


Office of Inspector General

TO: Carrie Hessler-Radelet, Acting Peace Corps Director
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FROM: Kathy A. Buller, Inspector General 

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

DATE: November 27, 2013

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 2013. OIG has concluded that the following six areas present significant challenges at the Peace Corps.

This year's challenge areas are:

- IT Security Management (first reported in FY 2009)
- Business Processes and Information Systems (FY 2011)
- Volunteer Safety and Security (reported under Business Processes and Information Systems in FY 2011)
- Excessive Personnel Turnover (FY 2012)
- Programming and Volunteer Training (FY 2012)
- Accountability of Medical Supplies (FY 2012)

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. Addressing the issues related to these challenge areas would enable the agency to increase operational efficiencies and improve mission effectiveness.

Attachment

Peace Corps' Management and Performance Challenge Areas

Challenge Information Technology Security Management

Why This is a Challenge

An effective information technology (IT) security program helps protect an agency's data from being misused by both internal and external sources and minimizes the potential of having its most sensitive data compromised. The federal laws and regulations governing IT security are specifically designed to strengthen an agency's management of its related programs and provides for significant enhancements in the capability to prevent serious information security incidents from occurring. A cornerstone of IT security in the federal environment is the Federal Information Security Management Act (FISMA).¹ Its overall goals include the development of a comprehensive framework to protect the government's information, operations, and assets. Since Fiscal Year (FY) 2009, OIG has reported in its management and performance challenges that the Peace Corps has not achieved full compliance with FISMA. OIG continues to find that FISMA compliance is a management and performance challenge for the Peace Corps.

Progress in Addressing the Challenge

Management has not progressed in strengthening the Peace Corps' IT security management programs through greater FISMA compliance and in some cases has regressed since FY 2012. Several issue areas 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; performance of required risk assessments is not being consistently accomplished; and systems security planning documentation has not been completely updated. Further, the Peace Corps is lacking an effective Plan of Action and Milestones process. Absent an effective Plan of Action and Milestones process it cannot efficiently track and remediate known security weaknesses or cross-reference them to the agency's budget system as required by the Office of Management and Budget (OMB). Other identified high risk deficiencies include an ineffective information security risk management framework and lack of a program for performing continuous monitoring of agency systems.

What Needs To Be Done

Achieving full compliance with FISMA and other federal laws and regulations that apply to managing the Peace Corps' IT security infrastructure is critical to establishing a program that ensures the agency's information, operations, and assets are adequately protected. The Peace Corps needs to place greater emphasis on improving FISMA compliance and timely remediation of IT security weaknesses that have been identified through internal, OIG FISMA, and other reviews. This will require sufficiently prioritizing agency time and resources to eliminate weaknesses and improve its IT security program.

¹ Pub. L. No. 107-347. The law was passed by Congress and signed by the President as part of the E-Government Act of 2002.

Key OIG Resources

[Peace Corps FY 2012 Performance and Accountability Report
OIG Semiannual Report to Congress, October 1, 2012 to March 31, 2013](#)

Challenge Business Processes and Information Systems

Why This Is a Challenge

Although the Peace Corps continues to streamline operations and improve the technology that supports key business and Volunteer support processes, 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 information systems. Agency business processes must also support effective internal controls and access to reliable data. OIG's work 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 that agency management implements the necessary automated and manual controls throughout its processes to ensure the desired results are achieved.

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 implemented a new property accountability system in FY 2012. However, OIG audits found problems with the implementation, including incorrect information loaded into the system from the start. In addition, OIG's external auditor continues to report internal control gaps over property, plant, and equipment.

Data Management

As the agency automates business processes, proper data management is essential to ensure the accessibility, usefulness, and accuracy of data. OIG audits and evaluations have identified several essential functions that remain largely paper-based, such as travel, medical supply management, payment vouchers, and several human resource functions (for example, leave approval, performance appraisals, and travel compensation time). As a result, data is more prone to human error and less easily analyzed for management decisions, and data management processes are less efficient than an automated workflow.

In addition, offices should carefully consider what controls are automated and how to gain efficiency as they automate more functions. For example, the agency implemented an automated system for posts to request Volunteer payments. When the system was implemented, the process for making non-recurring payments to Volunteers no longer required the full review of a financial management officer (FMO). Although the FMO examined a selection of the payments, it was not a sufficient number or statistical sample as required by federal regulation. As a result, payments totaling \$2.8 million were made to Volunteers from FY 2010 to FY 2013 that were not properly certified.

