



Peace Corps
Office of Inspector General
Semiannual Report to Congress

October 1, 2014 — March 31, 2015

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Office of Inspector General

TOGETHER WE MAKE A BETTER PEACE CORPS

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Vision:

Provide high-impact work products that agency management acts upon to increase the Peace Corps' efficiency and effectiveness.

Mission:

Through audits, evaluations, and investigations, the Office of Inspector General (OIG) provides independent oversight of agency programs and operations in support of the goals set forth in the Peace Corps Act while making the best use of taxpayer dollars.

The goals of the OIG are as follows:

- To promote integrity, efficiency, effectiveness, and economy
- To prevent and detect waste, fraud, abuse, and mismanagement
- To identify risk and vulnerabilities and offer expert assistance to improve Peace Corps programs and operations

Established in 1989, OIG receives its legal authority from the Inspector General Act of 1978, as amended. The law requires that OIG fully and currently inform the Peace Corps Director and the Congress about problems and deficiencies identified by OIG relating to the administration of agency programs and operations.

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Highlights from this Report

Message from the Inspector General



I am pleased to present the Peace Corps Office of Inspector General's (OIG) Semiannual Report to Congress (SARC) for the period of October 1, 2014 to March 31, 2015. During this reporting period, we issued three management advisory reports (MARs) to the Director about urgent concerns we had: one on the agency's cloud computing pilot program, another on the agency's largest contract, and a third on Volunteer sexual assaults. In the first report, the agency's actions during the cloud computing pilot were inconsistent with federal mandates and acquisitions standards, putting agency data at risk. In the second report, in the course of performing an audit of the contract, we discovered several serious issues—namely that the contract's solicitation and award process were flawed, and in some cases not in compliance with the Federal Acquisition Regulation. Finally, in the third report, we identified confusion among agency staff members concerning their obligation to report third-party allegations of Volunteer sexual assaults to my office.

In addition to those reports, the Audit Unit issued a follow-up report on the Peace Corps' Volunteer safety and security program. We found that since issuing our initial report in 2010, the agency's safety and security program has evolved significantly and the agency has made substantial progress to address its safety and security needs. Some issues remain, however, including that the agency has never met its safety and security performance indicator and that the agency's communication requirements with Department of State regional security officers outlined in a memorandum of understanding (MOU) have not always been met.

On February 3, 2015, I testified for the third time in two years before the House Committee on Oversight and Government Reform, at a hearing titled "Inspectors General: Independence, Access, and Authority," about my office's ongoing information access difficulties. My testimony stemmed from a rather sensitive and important subject: the Peace Corps' handling of Volunteer reports of sexual assault. We continue to push for full, un-redacted access to ensure our Volunteers receive the services they need when they are victims of sexual assault. Standing in our way to fulfilling that duty is a legal opinion drafted on July 9, 2013, by the Peace Corps' former general counsel asserting that the Kate Puzey Volunteer Protection Act of 2011 (Kate Puzey Act), overrides my broad right of access to agency records under the Inspector General Act of 1978, as amended (IG Act). As a result, the agency implemented policies and procedures denying my office access to information. In May 2014, I signed an MOU with the then acting Director, granting my office access to more information than previously provided. In October 2014, the agency amended its policies and procedures to reflect the MOU. However, OIG still does not have full information access, and the legal opinion remains in place.

In addition to the work mentioned above, the Audit Unit issued final reports on post audits of Cameroon and Nepal, a preliminary report on Madagascar, continued work on a headquarters report on the agency's conference costs, and a post audit of Vanuatu, as well as initiated work on a post audit of Guyana.

The Evaluation Unit issued final reports on the program evaluations of Lesotho and Sierra Leone, a preliminary report on Guatemala, and initiated work on program evaluations of Benin and Nepal.

The Investigation Unit's proactive review of Federal Employee Compensation Act (FECA) recipients resulted in the termination of incorrect benefit payments to a returned Volunteer, resulting in cost avoidance to the agency of over \$900,000. In addition, OIG referred for debarment a former staff member who embezzled \$9,000 of U.S. government funds. Finally, I'm pleased to announce that Assistant Inspector General for Investigations John Warren, Senior Special Agent Douglas Bonaro, Investigator Jeffrey Reichert, and an investigative team received an Award for Excellence for the Investigation of the murder of 37-year-old Peace Corps/Gabon Volunteer Karen Phillips from the Council of the Inspectors General on Integrity and Efficiency's (CIGIE).



Kathy A. Buller
Inspector General

Management and Administration



Peace Corps Director Carrie Hessler-Radelet (center left, white sweater) presented Inspector General Kathy A. Buller (center right, black jacket) and OIG staff with a plaque honoring the office's 25th anniversary.

Management and Administration

Agency Context

As of March 31, 2015, 6,602 Peace Corps Volunteers and trainees were serving in 60 countries at 57 posts. This total includes 815 Volunteers and trainees funded by the President's Emergency Plan for AIDS Relief (PEPFAR) to work on HIV/AIDS projects at 16 posts, and 212 Peace Corps Response Volunteers serving in short-term assignments at 34 posts.

The Volunteers and their programs are supported by 1,067 American direct-hire staff: 180 overseas, 150 in the regional recruiting offices, and the remaining 737 at headquarters. Approximately 2,777 locally hired personnel complete post staffing. The Peace Corps also has corporate contracts domestically and overseas, principally for guard services and training, and hires expert consultants, largely for training and financial management.

Staffing

Kate Pote joined OIG as an outreach specialist in January 2015. She served as a Peace Corps Volunteer in Ghana from 2012–14 as a health and science educator. Previously, she was a social media consultant in the private sector and a designer and promoter in the music industry. She holds a bachelor's degree in biological sciences from Michigan Technological University.

