AGENCY MANAGEMENT AND PERFORMANCE CHALLENGES

Fiscal Year 2027

Since its creation in 1961, the Peace Corps has adhered to the same statutory mission: to promote world peace and friendship through the service of Volunteers. The agency carries out this mission by recruiting and placing Volunteers in partnering countries worldwide. Volunteer service fosters goodwill, develops mutual understanding, and helps build more resilient communities both abroad and in the United States. In this way, the Peace Corps supports stronger alliances, better trade relationships, and serves to counter the influence of adversaries. Through hands-on service, Volunteers help communities identify and achieve locally-driven goals, while also gaining a deeper understanding of global challenges and opportunities. At the end of their service, returned Volunteers bring back leadership, problem-solving, and tactical skills that enhance American businesses and civic life, which makes the United States more globally competitive, safer, and prosperous.

As of September 30th, the Peace Corps' global operations support 3,400 Volunteers and Trainees across 56 posts and 60 countries, which is sustained by a $410.5 million annual budget. The Office of Inspector General (OIG) supports the agency's mission by conducting audits, evaluations, investigations, and reviews to identify ways to improve Peace Corps operations while mitigating fraud, waste, and abuse of Federal funds and property.

INTRODUCTION

In accordance with the Reports Consolidation Act of 2000, OIG submits an annual statement on what we consider the most significant management and performance challenges for the Peace Corps in the coming year. We base our statement on the following indicators: our audit, evaluation, and investigative work; our knowledge of the Peace Corps' activities and operations; and our interviews with agency senior leaders who provided their perspectives and expertise. For fiscal year (FY) 2027, we identified the following challenge areas:

- Volunteer Delivery System
- Volunteer Health and Safety
- Human Capital Management
- Information Technology Security Management

Addressing the components related to these challenge and performance areas will enhance the agency's operational efficiencies, minimize potential fraud, waste, and abuse, and improve mission effectiveness.

AN AGENCY IN TRANSITION

The Peace Corps' mission and the impact of Volunteer service hold significant value for the United States and its partner countries. For the Peace Corps' dedicated staff and Volunteers to continue their mission, the agency must address its top management challenges. These challenges, however, are further compounded in FY 2027 by ongoing organizational changes and notable resource constraints.

In FY 2027, the Peace Corps continued its major restructuring and reorganization initiative to comply with Executive branch requirements for operational streamlining. These efforts—combined with the substantial staff reductions from FYs 2025 through 2026—are also intended to help the agency gain efficiencies that will support its statutory goals.

For example, the agency announced in FY 2025 that it would increase efficiency and streamline operations by lowering staff-to-Volunteer ratios and focusing its resources on Volunteer recruitment and service. Subsequently, it reduced staff by 40 percent in Peace Corps/Washington and by 16 percent in global field operations. [1]

DEPARTMENT OF STRATEGIC AND EXTERNAL AFFAIRS
Leads strategy, planning, performance, internal communications, agency clearance functions, and external engagement, including congressional and public communications.

DEPARTMENT OF GLOBAL OPERATIONS
Consolidates and manages all Volunteer-related functions, from recruitment through service and return, including health, safety, and security.

DEPARTMENT OF ADMINISTRATION AND MANAGEMENT
Serves as the operational backbone, consolidating human resources, finance, technology, and administrative services.

Figure 1 - New Peace Corps Departments

Amidst staff reductions, the agency completed a review of its operational structure and announced its reorganization plan. The agency's implementation of its workforce changes and reorganization plan were both impacted by the 43-day Federal Government shutdown that began in October 2025. The Peace Corps announced its final workforce reductions in March 2026 and launched its reorganization in late April 2026, which realigned agency operations into three departments (see Figure 1).

While the Peace Corps has made unprecedented structural changes within a short period of time, the agency has also experienced a significant number of leadership transitions. In April 2026, the President named Christopher Landau, Deputy Secretary of State, as the Acting Director of Peace Corps, making him the fourth Acting Director or Chief Executive Officer since January 2025. Also, in April 2026, the President nominated a permanent Director, whose confirmation is

[1] To achieve staffing reductions, US direct hire staff (USDH) were offered the option to participate in the Office of Personnel Management's (OPM) Deferred Resignation Program (DRP) twice and were encouraged to seriously consider that option.

awaiting Senate consideration.

As the agency continues to undergo significant changes, it also has reconsidered its Volunteer recruitment goals. In August 2025, the Chief Executive Officer announced a goal to place 8,000 Volunteers in service by 2030. At the beginning of FY 2027, the agency announced that it has established an interim goal of 4,000 Volunteers in service by the end of 2028. They also stated they will reassess the 2030 goal at that time.

While the agency reported closing FY 2026 with 3,400 Volunteers and Trainees in service, it closed FY 2025 with 3,322 active Volunteers and Trainees. The Peace Corps continues to explore a variety of strategies to increase Volunteer recruitment and retention, and to address the persistent shortages it has faced since resuming overseas Volunteer service following the pandemic.

REDUCED RESOURCES AND INCREASING GLOBAL FOOTPRINT

Despite Volunteer retention and recruiting challenges, the Peace Corps' international presence is expansive and growing. Currently, it operates 56 posts across 60 different countries. Recently, the agency reopened a post in Palau, signed a country agreement to return to the Solomon Islands, and announced its intent to place Volunteers in the Federated States of Micronesia and the Marshall Islands. While the agency signals its interest to establish a North Pacific program and to further expand across the Pacific, the Peace Corps has not clarified how it will maintain its existing global footprint with its current financial and staffing levels.

The Peace Corps' annual appropriation has largely been flatlined for almost a decade. From FYs 2016-2022, Congress annually appropriated the agency $410 million. While Congress increased the agency's funding to $430million in FY 2023, its enacted amount was reduced to $410.5 million in FY 2026. The President's proposed FY 2027 budget will restore the Peace Corps' budget to $430 million, while proposing to reduce the overall foreign operations budget by about 29 percent.

