



Peace Corps
Office of Inspector General
Semiannual Report to Congress

April 1, 2010 to September 30, 2010

PEACE CORPS

OFFICE OF INSPECTOR GENERAL

Vision

To conduct audits, evaluations, and investigations that uphold the effectiveness, efficiency, and integrity of the agency in achieving the goals set forth in the Peace Corps Act that Peace Corps Volunteers help the people of the countries in which they serve in meeting their needs for trained manpower, and help to promote a better understanding of the American people on the part of the peoples served, and a better understanding of other peoples on the part of the American people.

Semiannual Report to Congress

April 1, 2010 - September 30, 2010

Table of Contents

Highlights from this Report	1
Message from the Inspector General	1
Management and Administration	4
Agency Context	4
OIG Staffing.....	4
OIG Organizational Chart.....	6
Advice and Assistance Provided to the Agency and Others	8
Status of PC/Morocco: Assessment of Medical Care and Death Inquiry	8
Administrative Officers Conference	9
Handling of Volunteer/Trainee Allegations.....	9
Peace Corps Data Center Cooling Unit Failure	9
Management and Performance Challenges.....	12
Inspector General's Statement	12
Audits	20
Overview	20
Headquarter Audits	21
Peace Corps Fiscal Year 2010 Financial Statement Audit	21
Annual Review of Peace Corps Fiscal Year 2010 Information Security Program.....	21
Office of Safety and Security: Volunteer Safety and Security Program Audit	21
Post Audits	23
PC/Kenya: Audit.....	23
PC/Moldova: Audit.....	24
PC/Paraguay: Audit	24
PC/Suriname: Audit	25
Special Reviews	27
PC/Ecuador: Special Review	27
PC/Vanuatu: Review of Internal Control Weaknesses	28
Peer Review of the Audit Organization of the Library of Congress OIG	29
Evaluations	32
Overview	32

Country Program Evaluations.....	33
PC/Suriname: Country Program Evaluation.....	33
PC/Togo: Country Program Evaluation.....	34
Investigations.....	36
Overview.....	36
Legacy Cases	37
Investigation of a Volunteer Homicide at a West African Post.....	37
Search for a Missing Volunteer at a South American Post.....	37
Criminal and Misconduct-Related Investigations.....	37
Sexual Assault Allegation at a West African Post.....	37
Sexual Assault Allegation Involving a Former Volunteer.....	37
Sexual Assault Allegation at a North African Post.....	38
Arrest of Former Employee for Embezzlement at a West African Post.....	38
Extortion, Abuse of Authority, and Misconduct Allegations at an African Post	38
Improper Selection Criteria Allegation at Headquarters	38
Delinquent Reporting of a Missing Thumb Drive at Headquarters.....	38
Volunteer Arrested for Drug Possession at a Central Asia Post.....	39
Conflict of Interest Involving Selection Criteria for a Vacancy Announcement.....	39
Misconduct Allegation Involving a Senior Headquarters Employee	39
Wrongful Termination Allegation at Headquarters	39
Embezzlement Scheme Allegation at a Central American Post	39
Child Abuse Allegation at a West African Post.....	40
Investigation of Federal Employee’s Compensation Act Recipients	40
OIG FECA Investigation Saves Agency over \$725,000	40
Tables	42
1: List of Reports: Audits, Evaluations, and Reviews	42
2: Reports with Questioned Costs, Unsupported Costs, and Funds Put to Better Use	43
3: Status of Reports Issued by OIG with Questioned and Unsupported Costs.....	44
4: Status of Reports Issued by OIG with Funds to be Put to Better Use	45
5: Reports with Recommendations on which Corrective Action has not been Completed	46
6: Summary of Investigative Activity.....	48
7: Summary of Hotline and Other Complaints	49
8: References to Reporting Requirements of the Inspector General Act.....	50
Appendix Reporting of Peer Reviews.....	51

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 for the period of April 1, 2010 - September 30, 2010. OIG activities during this reporting period underscore our continued commitment to promote and increase the effectiveness and efficiencies of Peace Corps programs and operations. During the reporting period we issued an audit of the Volunteer safety and security program, as well as six post audits and evaluations and three special audit reviews. Our investigative staff closed nine investigations and saved the government more than \$725,000 in Federal Employment Compensation Act (FECA) claims.

In fiscal year (FY) 2009 the capacity of Peace Corps business operations to support growth and expansion was identified as a management challenge. This reporting period, all three OIG units collaborated on various assessments and other reviews that make key recommendations vital to the agency's plan for growth. The audit of the Volunteer safety and security program is an important example of this work.

The agency has stated that the safety and security of its Volunteers is its number one priority. In our view a well managed and effective safety and security function is also vital to the agency's growth and planned expansion. OIG's audit of the Volunteer safety and security program recognized that while the program has evolved significantly and substantial progress has been made in addressing safety and security needs, it serves as a consultative office rather than an oversight office. As such it relies on the Peace Corps' overseas posts to request its assistance and implement its suggestions. The audit also disclosed that posts independently manage their safety and security budget and personnel without oversight from the Office of Safety and Security; therefore, no office accepted complete ownership of the safety and security program. As a result, the agency's security program lacks essential elements. Implementing the recommendations contained in the report will strengthen the safety and security program for existing Volunteers and help the agency provide effective safety and security for additional Volunteers anticipated in the coming years.

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. The lack of timely remediation has prevented the agency from attaining the efficiencies that implementation would have provided to its operations and has the potential of adversely affecting the agency's stated plans for growth in the coming years. Therefore, OIG identified the timely and effective remediation of OIG findings and recommendations as a management and performance challenge the agency will face in fiscal year 2010.

One factor contributing to the lack of timely remediation was the absence of a chief compliance officer. 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. Management filled the position of the chief compliance officer in August, 2010 and the new chief compliance officer recently began a comprehensive effort of reviewing and following up on the significant open recommendation backlog. We have pledged to work with the new chief compliance officer to support the timely remediation of recommendations. Since the new chief compliance officer joined the agency, we have closed 64 recommendations; 44 from FY 2010 and 20 made prior to FY 2010.

The Audit Unit has also continued its critical work in connection with the agency's financial statement audit by assisting the agency in improving the overall financial health of the Peace Corps in accordance with Federal Managers Financial Integrity Act requirements. During this reporting period, OIG issued final reports on post audits conducted in Suriname, Paraguay, Kenya, and Moldova; completed a peer review of the audit organization of the Library of Congress OIG; and issued special reviews on Ecuador and Vanuatu. The Audit Unit also initiated work in Mexico, Togo, Belize, Ethiopia, Mozambique, Rwanda, and Albania.

The Evaluation Unit, in addition to being an integral part of the safety and security program audit, issued reports for program evaluations conducted in Suriname and Togo, and initiated work on program evaluations of Ethiopia, Cambodia, and the Volunteer Delivery System at headquarters.

The Investigation Unit was authorized by United States Attorney General Eric H. Holder, Jr. to exercise statutory law enforcement powers. This authority will provide OIG with additional law enforcement tools including the authority to, upon probable cause, seek and execute warrants for arrest, search premises, seize evidence, make arrests without a warrant while engaged in official duties, and carry firearms. In addition, the Investigation Unit is still working to help bring to justice those responsible for Volunteers murdered in 1998 and 2009.

I am pleased to report that this year the Council of Inspectors General on Integrity and Efficiency (CIGIE) presented us with two awards for excellence. The awards include a Special Act Award for our multidiscipline inquiry into the death of a Volunteer and accompanying assessment of health care in Morocco, and an award for our performance audit of the agency's process for soliciting, awarding, and administering contracts that combined the talents of our audit and evaluations staff.

The Peace Corps continues to position itself for growth and OIG is working to assist the agency in enhancing its efficiencies and helping ensure its programs and operations are free of waste, fraud, abuse, and mismanagement.



Kathy A. Buller
Inspector General

Management and Administration



Volunteer Kyle Henning and community members at their grain mill project in Ethiopia

Management and Administration

Agency Context

As of September 30, 2010, 8,655 Peace Corps Volunteers and trainees were serving in 77 countries at 71 posts. This total includes 395 Volunteers and trainees funded by the President's Emergency Plan for AIDS Relief (PEPFAR) to work on HIV/AIDS projects at 13 posts. There are also 130 Peace Corps Response Volunteers serving in short-term assignments in 34 countries (29 posts).

The Volunteers and their programs are supported by 852 American direct-hire staff: 187 overseas; 131 in the regional recruiting offices; and the remaining 534 at headquarters. Approximately 2,187 locally-hired personnel complete post staffing. The Peace Corps also has corporate contracts domestically and overseas, principally for guard services and training, and hires expert consultants, largely for training and financial management.