25th Anniversary Celebration

OIG celebrated its 25th anniversary in 2015. OIG used the opportunity to reach out and inform staff and Volunteers about its office. It hosted a celebration for all headquarters staff and created a video featuring current and past staff, a Twitter hashtag, and an informational booklet about the role of the OIG and the impact of its work. OIG sent the booklet to key stakeholders, including embassies (in Washington, D.C.) of countries where Volunteers serve as well as members of Congress who serve on committees that oversee the Peace Corps.

Awards

On October 21, 2014, OIG received an award at CIGIE's 17th Annual Awards Ceremony. Assistant Inspector General for Investigations John Warren, Senior Special Agent Douglas Bonaro, Investigator Jeffrey Reichert, and an investigative team received an Award for Excellence for the investigation of the murder of 37-year-old Peace Corps/Gabon Volunteer Karen Phillips. The team included Federal Bureau of Investigation Special Agent Jennifer Dent and Department of State Diplomatic Security Service Special Agent Kevin Dolan. The investigative team was acknowledged for excellence in obtaining unprecedented cooperation

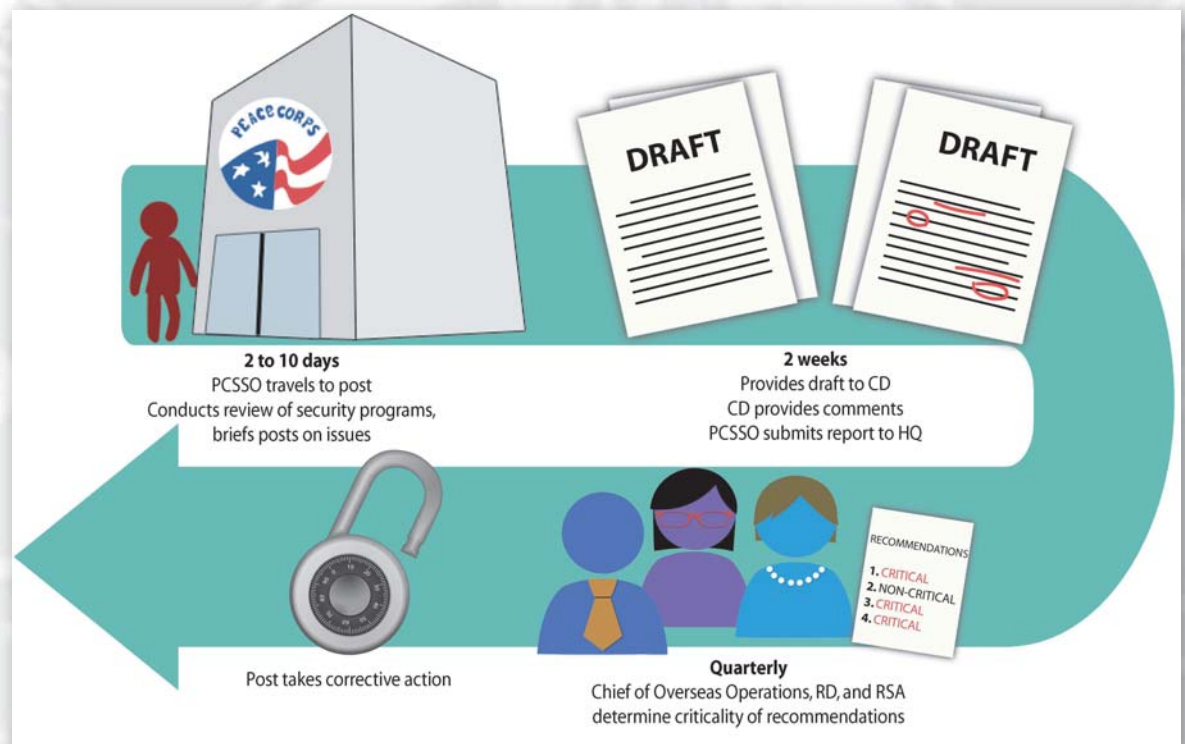
from the Gabonese government to solve the 1998 murder. A Gabonese criminal court sentenced Thierry “Rambo” Ntoutoume Nzue to life in prison.

OIG Organizational Chart



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Advice and Assistance



Peace Corps safety and security officers' reporting process follows the procedure above, as depicted in the OIG's follow-up audit report on the Volunteer safety and security program.

Advice and Assistance Provided to the Agency and Others

Management Advisory Report: Agency Policies Related to Volunteer Sexual Assault Allegations

OIG issued a MAR in November 2014 addressing concerns OIG identified during a recent investigation of a Volunteer on Volunteer sexual assault reported to the Peace Corps by several third-party witnesses. The investigation disclosed that several staff members were confused about their reporting requirements and, as a result, provided staff with erroneous information regarding their reporting responsibilities to OIG. The investigation also disclosed that the Volunteers were reluctant to report sexual assaults to host country national (HCN) staff because of perceived societal values held by that community. The Peace Corps is currently conducting a comprehensive review of the agency's policies and procedures for responding to sexual assaults, and the information in the MAR was intended to assist that endeavor.

The report made three recommendations to address the concerns noted.

Management Advisory Report: Peace Corps' Cloud Computing Pilot Program

OIG issued a MAR on Peace Corps' cloud computing pilot program in March 2015. In this report, OIG provided its observations, concerns, and recommendations regarding the Peace Corps' cloud computing efforts. OIG supports the Peace Corps' efforts to modernize its information technology infrastructure, such as by implementing a cloud infrastructure for email and document management, but it is concerned that the agency's actions during the cloud computing pilot program have been inconsistent with federal mandates and acquisitions standards. OIG also found that the controls over information and information security during the pilot program were lacking.

