Office of Inspector General

TO: Carolyn Hessler-Radelet, Acting Peace Corps Director

FROM: Kathy A. Buller, Inspector General

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

DATE: October 26, 2012

In accordance with the Reports Consolidation Act of 2000, OIG is submitting what it has
determined to be the most significant management and performance challenges facing the Peace
Corps. The challenges, discussed in the attachment to this memo, are to be included in the
agency's PAR for FY 2012. OIG has concluded that three of the five areas it identified as
management and performance challenges in previous years continue to present significant
challenges at the Peace Corps. Further, for FY 2012 OIG has included two challenge areas
(Property Management and Protection of PII) under "Business Processes and Information
Systems" that were previously presented separately. In addition, OIG has identified three new
challenge areas.

This year's challenge areas are:

- IT Management (first reported in FY 2009)
- Effective and Timely Remediation of OIG Findings and Recommendations (FY 2010)
- Business Processes and Information Systems (FY 2011)
- Excessive Personnel Turnover (new)
- Programming and Volunteer Training (new)
- Accountability of Medical Supplies (new)

These challenges illustrate the most significant areas OIG believes need improvement for the
Peace Corps to effectively manage its resources and minimize the potential for fraud, waste, and
abuse occurring in its operations. By addressing the issues related to these challenge areas, the
agency could potentially increase operational efficiencies and improve mission effectiveness.

Attachment

Peace Corps' Management and Performance Challenge Areas

Challenge   IT Management

As noted in previous years the most significant risk for this challenge area is ensuring that limited resources will be put to use where most needed. OCIO has made significant progress in managing IT resources by improving its customer service through enhancements in how it responds to meet customer requirements and restructuring and streamlining its operations. OCIO has also aligned IT resources with the agency's business processes by establishing programs to better link goals and objectives to resources and developing a business process five-year Enterprise and Architecture and a roadmap to guide its work. Further, OCIO management continues to make substantial IT upgrades at overseas locations.

Management has also made good progress in strengthening Peace Corps' IT security management and further improvements to the process are ongoing. However, some issues associated with FISMA compliance that were discussed in prior year challenges statements have not been fully resolved. For example, some processes for configuration management have not been completely implemented; various contingency plan testing weaknesses still exist at both overseas posts and headquarters; and some risk assessment and systems security planning documentation have not been completely updated. Achieving full compliance with federal laws and regulations that apply to managing the Peace Corps' IT infrastructure are continuing management challenges. Resourcing issues continue to have a major impact on OCIO priorities as evidenced by high personnel turnover in key technical areas due in large part from term limited personnel appointments imposed by law and availability of qualified resources to fill vacant positions. As a result, throughout the past fiscal year OCIO has been about 20 percent below its programmed staffing strength.

Challenge   Effective and Timely Remediation of OIG Findings and Recommendations

Over the last two years OIG has been reporting a challenge related to untimely remediation of OIG findings and recommendations. Although management has made progress in remediating findings and recommendations, it continues to not be timely in taking corrective actions necessary to remediate the deficiencies noted in OIG reports. During FY 2012 management fully remediated 121 recommendations of the 245 recommendations issued in FY 2012 and took actions to close 96 prior year's recommendations. The table below indicates the total number of recommendations open for more than 180 days for the last eight years.

OIG Open Audit/Evaluation Report Recommendations

Fiscal Year OIG Report Issued	Number of Open Post and Agency-wide Recommendations	Number of Open FISMA and Financial Statement Audit Recommendations
2012*	27	N/A
2011	34	6
2010	7	3
2009	2	5
2008	5	4

2007	0	5
2006	0	0
2005	0	1
2004	0	1
Total No. of Open Recommendations	**75**	**25**

*Includes only those open since March 31, 2012. The FY 2012 FISMA and
Financial Statement Audit Recommendations have not been included.

The lack of effective and timely remediation of OIG findings and recommendations is a trend that has continued through the current fiscal year. There are a number of significant audit and evaluation findings and recommendations that have remained in an open status for 2-8 years. Although the agency generally remediates recommendations for overseas posts in a timely and efficient manner, remediation of some of the more complex recommendations requiring corrective actions that change how the agency operates as a whole or have wide-ranging impact has not been closed timely. More complex recommendations often involve a more substantial level of effort and broader coordination and communication. For example, some recommendations having an impact on information security and property accountability have been open for more than two years. OIG believes agency management needs to place greater emphasis on improving its overall remediation process to include focusing on the higher priority and long outstanding recommendations.