Progress in Addressing the Challenge

This challenge relates to various agency functions that are managed by different offices. Progress improving processes or systems is dependent on the managing offices' priorities and resources. Several offices have placed high importance on reviewing their processes, identifying key controls, and developing sustainable procedures and system solutions to ensure efficient and effective operations. For example, the agency realigned several offices that manage small grants into one office, the Office of Strategic Partnerships. In doing so, the agency aligned processes, re-evaluated controls, and implemented new procedures to ensure posts and Volunteers received clear and consistent guidance on using small grants to further their work. The agency is also developing a grants management enterprise system to automate workflow and maintain data. Another example is the Volunteer Delivery System, which automated and modernized the recruitment, placement, and medical clearance processes. As a result, the applicant processing time was shortened, paperwork was significantly reduced, and staffing resources were saved by adding automated controls and reviews. In addition, by automating many of the paper files containing personally identifiable information, the agency has reduced the risk of personal and medical information being lost or stolen.

In FY 2014 the agency plans to continue streamlining operations and improving the technology that supports key business processes, including a customer relationship management database that supports several offices and functions and a medical supply management system.

What Needs To Be Done

The agency must continue to assess its operations and identify ways to streamline and improve its business processes. Competing agency priorities requires that senior management must prioritize initiatives and coordinate efforts. Proper prioritization and coordination will help management to allocate the appropriate resources and manage the changes in an efficient and effective manner.

Key OIG Resources

[OIG FY 2014 Annual Plan](#)

[Management Advisory Report: Certification of Volunteer Payments](#)

[Recurring Issues: OIG Post Audits and Evaluations FYs 2009-2011](#)

Challenge Volunteer Safety and Security

Why This Is a Challenge

While Peace Corps service is often a fulfilling, life-defining opportunity, there are inherent safety risks, including the risk of sexual assault or other serious crime incidents. The agency has identified Volunteer safety and security as a primary objective and a responsibility of staff, Volunteers, and trainees. In 2011, sexual assault victims, agency officials, and subject matter experts testified before Congress, and victims called on the agency to adopt the highest standards for response and care. During the past two years the agency has developed policies, response

protocols, and Volunteer safety and security training programs mandated by Congress under the Kate Puzey Volunteer Protection Act of 2011 (Kate Puzey Act).²

The Kate Puzey Act required that the agency enter into a memorandum of understanding (MOU) specifying the duties and obligations of the Peace Corps and the Department of State Bureau of Diplomatic Security (DOS/DS) with respect to the protection of Volunteers and staff members, including investigations of safety and security incidents and crimes committed against Volunteers and staff. The need for formal agreement between the agency and DOS/DS to clarify roles and responsibilities when crimes are committed against Volunteers was cited by OIG in its 2010 Audit of the Volunteer Safety and Security Program and in testimony by the Inspector General before Congress as an important element to ensure that a thorough response effort is carried out. While the execution of the MOU in 2012 was an important milestone, how the agreement is implemented will determine whether it enhances Volunteer safety and security.

Additionally, despite improvements, posts continue to struggle to fully and consistently implement agency safety and security policies and procedures. Further, the agency has not developed a system to ensure safety and security recommendations are implemented by posts. During FY 2014 OIG will perform a follow-up review of OIG's FY 2010 audit to determine if progress has been made.

Many of the policies and Volunteer training modules mandated by the Kate Puzey Act were developed, issued and implemented during FY 2013, along with staff training on roles and responsibilities related to Volunteer sexual assault and serious crime. Some significant elements of the policy went into effect on September 1, 2013, such as a process for victims to make restricted reports and assigning a Sexual Assault Response Liaison at every post. Given the considerable changes made to these policies, the decentralized nature of the Volunteer safety and security program, and the number of headquarters and overseas personnel with safety and security roles, it will be a management challenge to adequately train and oversee staff to ensure compliance with agency policies and delivery of required services to victims of crime.