OIG outlined how the agency rushed into the pilot program without considering all the alternatives. Proper processes were not followed and key offices and staff were not involved. Further, the Peace Corps did not view information security as a top priority during the implementation. Despite the cloud platform's lack of FedRAMP¹ certification, the agency failed to conduct a standard security assessment to avoid a delay of implementing the pilot and to reduce the costs of engaging information security analysts. The MOU with the General Services Administration providing for the cloud platform was not timely or adequate. The MOU did not

¹ The Federal Risk and Authorization Management Program (FedRAMP) is a governmentwide program that provides a standardized approach to security for cloud products and services.

address key issues such as records retention and the storage, protection, security, and accessibility of data.

The report made six recommendations to address the concerns noted; OIG expects to receive management's response to those recommendations in May.

Management Advisory Report: Peace Corps' Volunteer Health Care Administration Contract

OIG issued a MAR on the Peace Corps' Volunteer health care administration contract in March 2015. In this report, OIG provided its observations, concerns, and recommendations regarding the administration and oversight of the contract, as well as actions taken by the contractor. OIG determined the contract's solicitation and award process was flawed and, in some cases, not in compliance with the Federal Acquisition Regulation.

OIG concluded the agency inaccurately represented the contract type as firm fixed-price when the vast majority of the procurement was cost reimbursable. Accurately stating the contract type is important to ensure the correct controls are in place to protect the government's interest. OIG also questioned the legitimacy of the contracts' "network fee" because the Peace Corps likely lacks legal authority to enter into "shared savings" contracts. Further, the contractor did not comply with the terms of the contract, which may have resulted in higher costs to the Peace Corps. In addition, OIG noted that a very large claim related to the hospitalization of a former Volunteer was not processed in accordance with federal law, and OIG found instances where the contractor did not maintain important documentation supporting costs billed to the Peace Corps. OIG's review also revealed the contractor engaged a subcontractor to perform key aspects of the work, including handling sensitive medical information, even though OIG found no documented evidence this was authorized by the Peace Corps. Finally, OIG noted that the agency's contract monitoring process was inadequate.

The report made six recommendations to address the concerns noted; OIG expects to receive management's response to those recommendations in May.

Update on Management Advisory Report: Peace Corps' Drug-Free Workplace Plan

As reported in previous SARCs, on August 16, 2012, OIG issued a MAR about the agency's noncompliance with Executive Order (E.O.) 12564, which mandates a drug-free federal workplace. The agency remains out of compliance.

Implementing procedures issued to agencies by the U.S. Department of Health and Human Services (HHS), Substance Abuse and Mental Health Services Administration² (SAMHSA) provide that all employees serving in "presumptive" and "preferred"³ positions must be included

² SAMHSA is responsible for agency drug-free workplace plan certification under a delegation from the Interagency Coordinating Group Executive Committee convened by the Office of National Drug Control Policy.

³ Positions requiring access to national security classified information and PAS positions are "preferred" positions.

in a pool of testing designated positions (TDP) and randomly tested for drug use.⁴ As of March 14, 2015 there was one presidential appointee-Senate confirmed position filled and the agency reports 358⁵ staff with access to national security information.

The agency reports that during the last six months, the Office of the General Counsel has reviewed the agency's Drug-Free Workplace Plan from 1989 and Executive Order 12564. The agency also reports that the Office of Management has developed a drug-free workplace implementation timeline, contacted the Office of Safety and Security (OSS) to begin consultations on the list of positions designated for random drug testing, and contacted the Department of the Interior, National Business Center, to create an interagency agreement to conduct the random drug testing for the Peace Corps.

Further, the agency reports that in the next six months, the Office of Human Resource Management (HRM) will coordinate the effort to revise the Peace Corps Drug-Free Workplace Plan. HRM will consult with HHS/SAMSHA and other agencies. HRM will review the staff and financial resources necessary to implement the testing, training, counseling, and other major parts of a revised plan, as well as finalize the list of positions requiring drug testing. HRM will also consult with the agency's labor union on the revision and implementation of the plan.

While OIG is hopeful that the agency reports progress toward eventual compliance with E.O. 12564, OIG remains concerned about the number of staff with access to national security information who are neither currently designated in TDP nor being randomly drug tested, and any potential impact on both agency operations and national security.

Advised Congress on Difficulty in Obtaining Access to Agency Information

During the reporting period OIG responded to various requests from the chairman and former chairman of the House Government Oversight Committee and the chairman of the Senate Homeland Security and Government Affairs Committee requesting information about instances when the agency resisted or objected to OIG's oversight activities, restricted OIG's access to information, or caused temporary delays in access. OIG's response outlined how the agency's former general counsel issued a legal opinion in July 2013 asserting the Kate Puzey Act overrides OIG's broad right of access to agency records, documents, and information provided by section 6 of the IG Act. As a result, from August 30, 2012 to October 17, 2014, the agency implemented policies and procedures denying OIG access to information critical to conducting its oversight work.

The impasse centers on the general counsel's interpretation of Section 8A(f)(2) of the Kate Puzey Act mandating that victims have access to a restricted reporting mechanism that allows them to receive services without automatically triggering an official investigation. If a victim makes a restricted report, the victim's personally identifiable information can only be shared

⁴ Federal employees occupying positions in those categories require written justification to be excluded from the TDP list contained in the agency's drug-free workplace plan.

⁵ This number includes 21 OIG staff. These 21 staff serve in TDP and are randomly drug tested as part of an interagency agreement between Peace Corps OIG and U.S. Agency for International Development OIG.

with specified individuals unless an exception applies. This section also provides necessary exceptions under restricted reporting where another federal law, such as the IG Act, requires disclosure. The law also provides exception for serious or imminent risk to health and safety of the victim or others. Despite the availability of the exceptions, the former general counsel's legal opinion asserts that restricted reports should not be accessible to OIG.

In OIG's response to Congress it noted that section 8E(d)(1)(B) of the Kate Puzey Act provides OIG with key oversight roles in ensuring the agency adequately responds to sexual assault and other crimes, effectively implements and trains on the sexual assault risk response and reduction policy and program, and delivers services to sexual assault victims. The Kate Puzey Act requires that OIG conduct an evaluation on this matter and report to Congress by November 21, 2013, and again in 2016. The report must be based on a case review of a statistically significant number of sexual assault cases.