Although the Peace Corps' budget has remained static, inflation and operating costs abroad continue to rise, eroding the agency's purchasing power. Moreover, the agency suspended its participation in the President's Emergency Program for AIDS Relief, which accounted for an additional $24-26 million in fiscal resources that the Peace Corps can no longer leverage.

Despite its fiscal challenges, the Peace Corps has not indicated that it will close posts in FY 2027. The agency will be challenged to support an expanded global footprint with currently mandated reduced staffing levels in Peace Corps/Washington and overseas. In addition, the agency has not acknowledged whether it will continue to consider the staff-to-Volunteer ratios as a workforce planning tool while expanding in the Pacific—a challenging operating environment where greater resources are required to support fewer Volunteers than in other parts of the world.

PLANNING FOR THE PEACE CORPS' FUTURE

To successfully navigate the management challenges below, the agency will need to clearly identify and communicate with its stakeholders which functions will be prioritized under its reduced staffing model and accelerate efforts to develop the efficiencies and processes necessary to sustain operations. To make reorganization and restructuring sustainable and effective, it will need to invest in staff development and technology solutions. Peace Corps staff need the proper tools, training, and time to adapt to their changed roles as well as new or expanded responsibilities. The Office of Information Systems has rolled out monthly agency training and tools to help streamline and make work more efficient. The agency is also working to incorporate AI technology into its operations.

To make effective resourcing decisions, the agency will need to define its new baseline for core operations and establish a logical framework for resource allocation. The framework should account for the resources necessary to execute the core functions of a Federal agency, including statutory obligations, as well as a basic level of service. In addition, the agency should assess whether using a staff-to-Volunteer ratio is an effective driver for resource and workforce planning across a global organization where operational challenges can vastly differ by post and country. For example, more than a dozen posts currently have high staff-to-Volunteer ratios, with fewer than 25 Volunteers in service. However, several of these same posts are strategic to U.S. interests or have been assessed through agency processes, such as the Country Portfolio Review, as favorable or well positioned for maintaining a Peace Corps Volunteer presence.

As the agency has been navigating a period of both challenge and change, it has vowed to maintain its focus on Volunteer health, safety, and security. Given the Peace Corps' unique mission, which sees it operate in remote and underserved communities, these core tenets of Volunteer support will always remain a challenge. However, they are also key to Volunteer success.

VOLUNTEER DELIVERY SYSTEM

SUMMARY

The agency continues to struggle to meet its recruitment goals since Volunteers returned to service following the 2020 pandemic-related global evacuation. In August 2025, the Chief Executive Officer announced a goal to place 8,000 Volunteers in service by 2030. At the beginning of FY 2027, the agency announced that it has established an interim goal of 4,000 Volunteers in service by the end of 2028. They also stated they will reassess the 2030 goal at that time. The Peace Corps' FY 2026-2030 Strategic Plan, once approved, will provide a series of performance goals to help meet these goals. The agency has not finalized and published its Strategic Plan. Though the agency has implemented recruitment strategies to increase Volunteer applications, the agency continues to struggle to meet its Volunteer goals.

WHY IS THIS A CHALLENGE?

The Peace Corps uses the Volunteer Delivery System (VDS) to fill overseas requests for qualified Volunteers. The VDS consists of a cycle of activities—to include a medical review process and background investigation—that support Volunteer recruitment, placement, and delivery. The Office of Volunteer Entry and Return (OVER) manages the VDS and coordinates all inter-office VDS activities.[2]

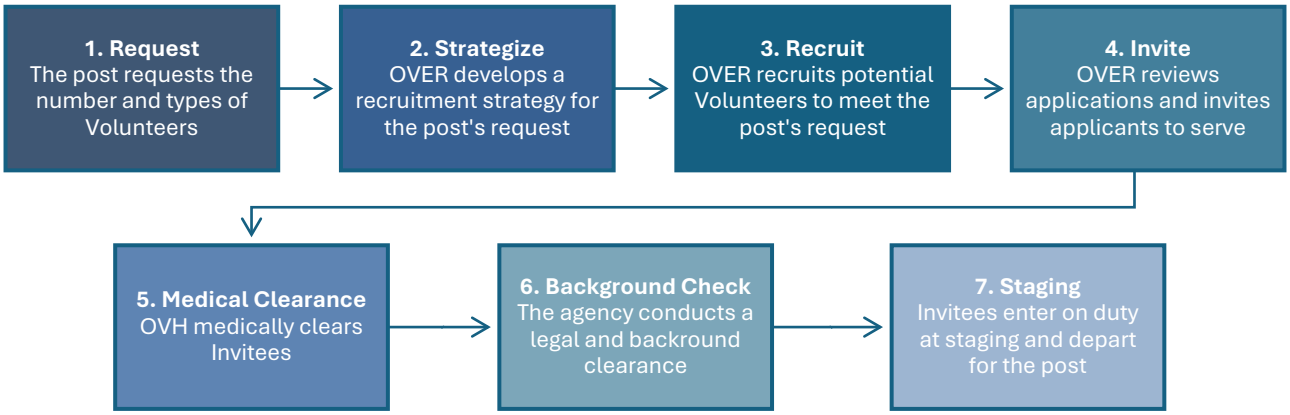


Figure 2. Steps in the Volunteer Delivery System as reported by the agency

The Peace Corps previously did not have a goal in its strategic or annual performance plan that prioritized recruiting a predetermined number of qualified Volunteers. OIG's 2025 Evaluation of the VDS recommended that the agency develop and implement a plan to generate a defined number of qualified Volunteers. As a result, the agency updated the draft of its FY 2026-2030 Strategic Plan to include a goal of 8,000 Volunteers in service by

[2] Several offices support the VDS including: Office of Post Performance and Support (OPPS); Office of Volunteer Health (OVH); and the Office of Strategic and External Communications' Marketing Division.