Progress in Addressing the Challenge

In 2011 the agency issued a seven-point Commitment to Sexual Assault Victims statement to Volunteers and staff that spelled out a framework for response to sexual assault victims predicated on compassion, safety, open communication, and respect for privacy. A victim advocate was hired and an office established to work with Volunteers, post and headquarters staff to enhance response and care. As noted, the agency made progress by entering into an MOU with DOS/DS, defining roles and responsibilities for responding to staff and Volunteer safety and security incidents overseas. Additionally, as required by the Kate Puzey Act, Volunteer sexual assault risk reduction and response (SARRR) training was developed incorporating best practices in the field and consultation with subject matter experts. Initial Volunteer survey results indicated that it was effective. The agency has trained some, but not all overseas staff, on the sexual assault policies, and intends to train all relevant staff once the comprehensive sexual assault policies have been finalized.

² Pub. L. No. 112-57.

The agency developed the Coordinated Agency Response System (CARS) to assist in the coordination of appropriate services to Volunteers who are victims of crime. CARS is also intended to enhance post and headquarters-level compliance and implementation of sexual assault policies and procedures in support of Volunteers who are victims of crime.

The agency has addressed high crime environments in Latin America by making significant programmatic and support changes in the field. For example, in 2011 the agency identified posts in Latin America at greater risk for serious crime incidents. The agency used that data to initiate programming changes in key areas, including transportation, geographic distribution of Volunteers and, in some cases, post closures. The agency reported that their actions resulted in a 30% decrease in serious crimes against Volunteers in the region.

What Needs To Be Done

The majority of the 60 posts OIG visited from 2009-13 struggled to fully implement agency safety and security policies and procedures. While the agency continues to improve aspects of its safety and security program, it has not yet established some critical processes. One such process is a system to ensure safety and security recommendations are implemented by posts, specifically with regards to emergency action plans and consolidation points, Volunteer housing, and site locator forms. The agency has established instructions to assist in these areas; however, additional training and monitoring would ensure more consistent implementation at posts. Volunteer SARRR training was implemented in 2011 and all Volunteers who received Pre-Service Training (PST) received SARRR training. However, SARRR training is not provided consistently to Peace Corps Response Volunteers, who do not receive PST.³ The agency will need to update its written guidelines and provide applicants and Volunteers with the required information and training once the comprehensive sexual assault policies have been finalized. The agency will need to ensure that all overseas staff have been trained on its sexual assault policies and carefully track completion of on-line training.

Additionally, the agency does not use a centralized case management system to verify that sexual assault response requirements have been fulfilled, assess performance, and make process improvements. In addition to providing training and guidance on implementation of the MOU to agency staff, the agency should ensure that country directors engage with U.S. Embassy's regional security officers to review field implementation of the MOU, including support services available under the agreement.

Key OIG Resources

[OIG FY 2014 Annual Plan](#)

[Final Evaluation Report: Peace Corps Sexual Assault Risk Reduction and Response Training](#)

[Final Evaluation Report: Peace Corps Volunteer Sexual Assault Policy](#)

[Final Report: Review of the Peace Corps' Implementation of Guidelines Related to Volunteer Victims of Rape and Sexual Assault](#)

[Recurring Issues: OIG Post Audits and Evaluations FYs 2009-2011](#)

[IG's Congressional Testimony House Committee on Foreign Affairs](#)

[IG's Congressional Testimony Senate Foreign Relations Subcommittee](#)

³ Peace Corps Response provides qualified professionals the opportunity to undertake short-term assignments in various programs around the world.

Challenge Excessive Personnel Turnover

Why This Is a Challenge

In June 2012, OIG issued its final report on the impacts of the “five-year rule” (FYR) on operations of the Peace Corps. Peace Corps management concurred with the report’s five recommendations. The FYR became law in 1965 and limited employment of Peace Corps’ U.S. direct hire personnel to five consecutive years worked over two separate ‘tours’ of 2.5 years each. OIG’s evaluation found that the FYR, as intended, enabled the agency to create a constant flow of new employees including returned Peace Corps Volunteers; avoid the inflexibility associated with the civil service system; and prevent employees from working their entire career at Peace Corps. However, the FYR accelerated the annual pace of employee turnover to between 25 percent and 38 percent, quadruple the average turnover rate in the federal government. The average tenure of agency employees over the past 10 years was just under three years. Excessive personnel turnover at Peace Corps exacerbated a range of common management challenges. Excessive turnover has undermined the agency’s ability to retain employees on the basis of performance; conduct succession planning; manage the continuity and transfer of essential knowledge, skills, and abilities; provide training and professional development to staff; and deploy its workforce efficiently.