While the majority of the access-denying policies and procedures were rescinded on October 17, 2014 (after nearly two years of discussions with the agency and members of Congress, two congressional hearings, negative press coverage, and, ultimately, the signing of an agreement between the agency and OIG), the underlying legal opinion supporting those policies and procedures is still in place.⁶ OIG believes that unless that legal opinion is retracted, the door remains open for the agency to withhold or delay OIG access to information in the future and its existence sets a dangerous precedent for other agencies to interpret laws as denying OIG access to information. Further, while some of the most expansive policies and procedures denying access to information were replaced, the agency has yet to adequately train staff on what information can and must be provided to OIG.

Conducted Investigation Unit Outreach

OIG investigators continued to work on an outreach initiative they started in fiscal year (FY) 2012. During the current reporting period, the initiative reached 125 Peace Corps staff members and Volunteers, educating them about the role of OIG investigators, the mission of OIG, the types of allegations typically referred, and OIG's readiness to respond to allegations. Additionally, discussions included ways to detect potential fraud, waste, and abuse of Peace Corps resources. Briefings were followed by an open forum to address concerns and answer questions.

Participated in Overseas Staff Training

OIG participated in two overseas staff trainings in October 2014 and February 2015, in which it briefed 75 staff on best practices and common deficiencies noted by OIG. Participants included programming and training officers, directors of management operations, financial assistants, and other overseas staff. An OIG overview and best practices presentation was delivered to eight country directors.

⁶ Agency policy continues to prohibit OIG access to a victim's personally identifying information under restricted reporting and explicit details of the sexual assault incident.

Reviewed Agency Regulations, Policies, and Procedures

OIG continues to provide advice and assistance to the Peace Corps Senior Policy Committee by commenting on drafts of new or updated policies and procedures. During this reporting period, OIG reviewed 24 Peace Corps Manual sections, corresponding procedures, and interim policy statements. Some of the policies and procedures reviewed included those involving responding to sexual assaults, whistleblower protections for Volunteers, Volunteer conduct and discipline, the Anonymous Sexual Assault Hotline, and host country and U.S. direct hire personnel administration. The following is one key policy that was changed after an OIG review:

Manual Section 648 (Child Protection Policy)

The agency enacted Manual Section 648, Child Protection Policy, as a result of an OIG recommendation from its June 10, 2014 audit of the Peace Corps' applicant screening process that "the Director develop and implement a specific child safety program" in its Volunteer application process, provide better guidance and training regarding Volunteer conduct with minors, and develop a more comprehensive approach to address misconduct related to child safety. During the subsequent policy amendment process OIG raised a number of concerns, including the lack of clarity regarding managers' responsibility to report suspected child abuse.

The new policy includes a Child Protection Code of Conduct and delineated roles and responsibilities to specific staff and offices that provide training and conduct background investigations of potential employees and Volunteers.

Audits



A Peace Corps/Cameroon Volunteer and counterpart present information about nutrition and well-being to an epilepsy support group.

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Audits

Overview

The Audit Unit conducts audits of agency programs and operations that support the Peace Corps mission. These include overseas posts, regional recruitment offices, and headquarters functions. Audits are conducted in accordance with *U.S. Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States. In addition, the Unit oversees the annual audit of the agency's financial statements and review of information system security performed by an independent public accounting firm.

The objective of OIG audits is to independently examine the financial and administrative operations of the Peace Corps, promote economy and efficiency, and ensure compliance with federal law, regulations, and Peace Corps policy. Audits are wide-ranging, covering agency activities carried out at overseas posts, as well as agency-wide operations that affect multiple offices. Auditors report their conclusions and recommendations based on data and document analysis, interviews, and direct observation.

At overseas posts, auditors review the financial and administrative operations for operational efficiency and effectiveness, financial stewardship, and compliance with agency policies and federal regulations. OIG's overseas post audits frequently identify recurring issues and trends. Its reports contain recommendations to posts and headquarters for strengthening controls to prevent and detect systemic weaknesses. OIG also monitors the agency's progress in correcting systemic weaknesses identified in audit reports by obtaining and assessing evidence of corrective actions, reviewing the implementation of policy and procedural revisions, and conducting follow-up audits when necessary.

Along with the final reports described below, the Audit Unit issued two MARs during this reporting period: one on the agency's cloud computing pilot program and one on the agency's contract for Volunteer medical services. For more information on these two reports, please see the Advice and Assistance section. The unit also issued a preliminary report on a post audit of Madagascar and continued work on a contract audit of medical services, an audit of the Peace Corps' conference costs, and a post audit of Vanuatu. OIG also initiated a post audit of Guyana.

Agency-wide Audits

Peace Corps FY 2014 Financial Statement Audit

The Accountability of Tax Dollars Act of 2002 mandates an annual audit of the Peace Corps' financial statements. OIG contracted with Kearney & Company, an independent accounting firm,

to audit the Peace Corps' financial statements. The contract required the audit be done in accordance with GAGAS, Office of Management and Budget Bulletin 14-02, Audit Requirements for Federal Financial Statements, and the Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual. Kearney's independent auditor's reports for FY 2014 included an opinion on the financial statements and a report on internal control over financial reporting and compliance with applicable provisions of laws, regulations, contracts, and grant agreements.

In the audit of the Peace Corps, Kearney found that the FY 2014 financial statements presented fairly, in all material respects, the financial position of the agency as of September 30, 2014, and its net cost of operations, changes in net positions, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States.

Kearney's report on internal control identified three significant deficiencies:

- Internal control weaknesses over property, plant, and equipment resulted in the inability to achieve accuracy, consistency, and timely reporting of its assets.
- The Peace Corps' information system control structure, for its general support system and critical financial reporting systems did not include a comprehensive risk analysis, evidence of effective monitoring of design and performance, or evidence of an ability to identify and respond to changing risk profiles.
- An effective control environment for managing unliquidated obligations was not maintained.