2030 and submitted it to OIG as evidence of corrective action. Further, the Peace Corps' FY 2027 Congressional Budget Justification (CBJ) outlined that by "…2030, the agency aims to recruit, place, and support 8,000 Volunteers in service, aligning its resources with its core mission of successful Volunteer service, including Volunteer health and safety as the agency's top priorities." However, the FY 2026-2030 Strategic Plan has not been approved.

During OIG interviews, senior staff described several challenges with meeting the agency's recruitment goals, including staffing reductions, budget constraints that limit resources, and the complexities of the medical clearance process.

Applicants and Onboard Strength Remain Low

- Since Volunteers returned to service in 2022, the agency has failed to meet the Volunteer projections identified in its CBJ. In its FY 2026 CBJ, the Peace Corps projected 4,140 Volunteers serving by the end of FY 2026 and a $430.5 million budget. As of September 30, 2026, the agency reported 3,400 Volunteers were serving in the field with a reduced budget of $410.5 million. The FY 2027 CBJ set a lower target of 4,000 Volunteers serving by end of FY 2027 with a requested budget of $430.5 million.

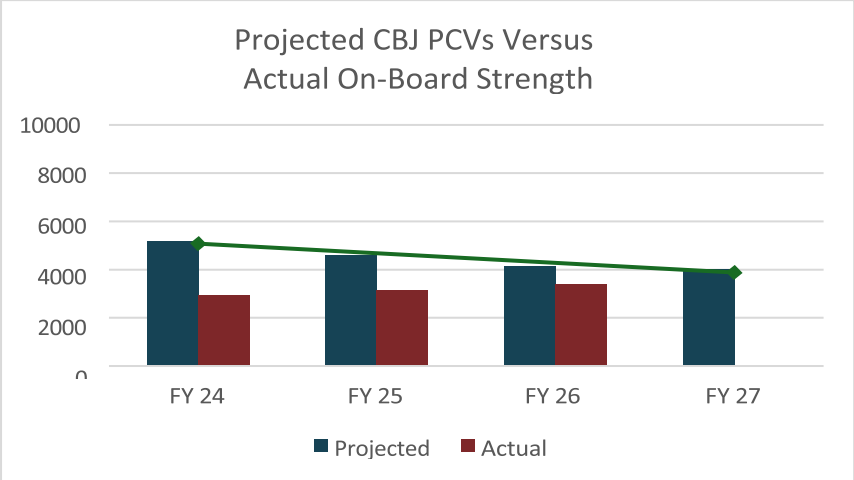


Figure 3. Volunteer On-Board Strength

- The Peace Corps received 13,501 unique applicants[3] in FY 2026; a decrease from 14,141 applicants in FY 2025. The agency has explained that an increase in applicant numbers is essential to reaching its Volunteer goals.
- Pacific Island nations have requested—and remain enthusiastic about—a renewed and expanded Peace Corps presence. However, Volunteer applications and placements in the Pacific have historically been lower than other partner countries due to a variety of operational challenges. As a result, prioritizing the agency's post and Volunteer expansion in the Pacific is unlikely to significantly contribute to its Volunteer goals.

[3] Unique applicants count people who apply for Peace Corps Volunteer and/or Response positions.

Staffing and Budget Limitations

- The agency lost staff through two rounds of the DRP, which resulted in further recruitment-related staffing gaps. At the end of FY 2026, the agency had 11 recruiters, which was down from an average of more than 40 in FY 2023.
- The Peace Corps' FY 2026 appropriated budget was reduced by $20 million. As a result of the budget reduction, agency officials said they will not be able to increase the Volunteer readjustment allowance as planned. The agency intended to advertise this benefit to attract more applicants.
- The agency reorganization required considerable leadership attention and staff engagement, meaning less time and resources were available to focus on Volunteer recruitment and delivery. Though applicant services were consolidated under the new OVER, staff are still adapting to their new roles and responsibilities while maintaining ongoing operations.

RECENT PROGRESS REPORTED BY THE AGENCY

- Staff report that they are using the new VDS dashboards and reviewing system-generated reports on a weekly basis to make more informed recruitment decisions. For example, one VDS dashboard identified that many applicants did not complete the medical portion of the application. As a result, the agency shortened and refined its health questionnaire to make it easier and more efficient for applicants to complete.
- The agency reported a 4 percent increase in applicants for 2-year service from 2025 (10,312) to 2026 (10,725); the agency's primary focus has been increasing Volunteer numbers through the 2-year service model.
- The agency continues to explore additional improvements to the medical clearance process. For example, OVH redesigned its annual Country Health Resource Survey, which evaluates the medical capabilities in a given country to allow more applicants to serve. Also, a new Medical Technical Guideline was implemented allowing cross-border care for Volunteers.
- Between 2025 and 2026, the agency reported that 26 colleges and universities hosted Strategic Campus Recruiters—Returned Peace Corps Volunteers (RPCV) who work part-time as campus-based recruiters by coordinating recruitment events and helping students through the Volunteer application process.
- "Still the Toughest Job You'll Ever Love" marketing campaign is tracking the number of applicants who: contact a recruiter, sign up for Peace Corps emails, click on "attend an event," and start an application. According to the agency, this is all with a focus on strengthening recruitment and increasing applicant numbers.
- The average length of Volunteer service has increased from 21.4 months in FY 2025 to 23.8 months in FY 2026. Extending Volunteer service is one of the agency's priorities.

- New recruitment efforts included launching daily live chats with interested applicants, utilizing 10 contractors to offer front-line support to applicants, expanding outreach through the RPCV network by hiring an RPCV coordinator, and targeting people without 4-year degrees, along with individuals in faith-based organizations, individuals with former military experience, and individuals from underrepresented States.