OIG Staffing

Joe Bodensteiner joined OIG as a senior special agent in June. Joe was previously a desk officer within the Office of Investigations of the Treasury Inspector General for Tax Administration, where he handled a wide variety of investigative policy matters. He previously served as a special agent and as an attorney with the Nuclear Regulatory Commission OIG. He is a retired U.S. Army lieutenant colonel, having served 20 years with the Judge Advocate General's Corps on active duty and as a reservist. Joe holds a bachelor's degree from Niagara University and a law degree from Albany Law School.

Lisa Chesnel joined OIG as an executive assistant in April, working in the capacity of a writer/editor. Lisa was previously an acquisitions editor at the State University of New York Press in Albany, N.Y., where she acquired over 36 books a year in the fields of education, communication, and Latin American studies. In 2006, she was awarded the Whiting Week-in-Residence Fellowship by the Association of American University Presses. Lisa served as a community economic development Peace Corps Volunteer in Panama from 2007-2009 with her husband, Matthew Sheehey. She taught business skills to a large sugarcane cooperative in central Panama. She holds a Master of Business Administration from the State University of New York at Albany and a bachelor's in English literature and Spanish language from Saint Michael's College in Colchester, Vt.

Snehal "Hal" Nanavati joined OIG as senior auditor in August. Hal has over 25 years of experience in finance and internal auditing. Prior to joining the Peace Corps, he worked briefly in the Forensics Division at the Environmental Protection Agency (EPA). Prior to EPA, Hal worked as the senior director of internal audit for Revlon Corporation. He has also worked in finance, cost accounting, and operations at various companies. At Revlon, Hal helped successfully implement the Sarbanes-Oxley compliance project. He designed worksheets to document processes and key internal controls and provided training to worldwide staff in financial processes, internal controls and testing. He has also managed several complex and sensitive audit projects, code of conduct implementations, and fraud

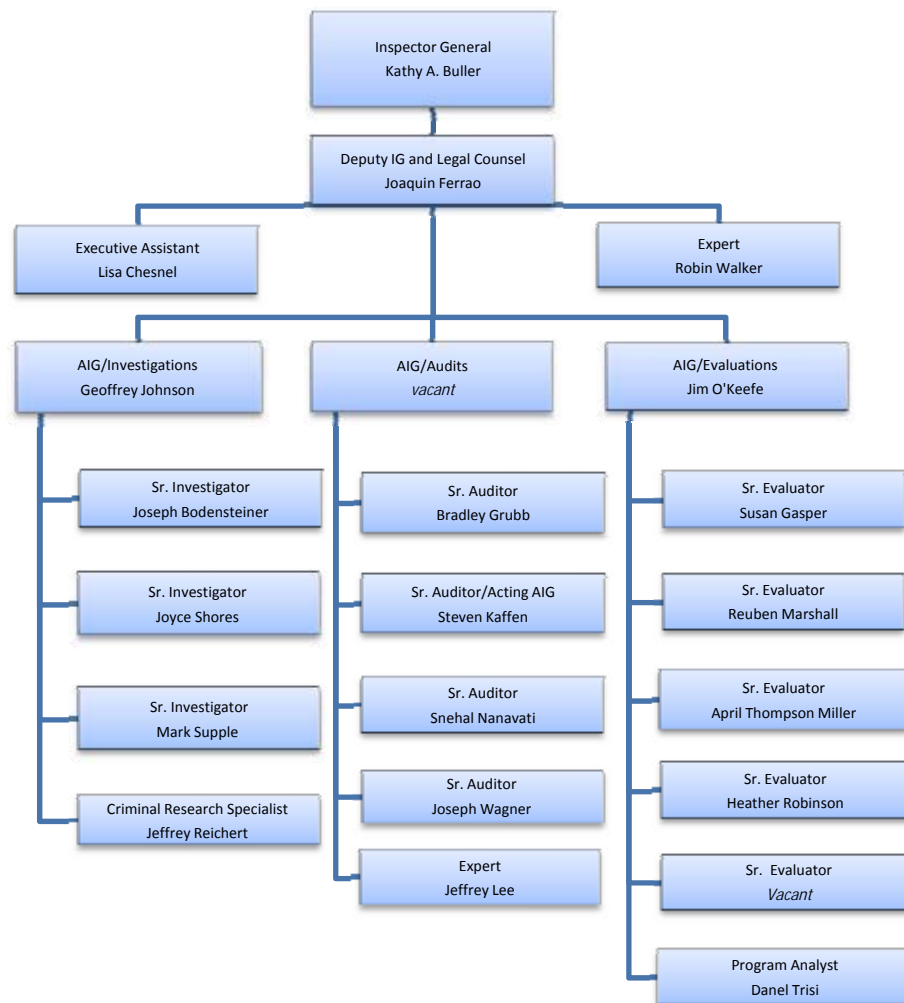
investigations. He grew up in India and received his bachelor's degree from Bombay University. He is a certified public accountant, a certified management accountant, and also a chartered accountant in India.

Danel Trisi joined OIG as a program analyst in June. In the spring of 2010 he completed a graduate student apprenticeship with OIG. He earned a master's degree in public policy and management from Carnegie Mellon University, Heinz College, in May 2010. Danel previously worked as an associate community manager for the Development Practitioners Forum and also completed an internship with the United Nations' World Food Programme at its Regional Bureau for Latin America and the Caribbean in Panama. Additionally, Danel has worked with nongovernmental organizations in Argentina, supporting youth development in impoverished communities. He served as a Peace Corps Volunteer from 2006-2008 in Niger, where he worked to promote good health practices and to improve the quality of education in village schools. He also earned a bachelor's in management from California Institute of the Arts.

Gerry Montoya, former assistant inspector general for audits, left OIG in May 2010. He is now the Director/Attaché for the Department of State's Office of Inspector General at the U.S. Embassy in Baghdad.

At the end of this reporting period, the position of assistant inspector general for audit is vacant and a new senior evaluator vacancy was announced. OIG is engaged in the hiring process and expects to fill the positions soon.

OIG Organizational Chart



Advice and Assistance Provided to the Agency and Others



Third year Deaf Education Volunteer Allen Neece
with one of his students at a school for the deaf in Kenya

Advice and Assistance Provided to the Agency and Others

Status of PC/Morocco: Assessment of Medical Care and Death Inquiry

In the previous SARC we reported on the death of a Volunteer in Morocco. OIG made recommendations in its *PC/Morocco Assessment of Medical Care and Death Inquiry* reports directed to PC/Morocco's medical unit, the Office of Medical Services (OMS), and the Office of Global Operations. The intent of these recommendations was to improve the delivery and implementation of health care to Volunteers. The Peace Corps Director concurred with all the recommendations and made a firm commitment to implement them not only in PC/Morocco, but throughout Peace Corps' posts as appropriate.

Peace Corps addressed four out of eight recommendations concerning the way PC/Morocco organizes its medical services and provides health care to Volunteers. OMS took immediate steps to increase its oversight of medical care provided to PC/Morocco Volunteers. Agreements were made with private firms, the government of Morocco, and the U.S. Embassy to provide medical evacuation of PC/Morocco Volunteers as necessary. Additionally, a policy has been drafted to ensure effective transfer of patient information between PC/Morocco medical unit personnel.

Peace Corps addressed 9 of 16 recommendations to OMS and to Peace Corps' Office of Global Operations. OMS has also developed plans to improve the quality of health care service to Volunteers globally. OMS reorganized its operations and oversight functions, and the supervision of overseas medical units was transferred to the Office of Volunteer Support (VS). In addition, VS has adopted a "Quality Improvement Plan" to ensure Volunteers receive high quality health care service. OMS and the Office of Global Operations are working to implement details of the plan. Requests for additional OMS staff and Peace Corps Regional Medical Officers were approved so VS can conduct overseas medical unit assessments, which include clinical oversight and evaluations of scopes of practice. Peace Corps also issued a scope of practice policy that defines the levels of work to be performed by PCMOs, based on their credentials and experience levels. These guidelines will be incorporated into PCMO contracts globally. A more rigorous process for credentialing and providing continuing education to overseas medical staff is being developed. PCMOs recently attended continuing education presentations, which reinforced uncommon disorders that require immediate medical attention.

Efforts are underway to further clarify agency policies and guidelines pertaining to effective Volunteer medical care. An escalation policy that was recently issued defines situations in which VS must be notified of a significant illness of a Volunteer. An initiative to develop a process for the immediate investigation of medical events is also underway.