Further, Kearney found four instances of reportable noncompliance with the laws and regulations it tested or other matters that are required to be reported under GAGAS:

- The Peace Corps failed to comply with OMB Circular A-11 regarding classification of funds in its reporting in the consolidated financial statements.
- Effective controls over recording obligations were not maintained.
- The agency was not compliant with the Ethics in Government Act of 1978 regarding the timely reporting and reviewing of senior official Public Financial Disclosure Reports.
- As noted in its Assurance Statement, the Peace Corps did not fully comply with the Federal Information Security Management Act of 2002.

In connection with the contract, OIG reviewed Kearney's report and related documentation and the review disclosed no instances where Kearney did not comply, in all material respects, with GAGAS. As required by OMB Circular A-136, Financial Reporting Requirements, the auditor's reports were published within the Peace Corps FY 2014 Performance and Accountability Report. In addition, a separate letter describing internal control weaknesses considered less severe than a significant deficiency was issued by Kearney and provided to Peace Corps management.

Review of Peace Corps FY 2014 Information Security Program

The Federal Information Security Management Act (FISMA) mandates that federal agencies establish effective information security protections and programs to secure their information systems from unauthorized access, use, disclosure, modification, and other harmful impacts. These requirements must be met through adherence to specific guidelines established by the National Institute of Standards and Technology. FISMA also requires each OIG to annually review its agency's information security programs.

OIG contracted with Williams, Adley & Company-DC LLP, an accounting and management consulting firm, to perform the annual FISMA review at the Peace Corps. The firm reviewed a representative sample of the Peace Corps' major information systems and reported on the results of these reviews. The Peace Corps has made improvements in its information security program, including developing a new continuous monitoring strategy and starting to implement automated security tools to track, monitor, report, and remediate security weaknesses identified in its information technology environment. Furthermore, the agency was able to close two of 14 recommendations from the FY 2013 FISMA review. However, the agency still faces significant challenges to meeting key FISMA requirements and implementing an effective agency-wide information security program. Some of the more significant issues include the following:

- Information security risks not managed holistically throughout the agency
- Lack of a comprehensive continuous monitoring program
- Weakness in various contingency plan testing at both overseas posts and headquarters
- Noncompliance with physical and logical access requirements

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. As a result, Peace Corps management needs to continue to place great emphasis on improving IT security by efficiently using its available technical resources to find viable solutions and remediate issues.

Follow-up Audit of the Peace Corps' Volunteer Safety and Security Program

IG-15-03-A

OIG issued its final follow-up audit of the Peace Corps' Volunteer Safety and Security Program in March 2015. OIG's [initial](#) report, issued in April 2010, found that without a clear management structure, no headquarters office accepted complete ownership of the safety and security program, and the agency's security program lacked essential elements. OIG's initial report contained 28 recommendations, all of which it closed based on the agency's corrective actions.

OIG's follow-up report found that since 2010, the Peace Corps' safety and security program has evolved significantly and the agency has made substantial progress to address its safety and security needs. The agency has established more vigorous roles and responsibilities for the safety and security manager position. Additionally, the agency updated guidance materials and developed a consistent evaluation process for security personnel. However, the overseas safety and security program still needs improvement, specifically with the following:

-
- The agency has never met its safety and security performance indicator.
 - Peace Corps safety and security officer trip reports and criticality meetings have not been timely, preventing the efficient implementation of safety and security recommendations.
 - The Peace Corps did not always meet its obligations under an MOU with the Department of State, Bureau of Diplomatic Security, to communicate information on safety and security incidents and the results of safety and security officer security inspections with embassy regional security officers.
 - Trainings provided to safety and security managers did not cover some of the responsibilities outlined in their statement of work (SOW).
 - In hiring safety and security managers, posts did not consistently follow the template for the SOW. Accurate and consistent SOWs prevent an individual from being selected for the position without the required safety and security experience, provide safety and security managers with an appropriate understanding of their roles and responsibilities, and allow the agency to hold safety and security managers accountable to perform at the same standard.

By making improvements to these aspects of the program, OSS can operate more efficiently and better ensure Volunteer safety.

Management concurred with all seven recommendations. At the end of the reporting period, all seven recommendations remain open.

Audits of Operations Abroad

PC/Cameroon: Audit

IG-15-01-A

OIG issued its final audit of PC/Cameroon in January 2015. The first group of Volunteers arrived in 1962, and since then more than 3,470 Volunteers have served in Cameroon. At the time of OIG's audit, 175 Volunteers were working in the following projects: education, agriculture, and health. The post had three U.S. direct hires, two foreign service nationals, one U.S. personal services contractor (PSC), and 46 full-time local PSCs. The post's FY 2013 spending was approximately \$5.5 million.

The post's financial and administrative operations required improvement in a number of areas and did not fully comply with agency policies and applicable federal laws and regulations. OIG noted that the director of management operations neither performed unannounced cash counts, nor properly recorded, tracked, or collected outstanding bill of collections in a timely manner. The director of management operations also did not comply with the terms and conditions of the host country contributions agreement with the government of Cameroon. Furthermore, the director of management operations made an unfunded commitment without obligating documents and hired a PSC without following agency contracting policy. In addition, the country

director amended a memorandum of understanding with the United Nations International Children's Emergency Fund without appropriate headquarters involvement or approval.

Management concurred with all 11 recommendations. At the end of the reporting period, seven recommendations remain open.

