Office of Inspector General

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FROM: Kathy A. Buller, Inspector General Kathy A. Buller

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

DATE: November 3, 2014

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (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 Performance and Accountability Report for fiscal year (FY) 2014. The challenge areas on "Programming and Volunteer Training" and "Accountability of Medical Supplies" that appeared in last year's Inspector General's statement were not included this year because management has taken corrective actions to remediate related issues discussed in OIG audit and evaluation reports. In addition, the agency has made progress in addressing Volunteer safety and security, and as a result, we have removed it as a separate challenge. Instead we have highlighted aspects of it that remain a challenge under "Business Processes."

OIG has concluded that the following four areas present significant challenges at the Peace Corps:

- IT Security Management (first reported in FY 2009)
- Business Processes (first reported in FY 2011)
- Excessive Personnel Turnover (first reported in FY 2012)
- Training Overseas Staff (new for FY 2014)

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

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. They also provide for significant guidance that serves to prevent serious information security incidents from occurring. A central part of an IT security program in the federal environment is the Federal Information Security Management Act (FISMA), which was passed by Congress and signed into law by the President as part of the E-Government Act of 2002.[1] Its overall goals include developing a comprehensive framework to protect the government's information, operations, and assets. Since FY 2009, OIG has reported in its management and performance challenges that the Peace Corps has not achieved full compliance with FISMA or fully implemented an effective IT security program. Some of the issues identified have been outstanding for over five years and the agency has struggled to implement corrective actions.

Further complicating this challenge, the Peace Corps plans to move a portion of its data media and information to cloud storage and transfer email services to a cloud service provider during FY 2015. In September 2014, a pilot of cloud email and collaboration tools was initiated. These efforts are a major undertaking and the need for an effective and FISMA compliant IT security program prior to fully transitioning to the cloud is critical.

Progress in Addressing Challenge
Management has made some progress in strengthening Peace Corps' IT security management programs through measures taken to improve its FISMA compliance. The agency has recently re-established a plan of action and milestones program and has begun following up on documented IT security vulnerabilities. However, there are a number of FISMA issue areas that were discussed in prior year challenge statements that have not been fully resolved. For example, although management has initiated a continuous monitoring program, including information on some of its systems, the program does not contain all the required aspects to be complete; some configuration management processes have not been fully implemented; contingency plan testing weaknesses still exist at overseas posts, headquarters, and regional recruiting offices; and systems security planning documentation has not been completely updated. Further, the Peace Corps has not fully implemented a comprehensive agency-wide risk management program that is effective in monitoring, identifying, and assessing security weaknesses, and resolving related problems at the entity or business process levels.

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 having a program that is effective in ensuring the agency's information, operations, and assets are adequately protected. The Peace Corps needs to place greater emphasis on improving its information security program, including accomplishing greater FISMA compliance, and timely remediation of IT security weaknesses that have been identified internally, and through the annual FISMA and other

[1] Pub. L. No. 107-347.

reviews and audits. The Peace Corps will need to place a sharper focus on improving its IT security program by assigning sufficient qualified personnel and prioritizing the agency time and resources necessary to become fully FISMA compliant and eliminate weaknesses.

Key OIG Resources
Peace Corps' FY 2013 Performance and Accountability Report
Peace Corps' FY 2014 Performance and Accountability Report
OIG Semiannual Report to Congress, April 1 to September 30, 2014

Challenge Business Processes

Why This Is a Challenge
Although the Peace Corps continues to improve key business processes and critical Volunteer support functions, as well as streamlining its operations, it is constrained by decentralized processes and a lack of modern systems. Specifically, the agency continues to be challenged in the areas related to Volunteer safety and security, data management, and property management.

Volunteer Safety and Security
In May 2012, the Peace Corps Director and the Department of State (DOS) signed a memorandum of understanding (MOU) to formalize the relationship and further define and clarify individual roles and responsibilities for overseas safety and security regarding Peace Corps staff and Volunteers. However, consistent implementation of the agency's responsibilities remains a challenge because the agency's safety and security program is a decentralized process with the responsible staff located within multiple offices both at headquarters and overseas.

Furthermore, the lack of consistent communications with DOS regional security officers (RSOs) has impacted the agency's implementation of the MOU. On September 1, 2013, in response to the Kate Puzey Act, the Peace Corps changed its crime reporting system to remove sensitive sexual assault details. However, the Peace Corps erroneously stopped sending RSOs details for all crime incidents, not just those classified as sexual assaults. It took over six months for RSOs to receive any official explanation from the Peace Corps about the change.