Challenge   Business Processes and Information Systems

Although the Peace Corps continued to streamline operations and improve the technology that supports key business processes and critical Volunteer support functions, it is constrained by limited resources and inadequate planning. A responsive management team that provides quality support services to Volunteers will require enhanced business processes and modern IT systems.

Agency business processes must also support effective internal controls and access to reliable data. During the past fiscal year, OIG's work has disclosed some common problems related to maintaining effective internal controls. According to OMB Circular A-123, "Management is responsible for establishing and maintaining internal control to achieve the objectives of effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations." It is imperative agency management implements the necessary automated and manual controls throughout their processes to ensure the desired results are achieved. The agency is improving its controls through recent revisions to policies and procedures and automated solutions in areas such as Volunteer payments, property management, and bills of collection. However, some important initiatives to improve business processes have been delayed or postponed. Further, management must develop monitoring mechanisms to ensure their controls are operating effectively. As shown in OMB Circular A-123, "Monitoring the effectiveness of internal control should occur in the normal course of business. In addition, periodic reviews, reconciliations or comparisons of data should be included as part of the regular assigned duties of personnel. Periodic assessments should be integrated as part of management's continuous monitoring of internal control, which should be ingrained in the agency's operations."

Although progress has been made, the agency still requires improvements in critical mission areas such as:

Property Management
The Peace Corps reported having property valued at $35.2 million in FY 2012. Accountability over Peace Corps property, such as vehicles, furniture, and computer equipment, continues to present challenges for management. The agency's new property accountability system was deployed in the fourth quarter of FY 2011. The Office of Management (OM) assisted posts in rectifying some of the initial system implementation issues and provided additional hands-on training to general services managers in August 2012. OM continues to work closely with staff members responsible for property management. However, OIG's FY 2012 audits found that posts were still struggling to design work processes around the new system and that the initial data loaded into the system had inaccuracies. In addition, OIG's external auditor continues to report that the agency has not taken the necessary corrective actions to ensure accurate tracking of assigned laptop computers at headquarters. Management has acknowledged the internal control deficiencies found by the external auditor and recently initiated corrective actions.

Safety and Security
The agency continues to improve aspects of its safety and security program however it has not yet established some critical processes, such as developing a system to ensure safety and security recommendations are implemented by posts. The majority of the 42 posts visited by OIG in 2009–2011 struggled to fully implement agency safety and security policies and procedures, specifically with regards to emergency action plans and consolidation points, Volunteer housing, site locator forms, and security background certifications for staff. For example, while the agency has established instructions to assist in these areas, additional training and monitoring are needed to ensure consistent implementation at posts. Similarly, the agency made progress by entering into a memorandum of understanding (MOU) with the DOS in May 2012 defining the roles and responsibilities for responding to staff and Volunteer safety and security incidents overseas. The execution of the MOU was included in a recommendation in the 2010 audit of the Volunteer safety and security program and subsequently mandated by the Kate Puzey Peace Corps Volunteer Protection Act of 2011(P.L. 112-57). While the execution of the MOU is an important milestone, dissemination of the MOU, follow up guidance from the Office of Safety and Security, and training will determine how effectively the MOU will be implemented. Given the decentralized nature of the Volunteer safety and security program and the number of overseas personnel with safety and security roles, it will be a management challenge to adequately train and oversee staff to ensure posts are fully complying with agency policies and guidance, a finding that was reported in OIG's 2008 *Final Program Evaluation Report: Volunteer Safety and Security.*

Data Management
As the agency automates business processes, proper data management is essential to ensure the accessibility of useful and accurate data. Several new systems that will streamline operations and provide more robust data for management analysis and decision making are being developed. For example, the agency deployed systems to automate fleet vehicle management and process requests for personnel actions, and is piloting an e-solution to automate the process for approving employee leave. However, progress in modernizing the Peace Corps' timekeeping system has

been delayed due to the inability of current available products to fulfill the timekeeping requirements for overseas staff. Further, the Peace Corps continues to process travel requests and reimbursement submissions manually. Although the General Services Administration has recently awarded a new vendor contract for a government-wide e-travel system slated to begin in FY 2013, the agency's review of system capabilities and necessary subsequent training may push actual Peace Corps' implementation of the new system to sometime in FY 2014. Another major initiative is the new electronic medical records system to be fully deployed in FY 2014, which will have a component that will give the agency access to data on medical expenditures and other important related information. These systems are essential for recording and tracking useful data to help managers make informed decisions.