Unsupported Costs

Recommendation Number 3: Implement procedure to ensure compliance -- \$216,000

Recommendation Number 4: Follow up on bills of collection -- \$31,000

Recommendation Number 11: Request removal of improper charges -- \$34,000

PC/Nepal: Audit

IG-15-02-A

OIG issued its final audit of PC/Nepal in February 2015. Nearly 4,000 Peace Corps Volunteers have served in Nepal since the program's inception in 1962. The post re-opened in January 2012 after closing in 2005 due to safety and security concerns for Volunteers. At the time of the audit, there were three U.S. direct hires and 19 full-time personal services contractors supporting 38 Volunteers serving in the agriculture sector. The post's FY 2013 spending was approximately \$1.2 million. In addition, at headquarters, the Europe, Mediterranean, and Asia region incurred an average of approximately \$409,000 per overseas post.

The post's financial and administrative operations, despite the post having only been open for a little over two years, were high functioning and complied with agency policies and applicable federal laws and regulations. PC/Nepal staff is well-versed in Peace Corps policy and their operations are running efficiently. However, there are a couple of areas that need improvement: the post neither de-obligated prior period funds nor complied with the agency's policy for disposal of excess property.

OIG reviewed the February 2014 open obligation summary report and determined that both headquarters and the post did not take timely action to de-obligate funds totaling \$34,194 U.S. dollar equivalent for pre-service training and fuel. The post's budgeted obligations are financed using Peace Corps funds, but these costs are reimbursed through an interagency agreement with U.S. Agency for International Development. If unused obligations are not de-obligated in a timely manner, the Peace Corps is unable to use these funds before they expire. Additionally, reviewing, adjusting, and liquidating obligations are necessary in order to create efficiency and effectively manage agency funds.

The post provided excess property to the U.S. embassy, which conducted three auctions between December 2012 and December 2013. The post had a process to prepare a list of excess property to be auctioned and to provide the embassy with fiscal coding information for the proceeds of any sales made. However, the post did not reconcile the original list of transferred property to the unsold items at the auction house. Without proper oversight, it is difficult to ascertain if the agency received the appropriate amount for the excess property sold.

Management concurred with both recommendations. At the end of the reporting period, both recommendations remain open.

Funds Put to Better Use

Recommendation Number 1: De-obligation of funds -- \$34,194

Evaluations



PC/Sierra Leone Volunteers Lara and Kevin Flaute stand in front of a mural depicting the Peace Corps' three goals.

Evaluations

Overview

The Evaluation Unit provides the agency with independent evaluations of Peace Corps programs, operations, and management at overseas posts and domestic offices and programs. Evaluations promote greater efficiency and effectiveness by identifying best management practices and recommending program improvements and means by which to comply with Peace Corps policies and federal regulations. Evaluators also participate in cross-functional reviews of agency operations undertaken with OIG auditors and/or investigators.

Evaluations are conducted under the direction and guidance of the assistant inspector general for evaluations and in accordance with the CIGIE *Quality Standards for Inspection and Evaluation*. These standards are instrumental in maintaining impartiality, reliability, and credibility, and they set the bar for competency, independence, professional judgment, and internal quality controls.

During country program evaluations, evaluators interview Volunteers, post and headquarters staff, and key host country and U.S. government officials. In effecting their interviews, the evaluators select a representative sample of currently serving Volunteers based on length of service, site location, project focus, gender, age, marital status, and ethnicity. Evaluators conduct most Volunteer interviews at the Volunteers' homes and worksites; they inspect housing and assess Volunteer training, safety, and health care using post and agency-defined criteria. The period of review for a country program evaluation is one full Volunteer cycle (typically 27 months).

For country program evaluations, OIG uses the following researchable questions to guide its work:

- Has the post developed and implemented programs intended to increase the capacity of host country communities?
- Does training prepare Volunteers for Peace Corps service?
- Has the post provided adequate support and oversight to Volunteers, including health care and personal safety?
- Are post resources and management practices adequate for effective post operations?

Along with the final reports below, OIG issued a preliminary report to the agency on its program in Guatemala. OIG also initiated country program evaluations of Benin and Nepal.

Country Program Evaluations

PC/Sierra Leone: Country Program Evaluation

IG-15-01-E

OIG issued its final country program evaluation of PC/Sierra Leone in January 2015. OIG's fieldwork was completed in June 2014, prior to the program's suspension the following month due to the increasing spread of the Ebola virus. More than 3,600 Peace Corps Volunteers have served the people of Sierra Leone since the program was first launched in 1962. The post closed in 1994 after political turmoil engulfed the country; the agency re-entered Sierra Leone in June 2010. At the time of OIG's visit, 28 staff was supporting 77 Volunteers serving in secondary education teaching English, mathematics, and science. The post's FY 2014 budget was \$1.7 million.⁷

The environment in Sierra Leone, still recovering from a decade of civil war, created unique management challenges for the post. The current generation of professionals has limited capacity and the post has had difficulty finding local staff with well-developed skill sets. Additionally, from 2012–13, the post experienced high staff turnover and long staffing gaps. Staff capacity building was an ongoing activity. Internet accessibility is a significant challenge in Sierra Leone. The post's inability to access recent rollouts of online systems from headquarters impacted Volunteer and staff productivity. Public transportation is limited and unreliable, posing safety concerns for Volunteer travel.

The evaluation determined that the program meets host country development needs and enjoyed strong host country support. The secondary education program fills a niche by providing teachers to resource-poor secondary schools that are struggling with a generation of students whose early education was disrupted by civil war. In general, Volunteers felt that staff provided effective support. However, several training areas, including design and evaluation, technical, and local language, required attention.

The post's health unit was improving operations following a long period of staffing gaps and temporary duty coverage. Volunteers were satisfied with their safety and security support and the staff's response to crime incidents. However, the safety and security manager struggled with the administrative aspects of the position—site locator forms and site history files were incomplete and poorly organized. In addition, Volunteer wardens' satellite phones had not been tested in accordance with the post's emergency action plan.

Management concurred with all 12 recommendations. At the end of the reporting period, 11 recommendations remain open.

⁷ This amount does not include the salaries, benefits, and related costs of U.S. direct hires assigned to the post and other costs the agency has determined should be centrally budgeted.

