



PEACE CORPS Office of Inspector General

Management and Performance Challenges

FISCAL YEAR 2015

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) 2015.

OIG has concluded that the following five 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** (*first reported in FY 2014*)
- **Acquisition and Contract Management** (*new for FY 2015*)

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.

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 operations. They also provide significant guidance that serves to prevent the occurrence of serious information security incidents. The Federal Information Security Management Act of 2002 (FISMA), as amended, is central to the federal environment's IT security program. The objective of FISMA is to develop 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 identified issues have been outstanding for over seven years and the agency has struggled to implement corrective actions.

Further complicating this challenge, the Peace Corps has been trying to modernize its IT environment. Despite good intentions, there has not been adequate attention paid to IT security and its implications for

the network and sensitive information. For example, in FY 2015, the Peace Corps participated in a cloud email pilot program with GSA. This program neither followed the proper acquisition policies or processes, nor conducted a standard security assessment prior to initiating the pilot. The agency has since suspended the pilot program and began pursuing cloud email through appropriate agency processes making IT security a key component of the acquisition.

Progress in Addressing Challenge

Management has made some progress in strengthening the Peace Corps' IT security management programs through measures taken to improve its FISMA compliance, beginning with the onboarding of a new Chief Information Security Officer. The agency has developed and begun implementing key policies and procedures, such as user access management, incident response and reporting, and user security awareness and training. 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 documenting some of the agency's systems and their associated risk, the program does not contain all the required components and remains incomplete; 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 assessment documentation has not been completely updated and is not being reviewed periodically by key stakeholders. Furthermore, 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, business process, and information system levels, in-line with the National Institute of Standards and Technology Risk Management Framework.

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 audit and other reviews. 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. Implementation of the Risk Management Framework will facilitate the tailoring of an information security program that meets Peace Corps' mission/business needs across a decentralized organization.

Key OIG Resources

[Peace Corps FY 2014 Performance and Accountability Report](#)

[Peace Corps FY 2015 Performance and Accountability Report](#)

[Management Advisory Report: The Peace Corps' Cloud Computing Pilot Program](#)

[OIG Semiannual Report to Congress, April 1 to September 30, 2015](#)

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 decentralized, with the responsible staff located within multiple offices both at headquarters and overseas.

The lack of consistent communications with DOS regional security officers (RSOs) has impacted the agency's implementation of the MOU. In a follow up audit of the Volunteer Safety and Security Program we found Peace Corps safety and security officers' (PCSSO) trip reports were not consistently reported to the Regional Security Officer (RSO) as required by the MOU. The audit also found that there is no consistent communication structure between Peace Corps and the RSO and there is a lack of agency guidance on how to report serious incidents to the RSO. In the report we noted that almost half of the serious incidents we analyzed were not reported to RSOs in a timely manner.

Further, 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 reporting change. This communication failure damaged the relationship between the Peace Corps and the RSOs.

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, and makes data more prone to human error.

The agency lacks a centralized case management system to document the response to sexual assault incidents and services provided to victims. In a 2012 evaluation report, OIG recommended the agency develop a case management system and noted the lack of a centralized system makes it difficult to confirm the quality or consistency of care provided to victims or to identify and correct lapses in services or response provided to victims.

Property Management

At year end the Peace Corps reported having a total property net book value of \$38.9 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, significant problems with data accuracy have persisted through FY 2015.

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 currently working with Department of State to revise and update the MOU.

The Peace Corps has implemented, and is working to implement, several systems to better manage agency records. Specifically, the Office of Volunteer Recruitment and Selection implemented the Database of Volunteer Experience to manage volunteer applicant data, and in August 2012, the Office of Health Services implemented a medical applicant exchange system. The agency has completed piloting an electronic medical records system that will provide online storage of Volunteer medical data. Full implementation of the system at over 90 percent of Peace Corps posts is planned for October 2015.

In FY 2015 the agency initiated the development of a case management system which it expects will become operational in FY 2016 and would allow the agency to verify that appropriate services are being provided to victims of assault, to assess performance and training of staff, and to comply with all of the requirements of the Kate Puzey Volunteer Protection Act of 2011.

Progress is also being made to address property management deficiencies. The Office of the Chief Financial Officer is in the process of replacing the existing property management system. The agency plans to perform pilot tests at six Peace Corps posts during the first quarter of FY 2016, with full implementation of the new system scheduled for February 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 and modernize its business processes accordingly. 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. The agency also needs to complete the design and implementation of a centralized case management system for sexual assault incidents so that they are able to verify appropriate services have been provided, sexual assault response requirements have been met, assess performance, and provide feedback to responders to make process improvements.

