2011, OVA has reached out and/or provided services to Volunteers involved in 498 incidents, including rapes, sexual assaults, and other crimes.

OIG is concerned that while the agency has created or revised several of the previously mentioned internal policies to comply with the Kate Puzey Act requirements, many had not been issued at the close of the reporting period, including restricted reporting of sexual assaults, stalking, and sexual assault liaisons. These policies are key to implementing the Sexual Assault Risk Reduction and Response (SARRR) program and associated training. In the case of the Sexual Assault Hotline, the policy was issued in February 2013, but the initiative is still in a pilot phase and is not expected to cover all Volunteers until the fall.

The extended time period the agency has taken to develop and issue these policies will prevent OIG from fully assessing and reporting on the effectiveness and implementation of the SARRR program and associated training by the November 2013 deadline established by the Kate Puzey Act. The effectiveness of these policies can only be measured after sufficient time has elapsed after implementation.

In addition, OIG, as reported in previous SARCs, remains concerned that the agency has not issued policy or regulation clarifying whether PSCs are employees for the purposes of the Standards of Ethical Conduct for Employees of the Executive Branch,<sup>18</sup> whether they will be subject to financial disclosure requirements, or whether they will be trained on ethics obligations.

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<sup>18</sup> OIG previously reported it recommended that the agency consider seeking an opinion from the Office of Government Ethics on whether PSCs are employees for the purposes of the Standards of Ethical Conduct for Employees of the Executive Branch.



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

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

## Contact OIG


### Reporting Hotline:

U.S./International: 202.692.2915  
Toll-free (U.S. only): 800.233.5874

Email: [OIG@peacecorps.gov](mailto:OIG@peacecorps.gov)  
Web Form: [peacecorps.gov/OIG/ContactOIG](http://peacecorps.gov/OIG/ContactOIG)

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

### For General Information:

Main Office: 202.692.2900  
Website: [peacecorps.gov/OIG](http://peacecorps.gov/OIG)  
 Twitter: [twitter.com/PCOIG](https://twitter.com/PCOIG)

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