Protection of PII
This challenge was identified by OIG in FY 2009, and although the number of reported breaches decreased during FY 2012, the issue continues to be of concern. The agency reported six PII breaches in FY 2012 compromising the data of 17 individuals. One of the reported breaches involved 40 boxes of information containing post files that went missing. The extent to which those boxes contain PII and the number of affected individuals is unknown. In a separate incident, a box of records containing completed confidential financial disclosure report forms (OGE Form 450) was lost during an office move. Agency officials concluded that this loss was not a PII breach. Although OGE Form 450 does not ask for PII, it is possible some agency staff members provided such information with the forms submitted. Since FY 2009, the agency has updated incident response policy and modified breach notification policy, provided training in New Employee Orientation, with additional training offered after a confirmed breach; and reduced paper files containing PII through the DOVE automated system. The agency is in the process of automating the medical records, which will further reduce the paper files containing PII.

Challenge   Excessive Personnel Turnover

In June 2012 OIG issued its final report on the impacts the 'five-year rule' (FYR) has had on operations of the Peace Corps.[1] Peace Corps management concurred with the report's five recommendations and is in the process of formulating its plan for reform. The FYR, which became law in 1965, generally limits employment of Peace Corps' U.S. direct hire personnel to five consecutive years (two 30-month tours). The purpose of the FYR was to create a constant flow of new employees including returned Peace Corps Volunteers (RPCVs) and overseas staff; avoid the inflexibility associated with the civil service system; and prevent employees from working their entire career at Peace Corps. OIG's evaluation found that the FYR has enabled the agency to attract a mission-driven, energetic workforce and to employ RPCVs extensively, including in leadership positions at overseas posts. However, the FYR has caused unique employee retention problems and exacerbated a range of common management challenges.

The FYR has accelerated the annual rate of employee turnover to between 25 and 38 percent, quadruple that of the rest of the federal government. Most employees do not stay for five years; average employee tenure over the past 10 years has been just under three years. High turnover has undermined the agency's ability to retain its employees on the basis of performance, conduct

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[1] Final Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps

succession planning, ensure continuity of needed skills and abilities, provide training and professional development to staff; and deploy its workforce efficiently.

The FYR has weakened the agency's ability to attract and retain highly qualified professionals in the areas of contracting, financial management, IT, human resources management, and medical support functions. It has also led to frequent staffing gaps in key management positions overseas. Further, the practice of employing staff on 30-month tours has compromised performance management by allowing supervisors to avoid actively managing underperforming employees. Finally, OIG estimated that over the five-year period from 2005-2009, excessive turnover driven by the FYR accounted for approximately 60 percent of $20.7 million in total turnover management costs.[2]

Challenge   Programming and Volunteer Training

Programming and Volunteer training is at the heart of the Peace Corps' operations and enables the agency to achieve its primary mission. In 2012 OIG issued the report *Recurring Issues: OIG Post Audits and Evaluations Fiscal Years 2009–2011*, which identified recurring management and performance challenges associated with the agency's ability to effectively place, train, and support Volunteers. OIG has continued to identify and report challenges related to programming and Volunteer training in its country program evaluation reports issued in 2012, with common problem areas being site development, the adequacy and applicability of Volunteer training, and coordination with host country ministries and project partners.