OIG will continue to follow up and report on the agency's progress.

Administrative Officers Conference

OIG auditors facilitated training sessions on compliance and internal control as part of the Peace Corps' annual administrative officers' (AOs') conference. The training was presented to approximately 76 Peace Corps AOs at three events held in Washington, D.C., the Dominican Republic, and Senegal. The presentations included case studies and other interactive material on the administrative functions at overseas posts and how to better ensure compliance with Peace Corps policies and federal regulations. The training sessions assisted the agency in maintaining a competent staff by informing AOs about how to avoid common deficiencies and promote best practices. By using the knowledge learned at the training, AOs can help mitigate risks, reduce the number of instances of noncompliance at overseas posts, and enhance administrative operations throughout the Peace Corps.

Handling of Volunteer/Trainee Allegations

During this reporting period the Peace Corps Director re-emphasized, to Peace Corps staff, the importance of interim policy statement (PS) 1-09. The policy outlines the importance of informing Volunteers/trainees to report, to OIG, allegations of violations of federal laws, rules or regulations, mismanagement, serious misconduct, gross waste of funds, abuse of authority, or a substantial or specific danger to the public health and safety related to Peace Corps programs and operations. In addition, the policy also ensures that Volunteer/trainees know that allegations are treated confidentially by staff and reported to OIG. OIG has provided PS 1-09 training to country directors who attended conferences during this reporting period.

OIG is, at the same time, increasing its initiatives to reach out to Volunteers and trainees. OIG auditors, evaluators, and investigators have incorporated the contents of the policy statement into their entrance conferences during post audits and evaluations, as well as during Volunteer/trainee interviews. OIG provided input to the Office of Programming and Training Support for a specific training session focused on this policy during Overseas Staff Training. OIG is also working with the Office of Global Operations to ensure Volunteer/trainees understand the resources available to them.

Peace Corps Data Center Cooling Unit Failure

OIG provided to the Peace Corps Director a memorandum, which documented a long standing deficient condition at the agency's data center. The condition relates to a lack of environmental controls to ensure temperature and humidity are kept at acceptable levels. This issue was first brought to management's attention in a Notice of Finding and Recommendation issued by OIG's external auditor during the audit of the agency's fiscal year (FY) 2008 financial statements in October 2008. The auditor also indicated that the data center did not have an Uninterruptible Power Supply (UPS) to ensure that equipment can be properly shut down during periods of unexpected power interruptions. The auditor recommended the agency acquire and install the necessary equipment, which is critical because the data center does not have 24/7 on-site staffing coverage.

These same issues were discussed in a separate study sponsored by Peace Corps management and performed by BearingPoint Management & Technology Consultants in 2008. Further, an OIG audit performed by OIG's external auditor in 2009 confirmed that corrective actions had not been taken.

Although management had acknowledged deficiencies at the data center, it had been slow to take the necessary corrective actions. A cooling unit failure that occurred after work hours in the summer of 2009 caused the data center UPS to fail, resulting in an unplanned shutdown of computer equipment. Although management was able to remedy the temporary equipment failure, a permanent solution could not be put in place immediately. Subsequently, management indicated that most of the related long-term solutions had been completed. OIG's external auditors are currently reviewing whether the corrective actions taken are sufficient to fully remediate the deficient conditions found.

Based on the vulnerabilities disclosed by OIG audits and the consultant's study OIG is concerned the agency does not always place a high enough priority to ensure timely resolutions for operational problems that are critical to Peace Corps accomplishing its mission. OIG will continue to follow up on this matter.

Management and Performance Challenges



Mosque and Synagogue in Paramaribo, Suriname

Management and Performance Challenges

Inspector General's Statement

In accordance with the Reports Consolidation Act of 2000, OIG submitted eight challenge areas for inclusion in the Peace Corps' FY 2010 Performance and Accountability Report. It was determined that these eight areas present the most significant management and performance challenges facing the Peace Corps. In FY 2009 the Inspector General's Statement on the Peace Corps' Management and Performance Challenges recognized five areas that are the most serious issues facing management. Those same areas continue to present significant management and performance challenges at the Peace Corps. In addition, this year OIG identified three new management and performance challenges. The challenge areas are described below:

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 the service delivery capabilities of several key business operations. Operations most impacted include:

- Volunteer Recruitment and Selection
- Volunteer Support Services
- Financial Management
- Information Technology
- Acquisitions and Contracting
- Safety and 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 Office of Management and Budget (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 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 (PII). The Peace Corps routinely receives, processes, and maintains significant amounts of 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. The final report, titled "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 6 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 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.

PAGE INTENTIONALLY LEFT BLANK

Audits



Volunteer Amanda Dillon and members of her village in Mozambique

Audits

Overview

The Audit Unit conducts audits and special reviews of agency programs and operations that support the Peace Corps' mission and its Volunteers serving around the world. The Audit Unit performs audits of the agency's field activities at overseas posts, focusing on financial and administrative operations, and the agency's domestic functions at headquarters and the regional recruitment offices. During the reporting period, the Audit Unit worked with evaluators to produce a program audit of the agency's safety and security program, a critical Volunteer support function. In addition, along with the reports included below, audits of Peace Corps operations in Albania, Belize, Ethiopia, Mexico, Mozambique, Togo, and Rwanda and are underway. Also, the Audit Unit assisted the Investigations Unit with a post investigation of a staff member's alleged improper activities. The Audit Unit also conducted a peer review of the audit organization of the Library of Congress Office of Inspector General. Audits involve extensive planning, problem solving, and coordination, often at overseas locations and cover a variety of work processes carried out among interrelated departments and organizations. Most audits are conducted by a single auditor under the direction and oversight of the assistant inspector general for audits.

OIG audit work typically examines and reports on operational efficiency and effectiveness, financial stewardship, and compliance with agency policy and federal regulations. Audit objectives are designed to assess whether good management practices are followed; assets are adequately safeguarded; managers are properly accounting for and using assigned resources; and operations are carried out in compliance with federal laws, regulations, and applicable Peace Corps policies and procedures. A significant component of all audits is the identification and reporting of waste, fraud, abuse, and mismanagement. Audits are conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

OIG also utilizes contracts with an independent public accountant (IPA) for legislatively mandated audit work. The Accountability of Tax Dollars Act of 2002 mandates an annual audit of Peace Corps' financial statements. OIG oversees and serves as the contracting officer's technical representative for contracts with the IPA to perform the agency's annual audit. To fulfill its responsibilities, the Audit Unit monitors the IPA's work to ensure that it is of acceptable quality, in compliance with federal law and professional standards, and is completed within guidelines established by the Office of Management and Budget (OMB). The Audit Unit also contracts with an IPA in connection with OIG's responsibility for meeting specific requirements set by the Federal Information Security Management Act (FISMA). These requirements include performing annual reviews of the Peace Corps' information security program and reporting related selected data to OMB.

In addition, the Audit Unit performs consulting and training activities in support of the overall agency mission. Audit staff provides technical assistance to Peace Corps managers on issues related to financial and administrative policies, procedures, best practices, and effective internal controls. The staff also conducts training sessions and participates in regional conferences to strengthen the level of competence

of overseas personnel to more effectively and efficiently perform their functions in compliance with policies and procedures.

Headquarter Audits

Peace Corps Fiscal Year 2010 Financial Statement Audit

During this reporting period OIG engaged an IPA firm to conduct an audit of the Peace Corps' fiscal year 2010 financial statements. This audit is required by the Accountability of Tax Dollars Act of 2002. As of September 30, 2010, the audit was ongoing. OIG intends to issue the related independent auditor's reports through a transmittal memorandum under the Inspector General's signature by the OMB-mandated reporting date of November 15, 2010. Details regarding the audit results will be included in the next Semiannual Report to Congress (SARC).

Annual Review of Peace Corps Fiscal Year 2010 Information Security Program

FISMA requires federal agencies to establish security protections and a program to secure their information systems from unauthorized access, use, disclosure, modification, and other harmful impacts. This is governed through National Institute of Standards and Technology guidelines. In addition, FISMA requires that each OIG to review its agency's information security program and report results to OMB annually on October 1. To meet this requirement, OMB has developed an on-line data collection system for FISMA reporting from federal agencies and their respective OIGs. OMB extended this year's reporting deadline to November 15, 2010, due to significant changes impacting the reporting process. The data reported to OMB is designed to measure the progress of developing and institutionalizing a federal agency's information security programs. As of September 30, 2010, the review was ongoing. Comments on final review results will be covered in the next SARC.