WHAT DOES THE AGENCY NEED TO DO?

- Consistent with statutory requirements,[4] the agency should finalize and issue its Strategic Plan and annual performance plan. These plans should include performance goals that establish objectives for the number of Volunteers in service and prioritize the recruitment of a predetermined number of applicants.
- The agency should tackle foundational issues within VDS by addressing the recommendations from OIG's 2025 VDS evaluation report, including establishing effective oversight of the VDS with clear decision-making authority and the ability to ensure coordination and communication across the Peace Corps offices that contribute to Volunteer recruitment and placement.
- The agency should prioritize the development of a VDS implementation plan to address recruitment challenges, attract more Volunteers to Peace Corps service, and allocate resources, staffing levels, and tools to meet the agency's goals more efficiently.
- The agency should continue its progress on upgrading and integrating information management and data systems used to support the VDS.
- The agency should focus on increasing the number of applications by using proven initiatives, like the Strategic Campus Recruiter program, to address the persistently low application numbers.
- The agency should continue to use data to identify in which phases of the VDS process applicants stall or disengage.

KEY OIG RESOURCES

Evaluation of the Peace Corps' Volunteer Delivery System (2025)

Follow- Up Evaluation of Volunteer Delivery System (2010)

Evaluation of the Volunteer Delivery System (2003)

[4] *See* 5 U.S.C. § 306.

VOLUNTEER HEALTH AND SAFETY

SUMMARY

Volunteer health and safety is a top priority for the Peace Corps and OIG. The agency faces significant challenges in maintaining the health and safety of Volunteers, including: identifying, screening, and selecting safe and healthy sites for Volunteers to live and work; appropriately staffing and overseeing post health units with limited agency resources; preparing for emergency medical evacuations from remote locations in countries that have limited medical and transportation infrastructure; and delivering timely medication and supplies to approximately 60 health units worldwide.

WHY IS THIS A CHALLENGE?

The Peace Corps places Volunteers in remote locations that often have limited access to medical care, transportation, and reliable communication services. These conditions create significant risks to Volunteer health and safety. To mitigate these risks and foster effective Volunteer service, the agency employs site management practices. Through this process, the posts implement numerous standards and procedures to identify, prepare, approve, and monitor sites where Volunteers can live and work successfully. However, the agency has struggled to consistently implement and effectively oversee site management across its posts.

The Peace Corps operates a health unit at each post and must procure and manage necessary medications and supplies for the Volunteers during their service. In addition, the agency identifies, screens, and selects referral health facilities that are qualified to treat Volunteers when the post's health unit cannot address advanced or specialized needs. Post staff must also identify community health facilities where community members might take a Volunteer in the event of a medical emergency. Additionally, each post must develop medical evacuation plans for Volunteers should an urgent care emergency occur.

SITE MANAGEMENT

According to agency guidance, site management is fundamental to safe and successful Volunteer service. Because Volunteers often serve in remote communities with limited access to medical care, transportation, and communications infrastructure, the Peace Corps relies on site management processes to identify, approve, and monitor Volunteer placements while mitigating safety, security, and medical risks. Peace Corps Volunteers who have a well-defined site, counterpart, and work assignment, coupled with adequate ongoing support, are much more likely to integrate into their communities and develop the relationships that are necessary for a safe and productive Peace Corps service.

Figure 4. Overview of Peace Corps Site Management.

Site Development Key to Volunteer Health, Safety, and Security

- In the past year, OIG's evaluation work identified weaknesses in the posts' ability to develop sites that support safe and healthy Volunteer service. At one post, OIG found that Volunteers were placed at sites that left them exposed to heightened health and safety risks, leaving them vulnerable to potential harm. At another post, site management gaps led to poorly defined work assignments for Volunteers prior to their placement, impacting service effectiveness.
- OIG inspections of Volunteer housing have repeatedly found that Volunteers were placed in homes that did not meet agency health and safety requirements, particularly regarding gas tank and cooking safety. OIG assesses propane-fueled stoves carefully due to lessons learned from the unfortunate propane gas tank-related death of a Volunteer in 2019 at a post.
- The agency has struggled to maintain the critical documentation needed for site identification, approval, and monitoring; information that is necessary to protect Volunteers from unsafe placements. Poor post leadership and oversight of site development processes have also contributed to site issues.
- Under the Peace Corps' current budget and staffing environment, its continued expansion into the Pacific poses significant challenges for the agency. Island countries often lack robust medical infrastructure, regularly experience natural disasters, and can be exceptionally difficult and expensive to evacuate from in the event of a medical emergency that requires a Volunteer to seek urgent care.

Staffing and Operating Health Units Abroad

- The agency recently announced the upcoming closure of its Volunteer program in South Africa, which has historically served as the region's major hub for medical evacuations. The agency plans to retain its presence in South Africa solely as a regional medical, safety, and security hub and provide oversight from Peace Corps' post in Botswana. While this model has been previously explored, the viability of this approach remains unclear because the Peace Corps has not operated under this model.
- OIG has previously reported on the cost-saving practice of having an outside post provide support to another post, known as 'piggybacking.' The agency recently implemented this approach in Palau (with oversight from the Philippines). OIG evaluations have documented instances where staff were not given sufficient time to prepare for these additional responsibilities; the supporting post often did not share the same language or currency as the supported post, which complicates administrative procedures; and Peace Corps Medical Officer (PCMO) staff were burdened by heavy workloads while being overextended. To further reduce costs, the agency may be considering this approach as it plans to expand in the Federated States of Micronesia and Marshall Islands. The agency should carefully assess each situation and implement mitigation strategies to fully address resource issues and

other concerns that have surfaced from prior experiences with this model. See Figure 5 for an overview of the PCMO's involvement in the Peace Corps' health care system and their many responsibilities.

- As OIG has previously reported, some health units have struggled to comply with the agency's requirements to identify and screen referral health facilities where Volunteers might be referred to for care.