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 on the Follow-up Audit of the Peace Corps' Safety and Security Program](#)

[OIG's FY 2016 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. 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. 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. Excessive personnel turnover at the 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; to conduct succession planning; to manage the continuity and transfer of essential knowledge, skills, and abilities; to provide training and professional development to staff; and to 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 has also led to frequent staffing gaps in mission-critical positions overseas.

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 were filled in a timely manner. It had difficulty managing hiring and administrative timelines for open positions, maintaining consistency in the interview and hiring process, planning for transfers, and dealing with unexpected vacancies. These challenges were aggravated by the agency’s accelerated rate of overseas staff turnover.

Progress in Addressing the Challenge

As highlighted in the FY 2013 Management and Performance Challenges, the agency revised certain policies and practices related to the administration of its personnel system. Specifically, it 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; it has maximized the allowable percentage (15 percent) of staff employed for an additional 30-month tour beyond the 5-year limit; it exercised its authority to retain more employees for “special circumstances” through 12-month extension appointments; and it implemented an exit survey in November 2013 to better understand the reasons for employee departures. The agency informed OIG in July 2015 that where appropriate, it had hired additional “experts” (who are not subject to the FYR) to mitigate the loss of institutional memory and capacity caused by excessive personnel turnover.

Additionally, the agency has compiled a list of individuals (“intermittent experts” and “rovers”) with experience in mission-critical positions overseas that it can call upon in order to fill vacant overseas positions until a permanent replacement is on board.

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 5 recommendations we made in our 2012 final report on the impacts of the FYR. As of September 2015, all five recommendations remain open. They are: (1) to reduce the rate of employee turnover and increase direct hire employees’ length of employment; (2) to identify which functions should be subject to periodic turnover, and implement a process to manage turnover; (3) to 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; (4) to raise expectations among supervisors to address employee performance issues and provide supervisors with the training and support; and (5) 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. Six audit recommendations OIG made in its report on the Peace Corps overseas staffing to improve how the agency hires certain overseas staff also 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 six relevant open 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 the 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 were many areas where the agency dedicated resources to staff training, OIG work uncovered a number of challenges.

An underlying problem was that the agency did not have a central office to develop, manage, and coordinate the training of overseas staff. The responsibility for managing training was 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 was no senior official to develop a learning strategy for the entire agency and ensure the Peace Corps had the financial and human resources needed to implement the strategy.

Another significant challenge was that the agency did not have a training coordinator for host country nationals (HCNs), who make up over 90 percent of Peace Corps' overseas workforce. Even though HCNs made up the majority of Peace Corps' overseas workforce, the agency had 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), was not available to every staff member. According to OIG data, as of November 2013, only 18 percent of all overseas staff (and nine percent of HCNs) hired between 2008 and 2013 had attended OST. The agency lacked an alternate mechanism for orienting new post staff members. Without a comprehensive, standardized orientation and training program for all overseas staff, each post decided what information would be provided to new staff. This created variability in the quality of staff training, and there was no assurance that new staff was properly trained on important policies and procedures.

OIG also reported that the agency lacked training records and a robust learning management system. As a result it was challenging for the agency to identify everyone who needed to take certain trainings and track training completion. Peace Corps could not ensure that employees had received training on mandatory and job-essential topics.

Additionally, as OIG reported in the management challenge related to excessive staff turnover, time-limited staff appointments under the FYR created an accelerated rate of turnover and underscored the need for a comprehensive staff training program to fully prepare new hires to perform their jobs.

Progress in Addressing the Challenge

In its response to the 2014 OIG report on training overseas staff, the agency committed to take further action to improve its training program. The Peace Corps conducted an Internal

Management Assessment on worldwide staff training during this year. As a result of this assessment the agency initiated the establishment of the Office of Staff Learning and Development, to be overseen by the Associate Director for Management. According to the Peace Corps, the purpose of this new office is to “promote a culture of learning and professional development for Peace Corps staff.”

Additionally, the agency has responded to specific staff training recommendations in the 2014 OIG report, including recommendations related to training for travel cards and classified information, and ethics training for staff hired since January 1. The agency has 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.

The agency has upgraded its learning management systems (LMS) and reports that its LMS will enable it to reliably track and report on important training for staff and Volunteers, including, for example, training for staff on the agency’s policies and procedures for responding to a sexual assault against a Volunteer. OIG has not yet assessed the effectiveness of the agency’s learning management systems.