Office of Safety and Security: Volunteer Safety and Security Program Audit

IG-10-08-A

OIG reviewed the Peace Corps' safety and security program to determine whether competent and effective support for Volunteer safety and security has been provided throughout the world. In 2002, the agency established the Office of Safety & Security and assigned safety and security coordinators to each overseas post. Since that time, the program has evolved significantly and substantial progress has been made in addressing the agency's safety and security needs. Peace Corps has maintained a much larger safety and security work force than comparable international nongovernmental organizations. Overall, Volunteers overwhelmingly reported that they were satisfied with their level of safety and security and staff member support.

Despite these achievements, OIG identified multiple areas where Peace Corps needs to improve in order to ensure that the agency's safety and security program is complete, implemented consistently, and positioned to meet unique safety and security challenges. Although Peace Corps established the Office of Safety and Security to provide oversight and management of all safety and security operations, it served as a consultative office, not an oversight office, and relied on the Peace Corps' overseas posts to request its assistance and implement its suggestions. The posts independently managed their safety and

security budgets and personnel without oversight from the Office of Safety and Security. OIG found that without a clear management structure, no office accepted complete ownership of the safety and security program, and the agency's security program lacked essential elements. As a result, Volunteers were placed at greater risk because the agency did not ensure that posts fully implemented required safety and security policies. Specifically, the Peace Corps had not:

- Developed a comprehensive security strategy and plan that articulated how the agency's security policies related to the acceptance model
- Aligned safety and security personnel's roles and responsibilities with the agency's stated priority of safety and security
- Defined the skills and experience needed for all security positions
- Consistently hired people with adequate skills and experience to fill its safety and security positions
- Clearly defined the roles of headquarters safety and security staff and field safety and security staff to avoid unclear expectations and duplicate responsibilities
- Standardized training for safety and security personnel

In addition to the lack of defined roles and responsibilities within Peace Corps, the agency had not formalized its relationship with the Department of State regarding safety and security responsibilities. Therefore, Peace Corps could not always ensure that the appropriate resources and expertise were in place to implement a consistent safety and security program. This increased the risk that posts had not fully implemented essential security policies and practices that protect Volunteers. The recommendations addressed the need for Peace Corps to re-evaluate its organizational structure and its staff positions regarding safety and security to provide clearer, more competent support to overseas posts.

Management concurred with 27 recommendations and partially concurred with 1 recommendation. At the end of the reporting period, 4 recommendations are closed and 24 remain open.

Funds to be Put to Better Use

Placement of PCSSOs overseas - \$185,000 per year

Since the completion of the audit, the agency has worked to address OIG's recommendations. On July, 30, 2010, the Director issued a memorandum that moved the technical supervision of safety and security coordinators (SSCs) to the Office of Safety and Security. In August, all of the agency's security personnel, including field staff responsible for the safety and security functions of the agency, completed training. This training was the first of its kind and support for another one next year has been approved by the Director. Additionally, the agency performed an evaluation to determine if the safety of Volunteers and trainees is best served by placement of the PCSSO overseas or domestically.

Post Audits

PC/Kenya: Audit

IG-10-12-A

OIG issued its audit report on PC/Kenya in September 2010. The Peace Corps commenced its program in Kenya in 1964. In January and February 2008, Volunteers were evacuated due to the violent aftermath of the Kenya presidential election. Volunteers returned to Kenya in June 2008. At the time of the audit, 75 Volunteers were engaged in three project areas: education, public health, and small enterprise development. The current administrative officer arrived in March 2005 and the current country director arrived at the post in mid-September 2009.

PC/Kenya's financial and administrative operations require improvement and did not fully comply with agency policies and federal regulations. OIG determined that post management's quarterly and monthly imprest fund verifications did not include a review of all reconciling documents. Further, the 2009 living allowance market basket survey was ineffective in validating the results of the Volunteer survey. Moreover, the post did not perform a living allowance market basket survey in 2008. In addition, the post did not analyze Volunteers' responses to 2008 and 2009 settling-in surveys, nor conclude as to the allowance's adequacy, and the post did not perform related independent price surveys.

Controls and procedures over post property were inadequate or, in some cases, nonexistent. For example, the staff member who maintained the information technology (IT) inventory listing also performed the 2009 physical inventory verification, violating segregation of duties requirements. Further, the post did not perform a physical inventory of its non-IT property in 2009. The listing of property requested by and sent to headquarters in November 2009 was not updated from the prior year submission and showed numerous discrepancies. In addition, the property officer and the administrative officer did not perform the required periodic reconciliations.

A Peace Corps vehicle has been sitting idle on the post's premises since 2007, awaiting registration documents so it can be sold. The post actually sold the vehicle in November 2007 without the required registration documents for about \$23,000 in Kenya shillings, only to be required to return the proceeds when the buyer was unable to register the vehicle. In addition, the post miscalculated the 2009 and 2010 contracts of its personal services contractors, and did not reflect compensatory time on timesheets or official time and attendance records. Further, the post did not implement the agency's medical supplies policy, and OIG found quantity discrepancies between its test counts and the medical supplies inventory records.

Management concurred with 22 recommendations and did not concur with one recommendation. At the end of the reporting period, 13 recommendations are closed and 10 recommendations remain open.

Questioned costs

Miscalculation of 2010 PSC contracts - \$800

Funds to be Put to Better Use

Peace Corps vehicle sitting idle and awaiting sale for over two years due to the absence of registration documents - \$23,000

PC/Moldova: Audit

IG-10-11-A

OIG issued its audit report on PC/Moldova in August 2010. In 1993, the government of Moldova invited Volunteers to come to its country. Volunteers work in 97 towns and villages. Since the program's inception, more than 400 Volunteers have served in Moldova in English language instruction, organizational development, agriculture, and agribusiness programs. OIG determined that, in general, Peace Corps/Moldova's financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. We also found that the post had established the necessary separation of duties over financial responsibilities, implemented a communication system that provided cost savings by routing office calls through a cell phone number, maintained complete files for personal services contractors, and proactively reviewed its own internal control through the Administrative Management Control Survey.

OIG identified a few areas in need of improvement. Specifically, the cashier did not provide copies of paid general receipts to payees as proof of payment; the imprest fund level needed to be reduced; and the post did not obtain a security recertification for one of its foreign service national staff members. OIG also addressed the need for Peace Corps to update its policies and procedures to require security recertification of foreign service nationals, as required by the *U.S. Department of State Foreign Affairs Manual*.

Management concurred with all 12 recommendations. At the end of the reporting period, 6 recommendations remain open.

PC/Paraguay: Audit

IG-10-10-A

OIG issued its audit report on PC/Paraguay in August 2010. PC/Paraguay, opened in 1967, is one of the longest continuously operating Peace Corps posts in the world. Nearly 3,000 Volunteers have served there, with 206 Volunteers in-country at the time of OIG visit. OIG found that the post's financial and administrative operations required improvement in a number of areas and that it did not fully comply with agency policies and federal regulations. In addition, PC/Paraguay lacked the necessary controls over certain operations. Deficiencies included insufficient separation of duties over property and medical supply responsibilities, inadequate system controls for bills of collection, and poor supervisory review of contracts and travel vouchers.

PC/Paraguay staff and Volunteers did not properly manage or provide oversight of grant funds. As a result, a third-party assigned responsibility to manage grant funds for a scholarship program was able to maintain \$21,297 in funds outside the required bank account. This action eventually led to mismanagement of funds and a shortage of approximately \$5,523. OIG also addressed the need for greater oversight and guidance from the headquarters office responsible for the Peace Corps Partnership Program. Many of these issues were addressed in a management implication report discussed in the previous SARC.

PC/Paraguay's process for billings and collections did not comply with Peace Corps policies. The billing officer used an external database instead of using the official Peace Corps accounting system for billing, resulting in incomplete records and duplicate data entry. Further, the billing officer did not receive a copy of paid receipts, maintain adequate supporting documentation in the bill of collection files, or record bills of collection for various types of collections.

OIG determined that procurement files were not always complete and contained errors. PC/Paraguay did not have on file security clearance updates for two personal services contractors. It also neglected to implement the requirement for personal services contractors to sign intelligence background information certificates attesting to any previous employment by any intelligence organization or of any intelligence related activities. PC/Paraguay also inappropriately executed a lease, the term of which was in violation of the Peace Corps Act.

Several of OIG's recommendations addressed systematic weaknesses in Peace Corps policies and procedures for Peace Corps Partnership Program project management, property management, and the International Cooperative Administrative Support Services. For example, recommendations to track and monitor Peace Corps Partnership Program projects will increase early detection of potential grant mismanagement and deter potential fraud and abuse of donated funds.