PC/Lesotho: Country Program Evaluation

IG-15-02-E

OIG issued its final country program evaluation of PC/Lesotho in March 2015. Over 2,200 Peace Corps Volunteers have served in Lesotho since the program began in 1967. At the time of the OIG's visit, 27 staff was supporting 84 Volunteers serving in the following projects: education, healthy youth, and community health and economic development. The post's FY 2014 budget was approximately \$1.5 million. Thirty-five percent of the post's budget for Volunteers, or 23 percent of its overall budget, is funded by President's Emergency Plan for AIDS Relief. In 2014, the post received notification that this funding would be curtailed, but later was alerted that its full funding would continue, which highlights a risk of planning for Peace Corps activities with funding that is not within the Peace Corps' control.

OIG found that post's programming was adequate, although some Volunteers reported challenges with their ability to achieve project goals. OIG identified issues with Volunteer work assignments and housing, and determined that site history was not consistently used during the site-development process. The post also did not consistently have MOUs with individual organizations where Volunteers had been placed.

The post's training program was working well to prepare Volunteers for most aspects of their service but technical training received the lowest average rating of pre-service training sessions from the Volunteers OIG interviewed. Volunteers were also generally satisfied with communication and site visits from staff. However, OIG found that some Volunteer housing criteria was not clear, that Volunteer resource centers did not offer the same resources, and OIG had concerns about the post's ability to evacuate a Volunteer at night in the event of medical emergency.

The post's resources and management practices were adequate for effective post operations. However, the post was without a permanent director of management and operations for about a year, but was supported by a temporary duty employee and capable local staff during that time. While morale was generally good, staff with major collateral duties such as monitoring, reporting, and evaluation and grants coordination was stretched thin.

Management concurred with all 16 recommendations. At the end of the reporting period, all 16 recommendations remain open.

Investigations



A Volunteer site in the Pacific Islands.

Investigations

Overview

The Investigation Unit is authorized to conduct investigations of waste, fraud, abuse, and mismanagement in Peace Corps programs and operations both domestically and overseas. OIG investigators have full law enforcement authority including the authority to, upon probable cause, seek and execute warrants for arrest, premise searches, and evidence seizure. In addition, OIG agents are authorized to make arrests without a warrant while engaged in official duties and to carry firearms. The unit investigates allegations of both criminal wrongdoing and administrative misconduct involving Peace Corps staff, contractors, Volunteers, and other individuals conducting transactions with the Peace Corps. Allegations are forwarded to OIG through various means, including OIG audits, evaluations, and hotline complaints, and come from Peace Corps stakeholders, including Volunteers, trainees, staff, contractors, other federal entities, and the general public.

During the reporting period, OIG issued an investigative review of the circumstances surrounding the death of Peace Corps/China Volunteer Nicholas Castle after receiving information from his parents, which was not part of agency records. OIG's review concluded that the Peace Corps medical officer who treated Volunteer Castle failed to use prudent judgment when treating him and that there were significant failures with the care provided by the Chinese ambulance emergency medical technicians. Based on its review, OIG made recommendations to the agency to improve Volunteer medical care. OIG also continued working with U.S. and host country partners on an ongoing investigation into a 2009 Volunteer homicide in Africa.

OIG conducted a peer review of the Investigation Unit of the Corporation for National and Community Service (CNCS) OIG for the 12-month period ending February 28, 2015. The review found that CNCS OIG was in compliance with the quality standards established by CIGIE and applicable attorney general guidelines.

In the course of an investigation of a Volunteer on Volunteer sexual assault, OIG learned that there was confusion among headquarters staff members concerning their obligation to report to OIG allegations of sexual assault made by third-party witnesses. As a result of this and other sexual assault reporting problems, OIG issued a MAR (see the Advice and Assistance section).

OIG's proactive review of FECA recipients resulted in the termination of incorrect benefit payments to a former Volunteer, resulting in over \$900,000 of cost avoidance to the Peace Corps. In another investigation, a staff member resigned in lieu of termination after an OIG investigation substantiated that the staff member embezzled and stole Peace Corps funds.

Finally, OIG referred for debarment a former staff member who embezzled \$9,000 of U.S. government funds.

Review of a Volunteer Death

Investigative Review of Volunteer Castle's Death in China

As initially reported in the "Semiannual Report to Congress: April 1 to September 30, 2014," OIG conducted a review of the facts and circumstances surrounding Volunteer Castle's death in China. The review considered additional information received from Castle's parents, namely an email in which Volunteer Castle advised the Peace Corps medical officer that he had not gained back the weight he lost after a gastrointestinal illness in October 2012; this email was sent to the same medical officer who treated Volunteer Castle immediately prior to his death. The email was not part of agency records.

The Peace Corps medical officer provided care for Volunteer Castle on the morning and in the afternoon of January 28, 2013, in response to Volunteer Castle's complaints of symptoms typical of gastroenteritis. The medical officer dealt with a highly unusual rapid decline in Volunteer Castle's health, which was uncommon in an otherwise young, healthy individual.

OIG's review concluded that the medical officer failed to use prudent judgment while treating Volunteer Castle the morning of January 28. Although the medical officer properly ordered oral rehydration salts and fluids, the medical officer failed to reassess Volunteer Castle during the next four hours; furthermore, there is no indication the medical officer considered Volunteer Castle was at a higher risk of clinical deterioration or that the medical officer conducted further tests to assess his dehydration.

OIG's review also concluded that in the afternoon of January 28 there were cascading failures and delays in the treatment of Volunteer Castle. Upon entering Volunteer Castle's room, the medical officer did not recognize the situation was critical. In addition, OIG's review also determined that, once an ambulance was called for, there were significant failures with the care provided by the Chinese ambulance emergency medical technicians.