Deliver and Manage Medication and Supplies

- OIG routinely inspects medical inventory at the posts and has repeatedly identified issues with medication shipments and the agency's centralized vendor for medical supplies. OIG found that the vendor shipped incorrect quantities of medications, delivered medication and supplies that were nearing expiration, and did not adequately communicate with post staff about their orders.
- In addition, OIG found numerous issues with the posts' management of controlled substances, which presents a high risk for abuse, misuse, and theft. These risks were further evidenced in OIG's medical inventory reviews, where the posts were found to have missing, incomplete, or inaccurate Drug Enforcement Administration logbook entries, irregular documentation, and failures to maintain secure storage and proper segregation of duties among staff.

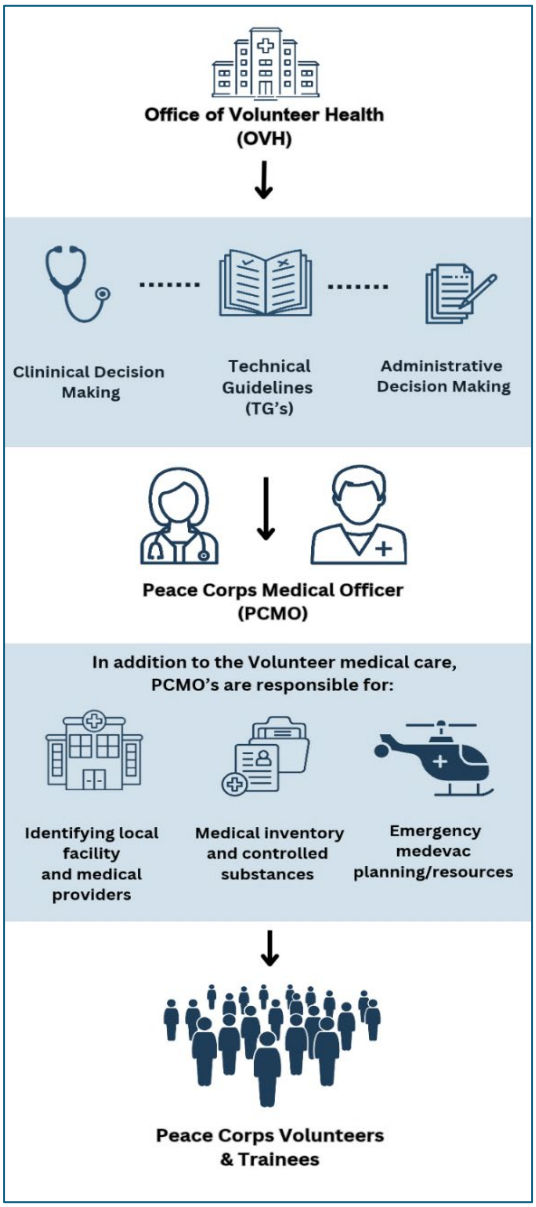


Figure 5. Overview of Peace Corps Health System

- The agency recognizes that its medical supply chain management program has challenges and is working on improvements to this process. The agency has requested OIG to consider initiating a review of this program in late FY 2027.

RECENT PROGRESS REPORTED BY THE AGENCY

- The agency improved its assessment of community health facilities and referral facilities by clarifying its policies, improving its tracking of assessments, and strengthening its training for health unit staff.

- Two of the posts OIG recently visited generally complied with most critical health, safety, security, and housing standards.
- The agency took several actions to improve medical inventory management by improving communication and visibility of the medication ordering process.
- Volunteers at the posts OIG recently evaluated reported positive experiences with the health support provided by the PCMOs.

WHAT DOES THE AGENCY NEED TO DO?

- The agency should take steps to monitor and improve its site management by focusing on adherence and oversight of standards related to: Volunteer housing; crime history at sites; host family and counterpart vetting and training; and community healthcare and referral facilities.
- Based on prior lessons learned and best practices, the agency should establish guidelines and standards for managing health units from outside of the country-of-service.
- The agency should improve its oversight of the medical supply chain's management process to reduce the volume of short-dated medication that the posts receive.

KEY OIG RESOURCES

OIG Semiannual Report to Congress for the Period April 1, 2026, to September 30, 2026

Evaluation of Peace Corps/Mexico: Volunteer Health, Safety, and Security at Site (2026)
Evaluation of Peace Corps/Guatemala: Volunteer Health, Safety, and Security at Site(2026)

Evaluation of Peace Corps/North Macedonia (2026)

Management Advisory Report on Post Medical Inventory: Promising Practices in Peace Corps/The Gambia Can Inform Needed Improvements in Peace Corps/Namibia (2025)

Management Advisory Report: Assessment of Post Re-entry Health and Safety Reviews' Findings (2024)

Evaluation of the Office of Health Services' Technical Guidelines' Revision and Implementation Process (2024)

Review of the Facts and Circumstances Surrounding the Death of a Peace Corps/Ghana Volunteer (2021)

MAR: Review of the Circumstances Surrounding the Death of a Volunteer in Peace Corps/Comoros (2019)

Review of New Country Entry Guidance for Conflict-Affected Environments (2019) New Country Entries: Lessons Learned (2014)

HUMAN CAPITAL MANAGEMENT

SUMMARY

Human Capital Management (HCM) continues to be a challenge for the Peace Corps and other Federal agencies. Personnel turnover and HCM at the Peace Corps have been identified as significant challenges by OIG for the past 14 years. Moreover, strategic HCM has been listed by the U.S. Government Accountability Office as one of the Federal Government's highest-risk areas since 2001. As a foundational activity in all Government operations, the efficiency and effectiveness of HCM directly impacts the agency's ability to deliver on its mission.

WHY IS THIS A CHALLENGE?