Data Management
Although the Peace Corps is working on modernizing some of its businesses processes, OIG audits and evaluations continue to find that several essential business functions remain largely paper-based, such as processes for travel, medical supply management, payment vouchers, and several human resource functions (leave approval, performance appraisals, training records, and travel compensation time). The Peace Corps lack of automated business processes has led to inefficiencies and duplication of efforts, as well as data being more prone to human error.

Property Management
As of the third quarter of FY 2014, the Peace Corps reported having a total property net value of $29.6 million. OIG and Peace Corps external audits continue to find issues with property system reliability. In FY 2012, the agency implemented a new property accountability system to better manage its assets; however, there have been significant problems with data accuracy.

Progress in Addressing the Challenge
The agency's safety and security program has begun to mature in recent years, with the development of more vigorous roles and responsibilities for the safety and security manager position, updated guidance materials, and more formal involvement of security experts in the hiring of overseas security personnel. The agency is proposing an amendment to the MOU to address reporting of sexual assaults.

The Peace Corps has implemented, or is working to implement, several systems to better manage agency records. Specifically, Volunteer Recruitment and Selection implemented the Database of Volunteer Experience to manage volunteer applicant data, and in August 2012, Office of Health Services implemented a medical applicant exchange system. Currently, the agency is piloting an electronic medical records system and plans to fully implement the system during FY 2015.

Furthermore, progress is being made to address property management deficiencies. The Office of the Chief Financial Officer plans to replace the existing property management system beginning in the second quarter of FY 2015 and anticipates full implementation by mid-FY 2016. According to management the replacement system has greater capability and they are confident that it will significantly improve property inventory accuracy.

What Needs To Be Done
The agency needs to continue to assess its operations to modernize its business processes. Furthermore, agency business processes must also support effective internal control and provide for access to reliable data. For the safety and security program, in addition to providing training, the agency should put in place formal guidance to ensure roles and responsibilities are defined and the MOU requirements are understood by all involved parties. Additionally, the Peace Corps needs to continue its focus on developing or acquiring more modern and automated systems to replace business processes that are manual or rely on inadequate systems.

Key OIG Resources
Follow-up Evaluation of the Volunteer Delivery System
Final Audit Report: Training Peace Corps' Overseas Staff
Final Audit Report: Peace Corps Applicant Screening Process
Review of the Peace Corps' Implementation of Guidelines Related to Volunteer Victims of Rape and Sexual Assault
Final Audit Report: Peace Corps' Volunteer Safety and Security Program
OIG's FY 2015 Annual Plan
Management Advisory Report: Certification of Volunteer Payments
Recurring Issues: OIG Post Audits and Evaluations FYs 2009-2011

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 the 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 and allowed 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.[2]

Problems in recruiting and maintaining qualified staff at Peace Corps posts and minimizing lapses following departures exacerbates the impact of excessive staff turnover on the agency. In 2013, OIG reported on challenges related to hiring overseas staff in its *Final Audit Report: Peace Corps Overseas Staffing*. OIG reported that the agency struggled to maintain a robust pool of qualified applicants and ensure positions are filled in a timely manner. Some of the underlying issues contributing to this challenge include managing timelines for positions that will be open, effective communications between the involved headquarters and field offices, consistency in the interview and hiring process, and adequately planning for transfers and unexpected vacancies.

Progress in Addressing the Challenge

The agency has made some progress in addressing the challenge. In response to the final report on the impacts of the FYR, the Peace Corps concurred with the five recommendations OIG made to reduce the negative effects the FYR has had on agency operations. As highlighted in the FY2013 Management and Performance Challenges, the agency has revised certain policies or practices related to the administration of its personnel system for instance it has: as of March 1, 2013, started to make initial appointments of 60 months for new staff and converted the staff members that were on 30-month tours to 60-month appointments; worked to maximize the allowable percentage, 15 percent, for additional 30-month tours; and exercised the authority for

[2] 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.

greater retention of employees through the 12-month extension appointment for "special circumstances." Additionally, the agency implemented an exit survey in November 2013 to better understand the reasons for employee departures. However, the agency has not provided documentation to OIG that would allow for a review and response to the steps it has taken to address the larger systemic issues that our recommendations are intended to address.

As of September 2014, all five recommendations remain open. They are to reduce the rate of employee turnover and increase direct hire employees' length of employment; identify which functions should be subject to periodic turnover, and implement a process to manage turnover; identify the core business functions and positions that suffer from frequent staff turnover, and determine and implement a process for acquiring and retaining qualified personnel; raise expectations among supervisors to address employee performance issues and provide supervisors with the training and support; 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. Further, the seven audit recommendations OIG made in its report on the Peace Corps overseas staffing to improve how the agency hires certain overseas staff remain open.