What Needs To Be Done

OIG issued 25 recommendations in its 2014 report, and closed 11 in FY 2015 based on documentation of actions the agency had taken; 14 recommendations remain open. The agency addressed a number of recommendations to provide specific types of training required by law or agency policy. The recommendations aimed at addressing the systemic issues uncovered during the evaluation remain open, including: to designate responsibility for the oversight of the agency’s staff training program; to implement a training needs assessment process; to create a standardized training program for new overseas staff; and to implement an improved learning management system.

The agency should ensure that all overseas staff receives training on the Standards of Ethical Conduct for Employees of the Executive Branch. Recent OIG investigative activity indicates not all overseas staff is knowledgeable of their ethical obligations. As part of the training effort, the agency should consider extending the new staff hire policy to overseas staff and ensure that overseas staff hired prior to January 2015 have read and understand their ethical obligations. Additionally, documentation of ethics training should be maintained by the agency.

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](#)

Challenge: Acquisitions and Contract Management

Why This Is a Challenge

During FY 2015 the Peace Corps obligated \$160.8 million in contract costs for goods and services, or approximately 42 percent of their total annual budget. This included \$63.8 million for domestic contractual costs and about \$97 million related to overseas operations. As illustrated here, the cost of contracts usually represents a significant part of an agency's budget, resulting in significant challenges to risk management. Managing federal contracting more effectively has continuously appeared on the Government Accountability Office's "High Risk List" since 1990. The issues related to federal contracting have become more apparent in recent years and the Peace Corps is not an exception as the government as a whole focuses more attention on effectively managing contracts. For the Peace Corps, the timely and cost-effective acquisition of essential goods and services is critical to supporting Volunteers assigned to remote areas throughout the world and accomplishing its multi-faceted mission. To achieve continuous improvement and minimize the risks associated with contracts it is also important that the agency follow Peace Corps policies, laws, and regulations that are applicable to government procurement.

We included acquisitions and contract management as one of the agency's greatest management and performance challenges in both FY 2009 and 2010. Staff resourcing of the Peace Corps' acquisition workforce was highlighted as a significant challenge in the past and continues to impact the agency's ability to effectively manage its contracting workload. Resourcing of the acquisition workforce encompasses being able to recruit and retain a sufficient number of experienced and skilled contracting professionals to manage the workload and efficiently meet the needs of its customers.

Progress in Addressing Challenge

Since first reporting the significant management and performance challenges facing the Peace Corps' contracting operation, some improvements had been made. Many of those improvements were attributed to remediation of OIG audit recommendations made in March 2010. During this remediation period the Peace Corps' progress included increasing the contracting office's professional staff and upgrading certain personnel positions; ensuring that contracting officer's representatives received minimum technical training; strengthening internal contracting policies; eliminating unnecessary cost reimbursement contracts; increasing surveillance over high risk contracts; and improving its overall acquisition planning. However, in a recent audit of the Peace Corps' largest contract we noted significant issues of noncompliance with laws, regulations, and Peace Corps policy. Also, in some cases the same deficient conditions found during the 2010 audit had recurred and certain areas of improvement had deteriorated or were not apparent. For example, we determined that the acquisition planning for the contract reviewed was untimely and flawed. We also noted that surveillance over this high risk contract was ineffective. Further, based on information regarding personnel turnover during FY 2015, the contracting operation experienced high turnover rates that have significantly challenged its capability to effectively manage its workload. Some of this turnover can be linked to the Peace Corps' legislative mandate to limit most assignments at the agency to a maximum of five years. We reported the negative impact on Peace Corps' personnel recruitment and retention that resulted from term assignments in a 2012 report. This area continues to be a significant challenge and is discussed in more detail earlier in this memorandum in our management and performance challenge entitled "Excessive Personnel Turnover."

What Needs to be Done

Peace Corps management needs to ensure they consistently maintain an acquisition workforce that possesses the necessary experience and skill sets capable of effectively managing its contracting workload. To accomplish this they will need to improve their program for recruiting, retaining, and training the agency's contracting professionals. Significant improvements in reducing excessive personnel turnover can be achieved through implementation of recommendations made in our report, "Impacts of the Five Year Rule on Operations of the Peace Corps" discussed earlier in this memorandum. The agency also needs to assess its contracting policy and procedural weaknesses related to governance compliance, acquisition planning, and contract surveillance and take active and timely steps to strengthen these areas.

Key OIG Resources

[Final Audit Report: Peace Corps Process for Soliciting, Awarding, and Administering Contracts](#)

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

[Management Advisory Report: Peace Corps' Volunteer Health Care Administration Contract](#)