Site development
Placing Volunteers in sites where they are safe, healthy, and productive is essential to their success. Insufficient site development can result in inappropriate sites where Volunteers struggle to achieve programming goals. Sixty-nine percent of OIG evaluation reports issued in FYs 2009–2011 contained recommendations related to site development. Posts frequently had not established or documented clear site development processes, nor ensured that staff had been sufficiently trained to carry out their site development responsibilities. To mitigate site development weaknesses, the agency presented training sessions on site identification and preparation at their worldwide conferences in 2012 for country directors and directors of programming and training. Additionally, the agency added an indicator in the FY 2012 annual performance plan that measures Volunteers' satisfaction with site selection and preparation to underscore the importance of this issue and to promote the identification of opportunities for performance improvement.

Volunteer Training
Training provides Volunteers with important knowledge and skills needed for productive and fulfilling service. Seventy-five percent of the posts OIG evaluated in FY 2009–2011 had training deficiencies. Language and technical training were two areas commonly in need of improvement. In some posts, technical training lacked relevance to Volunteers' sites or was not practical enough to prepare them to carry out primary assignments. Some posts needed to make

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[2] This estimate only includes direct costs and did not take into account costs that were more difficult to quantify, including: the loss of expertise when high-performing staff appointments ended; reductions in productivity; or gaps in institutional memory and knowledge.

improvements in language training, particularly in local language instruction or access to tutors or other self-directed language training methods during service. Posts frequently needed better methods to assess training effectiveness and take well-informed steps to improve training. The agency's "Focus In/Train Up" initiative should help improve training if posts implement the changes needed to focus programming and deliver relevant training.

Host Country/Project Partner Coordination
OIG evaluations have consistently reported that post relationships with host country ministries and project partners often need improvement. Some posts have not adequately engaged key project partners in programming, including project design and implementation. Others have not sufficiently communicated project results and Volunteer achievements to host partner ministries and organizations. Not all posts had established formal communication methods that brought multiple parties together, such as project advisory committees. Without a structured way to work with project partners, posts were not able to take full advantage of their partners' expertise. Some posts had not developed and maintained MOUs with host country ministries and project partners. The agency is encouraging the use of project advisory committees (PACs) to ensure local partners are consulted throughout the cycle of a project. The FY 2012 annual performance plan also includes an indicator that sets targets for program managers' use of PACs to improve performance and gather best practices. As a result, PACs use increased from 33 percent of all projects in FY 2011 to 69 percent of projects in FY 2012.

Challenge   Accountability of Medical Supplies

Audit and investigative work performed during FY 2012 has clearly shown that agency management needs to continue to place strong emphasis on improving accountability of medical supplies. The Peace Corps maintains medical supplies to provide Volunteers with needed vaccinations, medications, and emergency medical support. Peace Corps posts spend approximately $5 million a year on medical supplies. In FY 2008, the Peace Corps substantially revised its medical supply policies and procedures to provide adequate separation of duties; track the purchasing, dispensing, and disposing of medical supplies; and mitigate the risk of loss or theft. During FY 2012 the Office of Medical Services (OMS) further revised its policies and procedures by issuing technical guidance and provided training on the policies and procedures to country directors, Peace Corps medical officers and other overseas staff. It also regularly communicated with posts to provide support. In the past year OMS further enhanced support by providing on-site assistance to four posts, and performing detailed analyses of medical supply inventory submissions from posts. Also, management has been reviewing options for automating elements of medical supply inventory which could potentially strengthen accountability.

Although OMS has taken an active role in improving accountability of medical supplies, OIG has found that many posts have continued to struggle with implementing policy requirements, including separating medical supplies custody from recordkeeping responsibilities; establishing proper workflow processes; and maintaining accurate and complete medical supply inventories. Without sufficient oversight and compliance of the policies and procedures associated with internal control, the Peace Corps has been unable to maintain accountability and adequately ensure that medical supplies were not vulnerable to theft, loss, and spoilage. This lack of effective oversight by post management contributed to opportunities for fraud, waste, and abuse.

For example, a recent OIG review of an African post found that post management did not enforce policies and procedures or maintain accurate and complete inventory records and failed to document receipt and dispensing of controlled substances as required by federal regulations. In addition, prescription medications at the post were being dispensed without consultation of a medical professional, potentially placing Volunteers at risk. Further, there was no accountability of over $165,000 worth of medical supplies it received from another post. Effective control over medical supplies is crucial to ensuring that Volunteers receive proper medical services and minimizing exposure to loss, theft, and misuse of expensive medical supplies including controlled substances.