Management concurred with all 49 recommendations and began implementing corrective action. At the end of the reporting period, 11 recommendations remain open.

Unsupported Costs

Five Peace Corps Partnership Program projects that did not have receipt of payments - \$39,844

Funds to be Put to Better Use

Inaccurate personal services contractor bonus - \$210

PC/Suriname: Audit

IG-10-06-A

OIG issued its audit report on PC/Suriname in May 2010. The Peace Corps began its program in Suriname in 1995. Since then, approximately 360 Volunteers have served there. At the time of the audit, 39 Volunteers were engaged in two project areas: community health education and micro-enterprise and tourism development. The country director arrived at the post in January 2007 and the administrative officer arrived in March 2009. Between August 2008 and March 2009, the financial assistant served as acting administrative officer.

OIG found that the post's financial and administrative operations needed improvement and did not fully comply with agency policies and federal regulations.

Deficiencies were noted in three of the five internal control standards of the Government Accountability Office: standards requiring a control environment, control activities, and effective monitoring. OIG found that post management did not perform complete imprest fund verifications and vary the time of the verification each month. In addition, Volunteers were not always paid their living and settling-in

allowances on time, and personal services contractors (PSCs) were not always paid their salaries on time. Further, the post did not track and bill for personal usage of office landline phones; the administrative officer did not review the bills of collection log to identify deficient items for follow-up; and the log's descriptions were not always sufficiently explanatory to permit an informed review.

Controls and procedures over property inventory were deficient, and the post's property inventory database was not updated and thus contained numerous discrepancies. The same person who maintained the database also conducted the physical inventory verification, and the property officer and the administrative officer did not perform the required reconciliations. Vehicle usage logs were not reviewed, initialed, and dated by all required individuals to verify that the post's vehicles were being used appropriately, and the logs contained discrepancies.

Timesheets were not always submitted timely and did not always indicate the extra hours worked that resulted in compensatory time. Further, the official time and attendance records were not reviewed by supervisors and contained discrepancies. Also, the post's PSC files were incomplete and some lease documents were incorrectly prepared. The post did not implement the agency's medical supplies policy, while differences in quantities and expiration dates were noted between OIG test counts and the medical supplies inventory records. Finally, the post's files contained administrative, program, and Volunteer documents dating back to the inception of the program in 1995. These files should have been disposed of in accordance with Peace Corps policy.

Management concurred with all 62 recommendations. At the end of the reporting period, all recommendations are closed.

Questioned Costs

Emergency payments made to Volunteers due to the late arrival of living allowance checks that were not deducted from subsequent living allowance payments - \$1,733

Funds to be Put to Better Use

Volunteer hotel and per diem charges in the capital resulting from the late arrival of settling-in and living allowance checks - \$1,785

Special Reviews

PC/Ecuador: Special Review

IG-10-05-SR

OIG conducted a special review of PC/Ecuador in response to an OIG hotline allegation. A former country director was alleged to have improperly purchased and sold government property; inappropriately profited from his/her position; and was involved in other activities that were potentially fraudulent and wasteful. This special review employed both OIG audit and criminal investigative staff.

OIG's review found the Peace Corps policies and procedures allowed too much discretion to overseas posts, internal control was weak or nonexistent, and headquarters level management oversight was insufficient. As a result, a former country director may have personally benefited from the purchase of Peace Corps vehicles. Furthermore, some vehicles purchased were not in the best interest of the Peace Corps, and three vehicles were sold for significantly less than their market values.

In addition, internal control over property was deficient and the post's property inventory database contained numerous discrepancies. There was inadequate segregation of duties; the same person who maintained the post's property database also performed the physical inventory verification. Further, the property database was not updated for changes and the required periodic reconciliations by the property control officer and the administrative officer were not performed. Similar property accountability problems were found with the post's medical supplies. As a result, OIG was unable to verify the accuracy of medical inventory on hand.

Audit work relating to staff turnover disclosed that the post experienced an 86 percent staff attrition rate between January 1, 2005, and January 31, 2009. A high staff attrition rate is often an indication of more serious management or systemic problems and can also impact an organization's ability to maintain effective internal control. Significant loss of staff at the post resulted in paying out \$1.2 million in severance and separation payments during the three year period under review. Although the post was following local labor laws, OIG determined that in the 29 termination cases examined, counseling and/or mediation between staff and post management would have been appropriate and may have minimized the high staff turnover, lessening the budgetary impact. OIG did not find any evidence of efforts to resolve conflicts between the post's management and terminated employees.

Management concurred with 20 of the 24 recommendations. At the end of the reporting period, 4 recommendations are closed and 20 remain open.

Questioned Costs

Loss from sale of PC vehicles -\$54,000

Funds to be Put to Better Use

Minimizing the cost of termination payments - \$1,200,000

PC/Vanuatu: Review of Internal Control Weaknesses

IG-10-01-SR

The OIG Audit Unit provided advice and assistance related to suspected misconduct at the post. The new country director identified irregularities when reviewing financial documents and promptly communicated the concerns to the OIG Investigation Unit. OIG investigated fraudulent travel claims and suspicious vehicle sales; the results were provided in the previous SARC. At the request of the Investigation Unit and the country director, the Audit Unit provided support services and analyzed additional financial and administrative functions at the post.

The Audit Unit conducted a site visit in April 2009 to assess the internal control system at the post. Overall, controls were not in place, not operating effectively, and therefore the post could not ensure proper mitigation of fraud risks. The assessment identified the following areas containing control weaknesses, which required improvement:

- The post did not properly administer the Peace Corps medical officer's contract. As a result, we identified questionable charges for business licenses, excessive home leave, an unusually high contract value, and unsupported health benefit payments.
- The post's medical office did not ensure adequate control over medical supply inventories. The medical supplies were not properly recorded when dispensed and the medical supply records were incomplete.
- Medical supply procurements were inefficient and payment records were incomplete. Further, medical payment records were incomplete and not attributed to a particular patient. As a result, the post paid for unallowable medical laboratory services.
- The post did not properly manage vehicles and other property, nor provide adequate safeguarding of assets. OIG determined that fuel records were incomplete and fuel usage was not supported by vehicle usage; vehicle maintenance and repairs were not competitively procured; and the property relocated to a new office space was not well documented in the property records. In addition, OIG identified irregularities in the sale of a vehicle.
- The post did not maintain adequate documentation for staff travel. OIG was unable to obtain airline receipts for several travel vouchers.

The Audit Unit provided the results of the advisory assessment to the country director and regional management. The country director recognized the control weaknesses and took immediate corrective actions.

Peer Review of the Audit Organization of the Library of Congress OIG

IG-10-06-SR

Within the OIG community, peer reviews of audit and investigative functions are conducted to assure quality programs. During this reporting period, OIG reviewed the system of the internal control for the audit organization of the Library of Congress Office of Inspector General for the period ended March 31, 2010. OIG found the Library of Congress audit organization's quality control system to be suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects. This review was conducted in conformity with the Council of the Inspectors General on Integrity and Efficiency *Guide for Conducting External Quality Control Reviews of the Audit Operations of Offices of Inspector General*.

PAGE INTENTIONALLY LEFT BLANK

Evaluations



Volunteer Molly Chen traveling to another
Volunteer's village in Suriname

Evaluations

Overview

The Evaluation Unit provides the agency with independent evaluations of Peace Corps programs, operations, and management, which includes overseas posts and domestic offices and programs. It promotes greater efficiency and effectiveness by identifying best management practices, recommending program improvements and the means to comply with Peace Corps policies and federal regulations. During this reporting period, OIG continued to provide management with a comprehensive assessment of how effectively overseas country programs are functioning. Along with the reports included below, country program evaluations in Ethiopia, Cambodia, Jamaica, and Romania are also underway.

OIG also began fieldwork on a follow-up evaluation to its 2003 evaluation of the Volunteer Delivery System to determine progress in the agency's Volunteer recruitment selection and placement processes and to assess how the agency is preparing for growth in worldwide operations.

