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:

      <u>Fiscal Year 2009 Challenges</u>
- 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

      <u>New Challenges</u>
- 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.