The Peace Corps continues work to address the significant changes to the Federal HCM landscape. Numerous executive orders and implementing guidance memos initiated a Government-wide HCM transformation designed for achieving greater efficiencies, strengthening merit hiring, reducing the size of the Federal workforce, and improving workforce performance culture. The Peace Corps focused on implementing these initiatives while executing staffing reductions and organizational restructuring. Agency restructuring remains ongoing and its impacts are yet to be fully realized.

The Peace Corps manages diverse staffing systems both domestically and abroad. The agency meets its staffing needs by hiring U.S. Direct Hire (USDH) employees, including experts; foreign service nationals (FSN); and locally hired personal service contractors (PSC). There are distinct requirements and hiring processes for each staff category, with different Peace Corps offices responsible for administering them.

The Peace Corps continues to operate under the five-year rule (FYR),[5] which is a statutory requirement unique to the Peace Corps that imposes frequent staff turnover. The FYR, combined with the previous Federal hiring freeze, which was lifted at the beginning of FY 2026, concerned senior managers due to their inability to hire and backfill vacancies. Until the freeze was lifted, the agency relied on its newly created Headquarters-to-Overseas Program (HOP) to backfill critical overseas positions through internal staff reassignments. While the agency has increased its number of exempted positions,[6] the FYR will continue to impose workforce turnover on an already reduced workforce. The agency currently lacks an overarching strategic direction, plan, and performance measures on which to base its workforce planning. Without a finalized strategic plan, the agency will struggle to determine its future workforce needs.

[5] Under the Peace Corps Act, appointments of United States citizens to the Foreign Service by the Peace Corps are generally for a term of 5 years

[6] Under the Peace Corps Act, the Director of the Peace Corps may designate Peace Corps positions as critical management or management support positions that require specialized technical or professional skills and knowledge of Peace Corps operations, as exempt from the FYR.

Staffing Reductions and the Five-Year Rule

- In FYs 2025 and 2026, the agency focused on reducing staff numbers, due in part to Executive branch direction and financial constraints. By using the Government-wide DRP and attrition, retirements, resignations, and a limited number of involuntary separations, the Peace Corps achieved its target number of 575 USDH staff.

Staff Category	January 2025	August 2026	Percent Reduction
USDH and Experts	951	572	40%
Personal Service Contractors	1,870	1,586	16%

Table 1. Reduction in Staffing Levels

- The agency made its workforce reduction decisions without sufficient time to conduct a comprehensive workforce analysis. While the agency conducts an annual staffing review process, without conducting a comprehensive workforce analysis and extensive strategic workforce planning, the agency cannot ensure whether it has the appropriate number of personnel, with the necessary skills and competencies, in the right positions and at the right time to effectively fulfill its mission.
- The impact of the significant changes and uncertainty experienced by staff over the past 2 years on morale and employee engagement is yet to be quantified. The most recent Federal Employee Viewpoint Survey conducted prior to the 2025 and 2026 agency staff reductions and reorganization revealed declining indices of employee satisfaction and experience while improving indices of employee engagement and performance confidence.
- Forty-eight percent of staff are expected to experience turnover from the FYR within the next 2 years, which will create staffing gaps, loss of skilled personnel, and diminished institutional memory.[7] Consequently, the Office of Human Resources (OHR) will require additional capacity to timely process the corresponding surge in staff turnover and personnel actions.
- In FY 2027, post vacancies for overseas USDH positions will include a total of 19 (33 percent) of all Country Director positions, 8 (13 percent) Director of Management and Operations positions, and 5 (8 percent) Director of Programming and Training positions. The overseas USDH recruitment and hiring process can take a long time due to requirements of the positions and a complex onboarding process, including security and medical clearance requirements.

[7] These numbers do not reflect staff who may be eligible for appointment extensions.

Agency Reorganization

- In mid-September 2025, the Chief Executive Officer announced that staff at Peace Corps/Washington would be working under a reorganized work structure by January 2026.[8]
- On April 15, 2026, staff were notified about the new organizational structure and timeline.