In addition, the FYR weakened the agency’s ability to attract and retain highly qualified professionals in the areas of contracting, financial management, information technology, human resources management, and medical support. It led to frequent staffing gaps in mission-critical positions overseas. Further, the practice of employing staff on 30-month tours compromised performance management by allowing supervisors to avoid actively managing underperforming employees. OPM recently characterized this unintended effect of the FYR as “a threat to effective performance management and mission accomplishment, and a risk to effective [human capital] management in accordance with the merit system principles and in compliance with Federal laws, rules, and regulations.” OIG estimated that over the five-year period from 2005-09, excessive turnover driven by the FYR accounted for approximately 60 percent of \$20.7 million in total turnover management costs.⁴

Progress in Addressing the Challenge

In March 2013, the agency revised certain policies related to the administration of its personnel system. These changes included: appointing new hires for a period of five years rather than thirty months, adjusting probationary periods relative to the longer appointments (with a goal of generally converting current employees to five-year appointments), and clarifying procedures for separating employees during their probationary period.

⁴ This estimate only included 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.

These recent policy and procedural changes will need to be assessed against their intended purposes, i.e., reduced turnover and enhanced recruitment.

What Needs To Be Done

Although the Peace Corps concurred with the five recommendations OIG made to reduce the negative effects the FYR has had on agency operations, all five remain open. The open recommendations are: (1) that the Director carry out the necessary reforms to the FYR to reduce the rate of employee turnover and increase the average length of employment of the agency's direct hire employees; (2) that the Director identify which functions should be subject to periodic turnover to meet the needs of the agency, and implement a process to manage turnover so that the agency retains qualified personnel on the basis of merit and performance; (3) that the Director identify the agency's core business functions and positions that currently suffer from frequent staff turnover and lack of continuity, and determine and implement a process for acquiring and retaining qualified personnel to perform those functions on the basis of merit and performance; (4) that the agency raise expectations among supervisors to actively address employee performance issues and provide supervisors with the training and support to correct inadequate performance and separate employees who do not improve; and (5) that the agency put in place more robust processes and systems to gather and analyze data on the causes of unwanted, early employee resignations, and develop data-driven solutions to curb the pace at which employees resign early.

Key OIG Resources

[Final Evaluation Report: Impacts of the Five Year Rule on Agency Operations](#)

Challenge Programming and Volunteer Training

Why This Is a Challenge

Programming and Volunteer training are at the heart of the Peace Corps' operations and enable 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 FY 2012 and FY 2013, 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. Seventy-three percent of OIG evaluation reports issued in FYs 2009-13 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. Many posts also failed to ensure that Volunteer housing had been thoroughly inspected and adhered to housing criteria.

Volunteer Training

Training provides Volunteers with important knowledge and skills needed for productive and fulfilling service. Seventy-three percent of the posts OIG evaluated in FYs 2009-13 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 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.

Host Country/Project Partner Coordination

Sixty-two percent of the posts OIG evaluated in FYs 2009-13 reported that post relationships with host country ministries and project partners needed 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. Furthermore, some posts had not developed and maintained memoranda of understanding with host country ministries and project partners. Without a structured way to work with project partners, posts were not able to take full advantage of their partners' expertise.

Progress in Addressing the Challenge

The agency has demonstrated an awareness of these issues and has taken several steps to increase its focus on them.

Site Development

In 2012, the agency added an indicator in its annual performance plan that measures Volunteers' satisfaction with site selection and preparation. The performance plan stated that the agency was going to improve guidance to posts and set appropriate expectations with Volunteers regarding site selection and preparation. The Inter-America and the Pacific region developed standardized site development and monitoring guidance in 2012 and in 2013 both the Europe, Mediterranean, and Asia and Africa regions issued versions of standardized site development and monitoring guidelines. As these guides are implemented the agency hopes to see improvements to site development and progress with Volunteer satisfaction regarding site selection and preparation.

Volunteer Training

Since 2011, the agency has been implementing a "Focus In/Train Up" initiative designed to improve programming and Volunteer training. The agency reports Focus In/Train Up is on track to reduce the number of total projects from 211 in FY 2009 to 161 in FY 2014, a 24 percent reduction. The agency has developed standardized learning objectives that are currently being piloted and are expected to be rolled out globally in FY 2014. The agency has also provided monitoring and evaluation training to overseas programming and training staff to better measure the effectiveness of programming and training. Although progress has been made, posts are still implementing important components of these initiatives designed to improve the delivery and assessment of Volunteer training.