What Needs To Be Done
The agency needs to address each of the five recommendations from the final report on the impacts of the FYR and the seven relevant recommendations from the final report on Peace Corps overseas staffing.

Key OIG Resources
[Final Evaluation Report: Impacts of the Five Year Rule on Agency Operations]
[Final Audit Report: Peace Corps Overseas Staffing]

Challenge Training Overseas Staff

Why This Is a Challenge
The Peace Corps relies on its overseas staff to ensure the success of its programs around the world. Overseas staff members have many responsibilities; including identifying jobs where Volunteers can be productive and contribute to host country development needs, managing financial and administrative operations, and ensuring the health and safety of Volunteers. Even though they work outside of the United States, overseas staff often has to abide by the rules of the federal government, including those related to ethics, contracting, and whistleblower protection. Ensuring overseas staff has the skills and information they need for their jobs requires training.

In September 2014, OIG issued its final report on the training Peace Corps provides to its overseas staff. During this evaluation, OIG reviewed the training provided on a number of different topics, including cashier functions, classified materials handling, continuing medical education, medical overseas staff training, confidential handling of Volunteer allegations, contracting functions, equal opportunity employment, ethics, information security, purchase card, sexual assault policy, supervisory training, and travel card training. Although there are many areas where the agency is putting a lot of resources into training, OIG work uncovered a number of challenges.

An underlying problem is that the agency does not have a central office to develop, manage, and coordinate the training of overseas staff. The responsibility for managing training is largely decentralized, with different headquarters offices and posts responsible for identifying training needs, developing and delivering training, and using their own methods and systems to track training participation. There is no senior official who can develop a learning strategy for the entire agency and then ensure the Peace Corps has the financial and human resources needed to implement the strategy.

Another significant challenge is that the agency does not have a training coordinator for host country nationals (HCNs), who make up over 90 percent of Peace Corps' overseas workforce. Although some of the overseas positions are filled by U.S. direct hire positions, the majority of the staff is HCNs. Even though HCNs make up the majority of Peace Corps' overseas workforce, the agency has not always extended the same training opportunities to them.

The agency's primary training and orientation for overseas staff members, called overseas staff training (OST), is not available to every staff member. According to OIG data, only 18 percent of current overseas staff (and nine percent of HCNs) hired between 2008 and 2013 attended OST. The agency lacks an alternate mechanism for orienting new post staff members. Without a comprehensive, standardized orientation and training program for all overseas staff, each post decides what information will be provided to new staff. This creates variability in the quality of staff training, and there is no assurance that new staff is properly trained on important policies and procedures.

OIG also reported that the agency lacks training records and a robust learning management system. Without these, it is very difficult, and sometimes impossible, to identify everyone who needs to take certain trainings and track training completion. This makes it challenging to ensure that employees have received training on mandatory and job-essential topics.

Additionally, as OIG reports in the management challenge related to excessive staff turnover, time-limited staff appointments under the five-year rule creates an accelerated rate of turnover and underscores the need for a comprehensive staff training program to fully prepare new hires to perform their jobs.

Progress in Addressing the Challenge

Because minimal time has elapsed since OIG released the staff training report, the agency has not had time to implement the recommendations. However, during fieldwork, OIG uncovered areas where the agency has made progress. For example, the agency hired a training manager, a position that had been vacant since 2010. The agency also continued to develop and implement trainings needed to comply with federal laws, such as a training program for sexual assault response liaisons, a sexual assault policy training for all overseas staff, and supervisory training. In its response to the 2014 OIG report on training overseas staff, the agency committed to take further action to improve its training program.

What Needs To Be Done

OIG issued 25 recommendations in its 2014 report. Some of these related to ensuring that specific trainings, such as supervisory training, purchase and travel card training, and sexual assault policy training, are provided in accordance with federal laws and agency policy. Others were aimed at addressing the systemic issues uncovered during the evaluation. The report included recommendations to designate responsibility for the oversight of the agency's staff training program, implement a training needs assessment process, create a standardized training program for new overseas staff, and implement an improved learning management system.

Key OIG Resources

Final Program Evaluation: The Peace Corps' Training of Overseas Staff
Final Evaluation Report: Impacts of the Five Year Rule on Agency Operations
Recurring Issues: OIG Post Audits and Evaluations FY 2009-2011