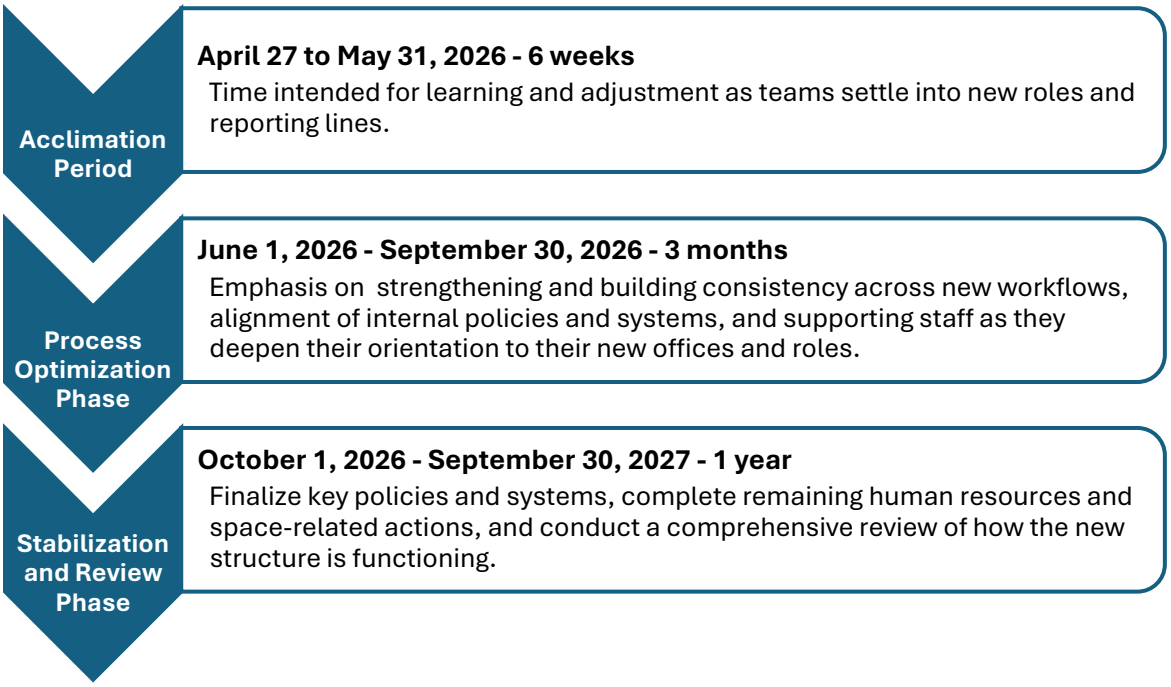


Figure 6 – Peace Corps phases of reorganization

- On April 27, 2026, the new reporting lines and staff assignments took effect, with some roles transitioning more gradually than others. While the agency issued guidance to supervisors to update performance plans for affected staff by August 31, many staff have since been working without updated position descriptions (PD). A new component for staff PDs, a Capsule –a short position-specific supplement to a PD that will add task-level clarity and align with its scope—is scheduled to be provided to employees on December 31, 2026, 8 months after staff have assumed their new duties and responsibilities.
- The agency reported that a continuing resolution passed on November 12, 2025, (Public Law No. 119-37) impacted the anticipated timing of the agency's restructuring due to language that broadly prohibited agencies from using funds to "initiate, carry out, implement, or otherwise notice a reduction in force" through

[8] The agency reported that a continuing resolution passed on November 12, 2025, (Public Law No. 119-37) impacted the anticipated timing of the agency's restructuring due to language that broadly prohibited agencies from using funds to "initiate, carry out, implement, or otherwise notice a reduction in force" through January 30, 2026.

January 30, 2026.

Integration and Oversight of Systems and Processes

- No single Peace Corps office is responsible for managing agency-wide human capital resources for staff, which includes USDHs, PSCs, and FSNs. Additionally, the agency has different performance management systems for each staff category, which prevents Peace Corps staff from establishing a unified system or standardized performance management assessment.
- Human capital systems and institutional knowledge are dispersed across multiple offices at Peace Corps/Washington and numerous overseas posts, which further complicates the agency's access, coordination, and oversight of its human capital resources.
- An OIG management implication report (MIR) in 2025 cited 10 open human capital information technology-related recommendations, which ranged from conducting an agency assessment to modernizing the Peace Corps OHR systems.
- A 2022 OIG audit highlighted systemic weaknesses in USDH payroll and benefits and recommended stronger monitoring structures to reduce risk and improve accountability in Peace Corps/Washington's payroll processing. The audit found that OHR and the Office of Finance[9] did not establish effective oversight procedures to reconcile payroll transactions and remediate deficiencies. Without targeted improvements, payroll mismanagement could undermine employee trust, the agency's financial integrity, and operational efficiency.
- Over the past year, the Office of Personnel Management (OPM) has significantly increased its volume of agency notices and data calls, and issued more than 120 memoranda, policies, and guidelines concerning the Federal workforce. Many of these OPM circulations focus on streamlining HR systems and processes. Reviewing and implementing the multitude of new requirements has further strained OHR's staff capacity at a time when the office was supporting an agency-wide reorganization, transition to a new personnel action processing system, and significant workforce reductions.

RECENT PROGRESS REPORTED BY THE AGENCY

- OHR has been developing a new classification framework for all agency PDs. Standardizing PDs across the agency will enable the Peace Corps to align its workforce with mission priorities more effectively. The agency reports that employees are expected to receive their new PDs and job-specific Capsules by the end of the 2026 calendar year.
- The agency is scheduled in FY 2028 to migrate its HCM systems onto an OPM shared services platform (called Core HCM), which is expected to standardize and

[9] Formerly named the Office of Human Resource Management and Office of the Chief Financial Officer.

streamline HCM across the Government and increase HCM efficiencies.

- OIG has extensively documented how excessive personnel turnover impacts staffing and knowledge management. Certain position exemptions from the FYR have been authorized in recent years to mitigate staff turnover.

WHAT DOES THE AGENCY NEED TO DO?

- The agency needs to finalize its strategic plan as well as conduct comprehensive workforce analysis and planning to ensure human resources are allocated in the most effective manner that will support the Peace Corps' mission.
- As noted in the Overview section, if the Peace Corps intends to use a refined staff-to-Volunteer ratio as an annual workforce planning tool, it should delineate its fixed costs, which are generally not affected by the fluctuations in Volunteer numbers.
- As raised in last year's management challenges report, the agency should continue to look at critical management and core support functions as potential exempt positions from the FYR requirements.
- The Peace Corps should integrate its human resources systems to allow for better oversight and coordination via Core HCM.
- The agency should implement OIG's human capital-related recommendations, including the training recommendations from the 2022 OIG payroll audit, open recommendations from the 2023 Evaluation of Human Resources Management for Overseas Contract Staff, and address the prioritized recommendations cited in the 2025 Human Capital Management MIR.
- The agency should leverage the results of its recently administered Federal Employee Viewpoint Survey and take action to address previously noted concerns with overall employee morale, engagement, and satisfaction—all critical factors in retention and turnover reduction.