Evaluations are conducted under the direction and guidance of the assistant inspector general for evaluations and in accordance with the *Quality Standards for Inspections* published by the Council of the Inspectors General on Integrity and Efficiency. Country program evaluations include extensive interviews, reviews of relevant documents, physical observations, and analysis by evaluators. The evaluators interview Volunteers and headquarters and post staff, as well as key host country and U.S. government officials. The evaluators select a stratified judgmental sample of at least 20 percent of currently serving Volunteers, based on their length of service, site location, project focus, gender, age, marital status, and ethnicity. Evaluators conduct the bulk of the Volunteer interviews at their homes and worksites and inspect their housing using post-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:

- To what extent has the post developed and implemented programs intended to increase the capacity of host country communities to meet their own technical needs?
- To what extent has the post implemented programs to promote cross-cultural understanding?
- To what extent does training provide Volunteers the necessary knowledge, skills, and attitudes to integrate into the community and perform their jobs?
- To what extent has the post provided adequate support and oversight to Volunteers?
- To what extent are post resources and agency support and oversight effectively aligned with the post's mission and program and agency priorities?
- Is the post able to adequately administer the President's Emergency Plan for AIDS Relief (PEPFAR) program, support Volunteers, and meet its PEPFAR objectives? (Only applicable to posts receiving PEPFAR funds.)

The findings and recommendations provided in evaluation reports are reviewed by agency stakeholders affected by the review to ensure: (1) that OIG's recommendations are feasible and (2) that OIG reports are useful to the agency in its effort to strengthen internal controls and correct deficiencies.

Country Program Evaluations

PC/Suriname: Country Program Evaluation

IG-10-9-E

OIG issued its final country program evaluation of PC/Suriname in July 2010. Over 300 Volunteers have served in Suriname since the program began in 1995. At the time of the evaluation there were 36 Volunteers serving in community economic development and health education programs. In recent years, the post has faced challenges in developing and maintaining effective volunteer assignments, while a period of high senior staff turnover impacted the stability of post operations.

While obstacles remain, the post has made progress in increasing the effectiveness of its operations. Within the last two years, the post has developed two distinct projects and has strengthened relationships with project partners. Suriname government representatives told OIG that they have positive working relationships with Peace Corps staff and believe Volunteers have good language skills, are well-integrated into their host communities, and are making contributions to development. However, government officials would like a more structured collaboration with Peace Corps, with program sectors and Volunteer assignments more directly centered on ministry goals. Peace Corps has also partnered with national and international nongovernmental organizations, which provide more structured assignments for Volunteers, capacity building opportunities for their communities, and opportunities for cost-sharing. However, the post does not have current agreements with project partners; this has created some confusion about the roles and responsibilities of the cooperating parties.

In addition, OIG's evaluation identified several areas that could be improved to increase the country program's overall effectiveness. The evaluation determined:

- Post does not adequately engage host communities during site development, and is not adequately assessing host community needs or its capacity to host a Volunteer.
- Post is not providing adequate technical training to Volunteers to prepare them for their assignments.
- Some Volunteers are receiving funds for their community projects through unauthorized channels.
- Staff members require additional training to ensure they are prepared to carry out their responsibilities during the activation of an Emergency Action Plan (EAP).
- Volunteer housing did not consistently conform to established housing criteria.

Management concurred with all 23 recommendations. At the end of the reporting period, 5 recommendations remain open.

PC/Togo: Country Program Evaluation

IG-10-10-E

OIG issued its final country program evaluation of PC/Togo in September 2010. Over 2,500 Volunteers have served in Togo since the program began in 1962. At the time of the evaluation there were 94 Volunteers serving in the following four projects: community health and AIDS prevention, natural resource management, small enterprise development, and girls' education and empowerment.

Togo's development needs are considerable and include high infant and maternal morbidity rates, poor health care, environmental degradation, poor soil fertility, extensive poverty and illiteracy, and slow economic growth. Toward these development needs, the post is successfully meeting the first goal of the Peace Corps mission – to help the people of interested countries in meeting their need for trained men and women – and Volunteers report success accomplishing their project goals.

While the post does not face major obstacles or constraints in its program operations, OIG's evaluation identified several areas that could be improved to increase effectiveness. Some limitations were identified in how Volunteer sites are developed – particularly in regard to counterpart selection. Many communities do not provide housing for Volunteers as required by project agreements, and the post is not engaging in regular, substantive communication with national ministry officials. Its Project Advisory Council activities are also infrequent and not well-organized.

Training is a strong point at the post. Volunteers were satisfied with the effectiveness of pre-service training and expressed high regard for the host family experience as good preparation for service. OIG identified two areas where training could be improved: local-language training and cross-cultural training sessions. Volunteers reported they were generally well-supported by post staff, but they flagged communication from program staff as an area that needs improvement. They expressed satisfaction with the quality of medical care and with safety and security support. However, OIG found that Volunteers were not in compliance with the post's out-of-site policy and Volunteer site locator forms frequently contained inaccuracies, which would make them less useful during an emergency situation.

Management concurred with all 23 recommendations. At the end of the reporting period, 14 recommendations remain open.

Investigations



Zongo River Valley, Bolivia

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 investigates both criminal and administrative misconduct allegations involving Peace Corps staff, contractors, and Volunteers, including violations of Peace Corps and U.S. government standards of conduct. OIG utilizes various techniques to investigate allegations of wrongdoing. In addition, the Investigation Unit continues to work with other offices within the Peace Corps, and with external law enforcement agencies. Allegations are forwarded to OIG through various means, including OIG audits and evaluations, OIG hotline complaints, and by Peace Corps stakeholders, such as Volunteers, trainees, staff, contractors, and other federal entities, as well as the general public.

Prior to September 1, 2008, the Investigation Unit managed and coordinated the agency's participation in the investigative and prosecutorial processes of cases involving violent crimes committed against Volunteers overseas. This function was transferred to the Peace Corps Office of Safety and Security. As agreed upon, OIG continues to provide oversight of legacy cases that occurred prior to the transfer of responsibility. The Investigation Unit remains responsible for investigating allegations of criminal wrongdoing, including violent crimes, committed by Peace Corps staff members, contractors, and Volunteers.

During this reporting period the Investigation Units conducted investigations of criminal and misconduct-related issues; allegations of sexual assault; and investigations of fraud associated with the Federal Employee's Compensation Act, resulting in over \$725,000 in savings to the government. OIG also continues to forward suspension and debarment referrals to the Peace Corps Office of General Counsel. A case reported in the previous Semiannual Report to Congress was accepted by the U.S. Attorney's Office for prosecution.

In July, Attorney General Eric H. Holder, Jr. authorized OIG to exercise statutory law enforcement powers pursuant to Section 6(e) of the Inspector General Act of 1978, as amended and in accordance with the Attorney General Guidelines for Offices of Inspector General with Statutory Law Enforcement Authority. This authority will provide OIG with additional law enforcement tools, including the authority to, upon probable cause, seek and execute warrants for arrest, search premises or seize evidence, make arrests without a warrant while engaged in official duties, and carry firearms.

Legacy Cases

Investigation of a Volunteer Homicide at a West African Post

The U.S. ambassador to a West African post hosted a gathering of former and current law enforcement officials to consider strategies to further the investigation of a Volunteer homicide that occurred in 1998. Law enforcement officials collectively decided that all investigative files would be consolidated under the auspices of the embassy's regional security officer. It was further decided that the local attorney representing the family's interests in this matter will be replaced. The ambassador reaffirmed his commitment to bringing justice to the family and friends of the deceased Volunteer.

Search for a Missing Volunteer at a South American Post

OIG deployed investigators to Bolivia to search for a Volunteer missing since 2001. The investigation was assisted by Bolivian government officials, the U.S. Embassy, and post staff. The search was initiated when OIG learned a retired Bolivian police and military officer was alleged to have information on the Volunteer's whereabouts. The source claimed to have specific information about the Volunteer's death and the location of his remains. The search effort was unsuccessful and the source proved to be unreliable. The investigation remains open. OIG will continue to pursue any credible leads about the missing Volunteer. The Peace Corps will continue to coordinate with the Bolivian government and U.S. Embassy in future efforts to locate the Volunteer.

Criminal and Misconduct-Related Investigations

Sexual Assault Allegation at a West African Post

A Peace Corps country director notified OIG about a possible sexual assault of a female Volunteer by a fellow male Volunteer. OIG investigated the incident at the post and obtained subject and witness statements that supported the victim's allegations. Both Volunteers admitted to consuming large quantities of alcohol prior to the incident. The male Volunteer resigned from the Peace Corps in lieu of administrative separation. The female Volunteer took medical leave for counseling and care in Washington, D.C., but subsequently returned to the post to complete her service.

Sexual Assault Allegation Involving a Former Volunteer

OIG received allegations concerning inappropriate sexual activities of a returned Peace Corps Volunteer (RPCV) who served in West Africa. OIG interviewed the alleged victim, who claimed the RPCV had sexual relations with him when he was a 17- or 18-year-old middle school student. The RPCV confirmed having had sexual relations with the student in exchange for favors while he lived with the student's family. The RPCV stated he believed the student was an adult at the time; however, he now acknowledges the victim was a middle school student. The U.S. Attorney's Office for Washington, D.C., was unable to pursue prosecution in the case because of statutory limitations. The RPCV's scheduled deployment to West Africa with the Peace Corps was cancelled.