Host Country/Project Partner Coordination

The agency created the Office of Strategic Partnerships in February 2012 to assist posts in developing and implementing partnerships. In addition, the FY 2012-14 annual performance plans include an indicator that measures the percentage of project managers who meet with local partners as part of a project advisory committee (PAC). According to the 2012 *Performance and Accountability Report*, PAC use increased from 33 percent of all projects in FY 2011 to 69 percent of projects in FY 2012. The agency reports that in FY 2013, the level of PAC use increased to 85 percent.

What Needs To Be Done

There are a variety of factors that contribute to issues with site development, Volunteer training, and host country/project partner coordination. In some cases, improved staff training would help make sure that staff are knowledgeable of important manual sections and guidance they need to follow. In other cases, headquarters needs to provide posts with the management tools, information technology, and oversight that will help them carry out agency policy and procedures.

Key OIG Resources

[Recurring Issues: OIG Post Audits and Evaluations FY 2009-2011](#)
[Country Program Evaluation Reports FY 2009-13](#)

Challenge Accountability of Medical Supplies

Why This Is a Challenge

The Peace Corps maintains medical supplies to provide Volunteers with needed vaccinations, medications, and emergency medical support. Posts must maintain appropriate levels of medical supply inventory to provide quality Volunteer medical care. Peace Corps policy establishes the controls over the procurement, receipt, storage, dispensation, and disposal of medical supplies. The controls are designed to ensure Volunteers' medical needs are met in a timely manner, that medical supplies are not expired and are authentic, and that medical supply inventory records are accurate and complete. Failure to fully implement medical supply policies creates opportunities for theft, diversions, waste, or other abuses at the posts that could have a serious negative impact on Volunteers' health.

OIG first began reporting medical supply accountability as a systemic weakness in FY 2008. At that time, 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. However, consistent implementation of these medical supply policies across all posts has been a recurring issue. OIG post audits and investigative work repeatedly found that posts did not fully comply with agency policy and were not ensuring medical supplies were properly secured. Specifically, OIG found that posts were not consistently establishing proper separation of duties, physically safeguarding medical supplies, and implementing an effective process to track and record medical supplies as they were received, transferred, dispensed, and disposed.

Progress in Addressing the Challenge

During FY 2013 the Office of Health Services (OHS) continued to provide training and support to posts that struggled to implement the policy. In addition, OHS enhanced its oversight and analyses of medical supply inventory submissions from posts by identifying posts with significant discrepancies and conducting follow-up. The agency reported its follow-up included twenty-three full site assessments, seven site assisted trainings, on-going review of Special Designated Drugs inventory, individual country feedback on policy adherence and overseas staff training for medical officers and country directors. Two of OIG's four post audits issued in FY 2013 found that post was generally in compliance with the Peace Corps' medical supply policies; an improvement over prior years.

OHS has contracted for an electronic medical record system. The requirements for this system includes an electronic medical inventory tracking component that will index and track medical inventory and provide reports for management to use in overseeing the supplies across the world. Management anticipates that this system will help improve medical supply accountability. The system is expected to be rolled-out for FY 2015, and in early 2016, OHS will begin tracking and analyzing base line data.

What Needs to Be Done

Because of the limited number of staff at posts, several key medical supply responsibilities are assigned to staff that have other primary duties. As a result, these responsibilities may not receive the priority and attention to detail necessary to identify errors and stop theft or fraud. Headquarters and post management must provide sufficient training and oversight of staff to ensure policy is followed.

When the Peace Corps implements an automated medical supply inventory system, it must develop a work process that maintains the necessary separation of duties, tracks the supplies at a transaction level, and reports on lost or stolen supplies. The agency must clearly communicate the roles and responsibilities regarding the information system and train staff on its use. In the meantime, the agency must continue to train post staff on the various roles and responsibilities, emphasize to posts the importance of following policy, and hold posts accountable when controls are not in place and operating effectively.

Key OIG Resources

[OIG FY 2014 Annual Plan](#)

[Capstone Report: 2012 Medical Inventory Issues](#)

[Management Advisory Report: Breakdown of Internal Controls of PC/Burkina Faso Medical Unit](#)

[Recurring Issues: OIG Post Audits and Evaluations FYs 2009-2011](#)