KEY OIG RESOURCES

Executive Order 14356, Ensuring Continued Accountability in Federal Hiring –The White House

OPM Guidance on Executive Order 14356, Ensuring Continued Accountability in Federal Hiring

Executive Order 14170, Reforming the Federal Hiring Process and Restoring Merit to Government Service

Merit Hiring Plan

Presidential Memorandum, Hiring Freeze

Management Implication Report: Recommendations Issued to the Peace Corps Regarding Human Capital Management (2025)

Evaluation of Human Resources Management for Overseas Contract Staff (2023)

The Peace Corps Management of Payroll and Benefits for U.S. Direct Hires (2022)

Recurring Issues Report: Common Challenges Facing Peace Corps Posts (2020)

Management Implication Report: Challenges Associated with Staff Turnover (2017)

Final Report on the Program Evaluation of the Peace Corps - Training of Overseas Staff (2014)

Final Audit Report: Peace Corps Overseas Staffing (2013)

Evaluation of Impacts of the Five-Year Rule on Operations of the Peace Corps (2012)

INFORMATION TECHNOLOGY SECURITY MANAGEMENT

SUMMARY

OIG's review of the Peace Corps' information technology (IT) security management indicates that additional efforts are needed to strengthen IT controls across multiple areas, address IT vulnerabilities and cybersecurity breach response issues, and substantially improve the agency's information security program.

WHY IS THIS A CHALLENGE?

The Peace Corps' IT networks and systems house a significant amount of sensitive data, including staff and Volunteer medical and personal information, as well as mission-critical data necessary for agency operations. The agency's information systems are subject to serious threats that can exploit and compromise this sensitive information if not properly addressed.

Information Security Program

- As in previous years, the annual Federal Information Security Modernization Act (FISMA) review for FY 2026 found that the agency did not have an effective information security program. The Peace Corps' overall compliance with FISMA remained at a Level 2 status (Level 4 is an effective program as defined by OMB).
- The FY 2026 FISMA review identified security weaknesses in 9 of 10 domains, and OIG noted that 6 prior-year recommendations still need to be addressed. OIG also issued 8 new recommendations to address deficiencies.

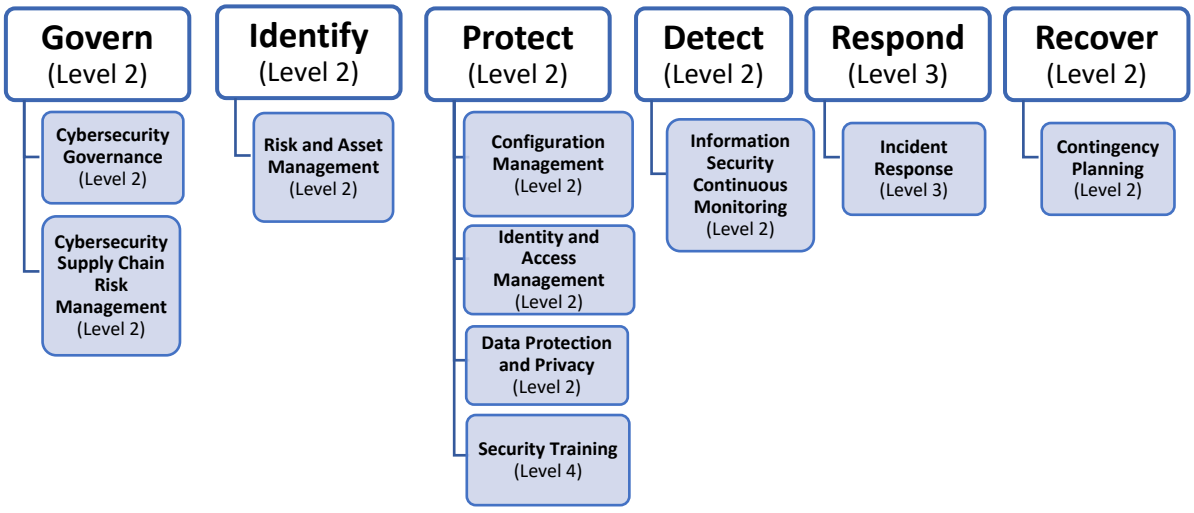


Figure 7 – FY2026 FISMA Function and Domain Maturity Ratings

IT Vulnerabilities and Misconfigurations

- In FY 2025, OIG's penetration testing of the agency's IT network identified multiple risks, ranging from informational to critical-severe. OIG's review also included a simulated phishing campaign and review of the agency's vulnerability management. The testing used known hacker attack methods to identify network vulnerabilities.
- While the Peace Corps closed four of the seven recommendations from OIG's FY 2025 testing, it has not implemented the remaining three recommendations, which are related to reducing the risk and threats from phishing campaigns.

RECENT PROGRESS REPORTED BY THE AGENCY

- The agency closed two FISMA recommendations from prior year reports related to supply chain risk management policies and established formal cybersecurity profile processes.
- During the FY 2026 FISMA review, the agency achieved its first Level 4 rating for 1 of the 10 domains reviewed, which is considered "Managed and Measurable" and officially considered effective by OMB standards.
- In FY 2024, OIG issued a Management Advisory Report (MAR) assessing the Peace Corps' response to three security incidents that occurred from 2022 through 2023. The agency had an insufficient cybersecurity incident response process and needed improvement with Federal compliance and network monitoring. The agency closed the final open recommendation from the MAR in FY 2026 by demonstrating that Peace Corps tools were configured to meet operational needs and provide adequate network logging and monitoring to mitigate the risk of cyberthreats.

WHAT DOES THE AGENCY NEED TO DO?

- The agency needs to address OIG's FY 2026 FISMA report recommendations, as well as unresolved recommendations from prior years, to progress towards a Level 3—Consistently Implemented maturity level for its information security program.
- Of the 10 domains reviewed during the FY 2026 FISMA review, 9 remain at a Level 2 or 3 and need improvement.
- The Peace Corps needs to address the remaining IT vulnerabilities and misconfigurations identified in three open recommendations in a Special Report on the Peace Corps' Information Technology Environment, which will help minimize the risks associated with phishing attacks on the network.

KEY OIG RESOURCES

Review of the Peace Corps' Information Security Program for FY26 (2026)

Special Report on the Peace Corps' Information Technology Environment (2025)

Management Advisory Report: Cybersecurity Breaches Highlight a Need for Improvement in Peace Corps' Incident Response (2024)