Sexual Assault Allegation at a North African Post

A Peace Corps country director notified OIG about a possible sexual assault of a female Volunteer by a fellow male Volunteer. Essential facts surrounding the alleged sexual assault remain in dispute and were not resolved by the investigation. The investigation disclosed that the Volunteers involved engaged in drinking excessive alcohol. The male Volunteer was relocated in-country. The female Volunteer received medical care at her home of record and hopes to return to complete her service.

Arrest of Former Employee for Embezzlement at a West African Post

OIG learned that a former contract employee who disappeared in 2007 after embezzling approximately \$43,000 in Peace Corps funds had returned to the country. With the assistance of OIG and the embassy's regional security officer, local police arrested the former contract employee.

In support of the prosecution, OIG provided local law enforcement with an OIG investigative summary and an audit report. A local judge ordered the former contract employee to remain incarcerated until the trial. OIG referred the incident to the Department of Justice's (DOJ's) Office of Foreign Litigation, which will oversee the interests of the U.S. government in the matter. Additionally, DOJ is considering the case for prosecution.

Extortion, Abuse of Authority, and Misconduct Allegations at an African Post

OIG received an allegation that a contract employee was suspected of using his/her position for personal financial gain. The investigation determined that the contract employee had solicited loans from other staff, misused his/her authority, and used post vehicles for personal use. Additionally, the contract employee failed to exert proper control over the motor pool operations and had frequent unexplained absences from post. Allegations that the contract employee was also involved in a kickback scheme were not proven. The contract employee was placed on probation and subsequently terminated.

Improper Selection Criteria Allegation at Headquarters

A former employee sent a complaint via the OIG hotline alleging that a regional manager insisted that applicants be asked whether or not they were married or had dependants. As a result, those applicants who were married or had children were not selected. The former employee allegedly refused to follow this practice and, as a result, the former employee was not granted an extension of employment. An OIG inquiry found no evidence to substantiate the allegation.

Delinquent Reporting of a Missing Thumb Drive at Headquarters

OIG initiated an investigation into a lost Peace Corps thumb drive that contained personal identifiable information (PII). The investigation disclosed that the thumb drive was unsecured for less than an hour. OIG briefed the Office of Safety and Security and the Office of the Chief Information Officer about the potential breach of PII. The incident was reported to the U.S. Computer Emergency Readiness team and individuals potentially affected by the security breach were informed.

Volunteer Arrested for Drug Possession at a Central Asia Post

OIG received a report that a Volunteer had been arrested by host country law enforcement for possession of narcotics. The initial report indicated that the Volunteer was in possession of a small amount of what police believed to be hashish. The post retained a local lawyer to represent the Volunteer's interests during initial legal proceedings. During a subsequent OIG investigation the Volunteer admitted to possessing and using a small quantity of marijuana. The Volunteer was convicted of a local narcotics charge and resigned in lieu of administrative separation.

Conflict of Interest Involving Selection Criteria for a Vacancy Announcement

An anonymous complaint was received, via the OIG Hotline inbox, alleging that an employee had tailored a position description for which that employee was subsequently selected. The allegation specifically stated that the employee tailored the vacancy announcement so he/she would be the best-qualified candidate. Shortly thereafter, the employee applied for, and was promoted to, the position. Further, it was alleged that the employee lacked the requisite one year time-in-grade requirement and that the vacancy was not advertised for the appropriate time period. The OIG investigation found no evidence of wrongdoing in regard to the employee's participation in the selection process and promotion.

Misconduct Allegation Involving a Senior Headquarters Employee

OIG received an allegation from a country director that, while the employee was at post, the employee allegedly stayed at the finest hotels and conducted personal sightseeing trips on official time. OIG interviewed personnel at the post, at Peace Corps headquarters, and the employee. Additionally, OIG reviewed official travel authorizations, travel vouchers, and time sheets. The inquiry disclosed no evidence of wrongdoing by the employee.

Wrongful Termination Allegation at Headquarters

In a letter directed to the IG, a former employee, who served in an African post, raised several concerns about his/her alleged wrongful termination. The former employee alleged that he/she was wrongfully terminated by Peace Corps senior management without warning or adequate justification. OIG's review of this matter is ongoing.

Embezzlement Scheme Allegation at a Central American Post

OIG investigated an allegation that a program training specialist, who was a personal services contract staff member at a Central American post, had embezzled funds from the post. The investigation confirmed that the staff member had forged a reviewing official's initials and presented fraudulent receipts for payment. The investigation determined that the employee had embezzled over \$600 from the post. As a result of these findings, the staff member resigned from the Peace Corps.

Child Abuse Allegation at a West African Post

OIG investigated an allegation that a Volunteer had assaulted a child at a West African post. The allegation was received through the OIG hotline inbox from an individual who read about the incident on the Volunteer's Internet blog. OIG interviewed village elders and potential witnesses; no statements were made and no evidence was discovered to substantiate the allegation. The Volunteer resigned from Peace Corps service prior to OIG's investigation of the allegation.

Investigation of Federal Employee's Compensation Act Recipients

The Investigation Unit continues to monitor Federal Employees' Compensation Act (FECA) claims. Last calendar year (2009), the Peace Corps paid \$12.2 million for 1,386 active claims for medical care and disability compensation for former staff members and Volunteers who were injured or became ill on the job or during their Peace Corps service. As of the end of this reporting period, Peace Corps spent approximately \$13.1 million on active FECA claims. Unlike other federal entities, workers compensation programs are not limited to agency employees. Under 20 C.F.R. § 10.730, "[A]ny injury sustained by a Volunteer or Volunteer leader while he or she is located abroad presumed to have sustained in the performance of duty, and any illness contracted during such time shall be presumed to be proximately caused by the employment." In addition, any pre-existing condition that may have been aggravated by Peace Corps service is also included.

The Investigation Unit also conducted FECA reviews and alive and wellness checks in San Francisco and the surrounding area. Ten RPCVs were visited. The RPCVs' ages and injuries varied. No allegations of fraud were detected during the visits.

OIG FECA Investigation Saves Agency over \$725,000

OIG investigated an RPCV who had also been a Peace Corps staff member in the late 1990s. OIG's review of U.S. Department of Labor (DOL) district office records disclosed the RPCV had been obtaining full disability income since 2000.

OIG interviewed the RPCV and it was disclosed that he had income, which had not been reported to DOL. Investigators traveled to the Office of Workers Compensation Program (DOL/OWCP) District Office in Dallas and met with DOL officials; the RPCV's benefits were terminated on July 22, 2010. Estimated savings to the agency will be \$19,920 this calendar year and over \$725,000 in future payments. The case has been referred to the appropriate U.S. Attorney's Office.

Tables



Volunteer Lorenz Poland and his host mom
outside her home in Moldova

Tables

1: List of Reports: Audits, Evaluations, and Reviews

Headquarter Audits
Office of Safety and Security: Volunteer Safety and Security Program Audit
Post Audits and Special Reviews
PC/Kenya: Audit
PC/Moldova: Audit
PC/Paraguay: Audit
PC/Suriname: Audit
PC/Ecuador: Special Review
PC/Vanuatu: Special Review
Peer Review of the Audit Organization of the Library of Congress Office of Inspector General
Country Program Evaluations
PC/Suriname: Country Program Evaluation
PC/Togo: Country Program Evaluation

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

Rec#	Report	Questioned Costs ¹	Unsupported Costs ²	Funds Put to Better Use ³
Office of Safety and Security: Volunteer Safety and Security Program Audit				
17	Placement of PCSSOs overseas	-	-	\$185,000
PC/Ecuador: Special Review				
B.1.1	Loss from sale of PC vehicles	\$54,000	-	-
B.1.2				
D.1.1	Minimizing the cost of termination payments	-	-	\$1,200,000
PC/Kenya: Audit				
E.2.1	Peace Corps vehicle sitting idle and awaiting sale for over two years due to the absence of registration documents	-	-	\$23,000
F.1.1	Miscalculation of 2010 PSC contracts	\$800	-	-
PC/Paraguay: Audit				
A.3.1	Five Peace Corps Partnership Program projects that did not have receipts of payment	-	\$39,844	-
D.3.1	Inaccurate personal services contractor bonus	-		\$210
PC/Suriname: Audit				
C.1.1	Emergency payments made to Volunteers due to the late arrival of living allowance checks that were not deducted from subsequent living allowance payments	\$1,733	-	-
C.1.2	Volunteers' hotel and per diem charges in the capital resulting from the late arrival of the settling-in and living allowance checks	-	-	\$1,785
Sub-Totals		\$ 56,533	\$39,844	\$1,409,995
Total		\$ 1,506,372		

¹ Questioned Costs – a cost that is an alleged violation of government or Peace Corps regulations. For example: prohibited purchases and expenditure of funds for purposes that do not relate to the Peace Corps mission.

² Unsupported Costs – a cost that is not supported by adequate documentation.

³ Funds Put to Better Use – a cost that could be used more efficiently, such as 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
A. Reports issued prior to this period			
For which no management decision has been made on any issue	-	-	-
For which some decisions had been made on some issues	-	-	-
B. Reports issued during this period			
	4	\$56,533	\$39,844
Totals of Categories A and B	4	\$56,533	\$39,844
C. For which final management decisions were made during this period			
Dollar value of disallowed costs	4	\$56,533	\$39,844
Dollar value of costs not disallowed	0	-	-
D. For which no management decisions were made during this period			
	-	-	-
E. For which management decisions were made on some issues during this period			
	-	-	-
Totals of Categories C, D, and E	4	\$56,533	\$39,844
Total questioned costs and unsupported costs	4	\$96,377	

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

	Number of Reports	Funds Put to Better Use
A. Reports issued prior to this period		
For which no management decision has been made on any issue	-	-
For which some decisions had been made on some issues	-	-
B. Reports issued during this period	5	\$1,409,995
Totals of Categories A and B	5	\$1,409,995
C. For which final management decisions were made during this period		
Dollar value of recommendations agreed to by management	4	\$1,224,995
Dollar value of recommendations not agreed to by management	1	\$185,000
D. For which no management decisions were made during this period	-	-
E. For which management decisions were made on some issues during this period	-	-
Totals of Categories C, D, and E	5	\$1,409,995

5: Reports with Recommendations on which Corrective Action has not been Completed

Post Audits and Country Program Evaluations

Recommendations Open 60 Days or More			
Report	Date Issued	Number of Open Recommendations	Number of Agency Non-Concurrence⁴
PC/Suriname: Evaluation	7/12/2010	5	-
	Total :	5	-
Recommendations Open 120 Days or More			
Report	Date Issued	Number of Open Recommendations	Number of Agency Non-Concurrence
PC/HQ Peace Corps's Process for Soliciting, Awarding, and Administering Contracts	3/22/2010	15	1 (1)
PC/HQ Office of Safety and Security Audit	4/1/2010	24	0 (1)
	Total:	39	1 (2)
Recommendations Open 180 Days or More			
Report	Date Issued	Number of Open Recommendations	Number of Agency Non-Concurrence
PC/HQ Travel Policies and Procedures Audit	6/27/2006	3	-
PC/HQ Medical Clearance System: Evaluation	3/31/2008	9	0 (1)
PC/HQ Volunteer Safety and Security: Evaluation	8/28/2008	6	1 (3)
PC/Swaziland: Audit	1/8/2009	1	-
PC/Guinea: Audit	3/31/2009	2	-
PC/HQ Purchase Card Program: Audit	3/31/2009	8	4 (1)
PC/Jordan: Evaluation	9/10/2009	9	-
PC/Burkina Faso: Audit	10/27/2009	1	-
PC/Turkmenistan: Evaluation	11/16/2009	5	-
PC/Cape Verde Island: Audit	12/2/2009	2	-
PC/Tanzania: Audit	1/5/2010	2	-
PC/HQ Office of Chief Information Officer: Budget Formulation and Management Audit	1/11/2010	23	4 (1)
PC/Mongolia: Audit	2/1/2010	1	-
	Total:	72	9 (6)

⁴ Numbers in parenthesis indicate the number of open recommendations with which the agency partially concurred.

Financial Statement and FISMA⁵ Recommendations

Recommendations Open			
Report	Date Issued	Number of Open Recommendations	Number of Agency Non-Concurrence⁶
PC/HQ FY 2009 Financial Statement Audit	11/15/2009	15	-
PC/HQ FY 2009 Information Security Program Audit	11/18/2009	24	-
	Total:	39	-

Special Reviews

Recommendations Open 60 Days or More			
Report	Date Issued	Number of Open Recommendations	Number of Agency Non-Concurrence
PC/Morocco: Inquiry of Volunteer Death		3	-
PC/Morocco: Assessment of Medical Care		8	-
	Total:	11	-

⁵ 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 of whether sufficient corrective actions have been taken regarding the prior year recommendations and issue their current notification of findings and recommendations. Prior year findings and recommendations may be re-issued if management has not taken sufficient corrective actions.

⁶ Numbers in parenthesis indicate the number of recommendations with which the agency only partially concurred.

6: Summary of Investigative Activity

Cases	Number	Value
Cases Opened as of 04/1/2010	34	
Cases Opened during 4/1/2010 - 9/30/2010	8	
Cases Closed that were previously Opened	4	
Cases Open and Closed during 4/1/2010 - 9/30/2010	5	
Total Open Cases as of 10/1/2010	33	
Referrals for Department of Justice for Prosecution	1	
Referrals for Agency Administrative Action	9	
Referrals to Other Agencies	0	
Domestic Court Actions		
Trial(s) Pending	1	
Convictions	0	
Acquittals	0	
Judgments	0	
Fines/Restitution	0	
Overseas Court Actions		
Ongoing Prosecutions	3	
Convictions	0	
Acquittals	0	
Judgments	0	
Fines/Restitution	0	
Monetary Results		
Annual Savings	1	\$19,920
Recoveries/Restitution	0	
Cost Avoidance	1	\$725,000
Administrative Actions⁷		
Employees (Resignations and Terminations)	4	
Other Employee Actions	1	
Other Persons/Businesses	0	
Suspension/Debarment Referrals	0	

⁷ For the purpose of reporting investigative activity, Peace Corps Volunteers/trainees are included under the categories of “Referrals for Agency Administrative Action” and “Administrative Actions.”

7: Summary of Hotline and Other Complaints

Complaints Received	18
Complaints Closed	18
Awaiting OIG Action	0
Resulted in Investigations	4
Resulted in Audits	1
Resulted in Evaluations	1
Referred to Agency Management	1
Referred to Other Agency	1
No Action Needed	10

8: References to Reporting Requirements of the Inspector General Act

Act Reference	Reporting Requirements	Page
Section 4(a)(2)	Review of legislation and regulations	n/a
Section 5(a)(1)	Significant problems, abuses, and deficiencies	8-34
Section 5(a)(2)	Significant recommendations for corrective actions	8-34
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	46
Section 5(a)(4)	Matters referred to prosecuting authorities	36-40
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	42
Section 5(a)(7)	Summary of significant reports	20-34
Section 5(a)(8)	Statistical table - questioned and unsupported costs	43
Section 5(a)(9)	Statistical table - funds to be put to better use	45
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

Appendix: Reporting of Peer Reviews

Pursuant to Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203),⁸ the Peace Corps OIG reports the following peer review information:

During the reporting period, there were no peer reviews conducted of the Peace Corps OIG. The Audit and Investigation Units are required to conduct peer reviews and be subject of a peer review every three years.

Audit Unit

In March 2008, The National Endowment for the Arts OIG conducted a peer review of the audit organization of the Peace Corps OIG in effect for the year ending September 30, 2007. There were no recommendations made.

In July 2010, Peace Corps OIG conducted a peer review of the audit organization of the Library of Congress Office of Inspector General in effect for the year ending March 31, 2010. There were no recommendations made.

Investigation Unit

In October 2009, Peace Corps OIG conducted a peer review of the investigation organization of the Library of Congress's Office of Inspector General. There were six recommendations made; all have been closed.

⁸ Section 989C 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.)

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 call or write the Office of Inspector General. Reports or complaints can also be made anonymously.

Call:

Main Office: 202.692.2900
Hotline: 202.692.2915
Toll-free in the U.S.: 800.233.5874

Write:

Peace Corps
Attn: Inspector General
1111 20th St., NW
Washington, DC 20526

Or

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

Email:

OIG@peacecorps.gov

Website:

www.peacecorps.gov/OIG

All information and complaints will be treated confidentially unless OIG determines, during the course of the investigation, that disclosure is unavoidable.

Peace Corps
Office of Inspector General
Paul D. Coverdell Peace Corps Headquarters
1111 20th Street NW • Washington, DC 20526