While not contributing to the Volunteer's death, OIG also found the medical officer failed to adhere to several Peace Corps guidelines regarding medical chart record-keeping and that the medical officer altered in-service notes after submitting them to the Peace Corps for review.

The medical officer resigned during the course of the review. OIG made nine recommendations to the agency aimed at improving Volunteer medical care.

Management concurred with all nine recommendations. At the end of the reporting period, all nine recommendations remain open.

Criminal and Misconduct Related Investigations

Bribery Allegation at a Post in Central America

OIG received an allegation that a staff member may have accepted bribes and/or kickbacks for referring Volunteers to a contracted health care provider that was the post's second highest paid medical vendor. The OIG investigation did not find that the staff member received any bribes or kickbacks from that specific vendor. However, during the course of the investigation, OIG confirmed the staff member had violated Standards of Ethical Conduct with a separate health care provider.

The staff member received a gift valued in excess of \$1,000 in the form of a surgery for a family member. The gift was provided by a health care provider who at the time of the surgery was receiving referrals by the staff member in that individual's official capacity. The Department of Justice declined to prosecute the case in lieu of administrative remedies.

Distribution of a Controlled Substance Allegation at a Post in the Pacific

OIG received an allegation that a Volunteer was involved in the distribution of a controlled substance. The Volunteer admitted to providing controlled substances to other Volunteers. Seven other Volunteers admitted to using illicit drugs. The agency did not take administrative action against the Volunteers because all eight early terminated their Peace Corps service directly following their interviews with OIG.

Discrepant FECA Payments

During a proactive review of FECA benefits paid to returned Volunteers, OIG identified a discrepancy. The review disclosed that although a FECA recipient had properly reported wages from the recipient's employment, those wages were apparently not taken into account by the Department of Labor (DOL) in calculating the recipient's FECA benefit payments. OIG reviewed work statements, open source information, and other records and then notified DOL of the possible discrepancy. DOL determined that the recipient should not have been receiving payments due to the recipient's employment status, and canceled monthly payments of approximately \$1,856. Based upon the recipient's age and DOL's average life expectancy formula, this reduction will result in cost avoidance to the Peace Corps of approximately \$935,424 (approximately \$22,272 per year).

Embezzlement and Theft Allegations at a Post in the Pacific

During the course of other investigations, OIG obtained information that the post's safety and security manager had embezzled approximately \$570. The embezzlement occurred when the safety and security manager produced a receipt falsely indicating that she had already paid for prescription eyeglasses. The safety and security manager further admitted to stealing \$200 in funds intended to purchase phone cards for Volunteers to use in emergencies. The safety and security manager also acknowledged falsifying travel vouchers involving routine travel. The safety and security manager resigned in lieu of termination.

Embezzlement of Grant Money at a Post in Central America

OIG reported in its the April 1 to September 30, 2014 Semiannual Report to Congress on the investigation of a former staff member who admitted to having misused his position to embezzle nearly \$9,000 associated with two separate grants. The agency terminated the staff member before the embezzlement was identified, and the Department of Justice declined to prosecute.

The agency is currently pursuing reimbursement of the embezzled money from the former employee and is also considering options related to contract debarment.

Homicide Investigation at a Post in West Africa

The investigation of a 2009 Volunteer homicide remains ongoing. OIG continued to engage with law enforcement partners in the field and the U.S. embassy to assist the host country with the investigation.

Volunteer on Volunteer Sexual Assault Allegation at a Post in Central America

A Volunteer restricted report was submitted to the agency's Critical Incident Report System concerning non-consensual sexual contact of the Volunteer by another Volunteer. The agency was sufficiently concerned that the alleged assailant posed a serious or imminent threat to others, so it converted the Volunteer's restricted report to a standard report and referred it to OIG. OIG initiated an investigation. OIG interviewed the subject, who reported not remembering what transpired due to intoxication. The victim alleged to have been sexually assaulted. Witness interviews were contradictory and did not yield specific information on the allegation. The agency provided the subject "interrupted service," meaning the subject was separated from service but can reapply to serve in the Peace Corps at a later date. The matter was not referred for U.S. prosecution because of lack of jurisdiction.

Volunteer on Volunteer Sexual Assault Allegation at a Post in Eastern Europe/Central Asia

OIG was advised by senior management that the post had received two reports from female Peace Corps Volunteers who witnessed a male Volunteer sexually assaulting another female

Volunteer in a bar in the country's capital. During the course of the investigation, OIG confirmed that the sexual assault had occurred and determined that the male Volunteer had sexually assaulted a different female Volunteer months earlier. Further, OIG identified two female Volunteers who would have been victims of sexual assault by the male Volunteer were it not for the intervention of bystanders. All four of the incidents involved improper sexual contact. OIG also developed substantial information related to the male Volunteer's possession, use, manufacturing, and distribution of marijuana, and of his possession, use, and distribution of Adderall (a controlled substance) without a prescription. The male Volunteer terminated his Peace Corps service in lieu of administrative separation.

Concerns Related to Staff Handling of Sexual Assault Allegation at a Post in Eastern Europe/Central Asia

As reported directly above, senior management notified OIG that a post in Eastern Europe/Central Asia had received a second third-party allegation that a Volunteer had been sexually assaulted by another Volunteer at a bar. The senior manager informed OIG that the post had received a similar complaint a week earlier, but had not reported the matter to OIG. During the course of OIG's investigation into the alleged assault, the accused Volunteer resigned. Because of concerns related to the Peace Corps' handling of the third-party allegations of Volunteer sexual misconduct, OIG initiated this related investigation.

OIG learned that the initial sexual assault complaint was not reported to the Office of Victim Advocacy, OIG, or the U.S. embassy regional security officer because of staff's confusion over agency reporting requirements. OIG also identified a concern expressed by several Volunteers about their inability to report sexual assaults directly to an American assigned at the post, rather than having to report to host country staff who may have different cultural views that inhibit disclosure of sensitive information. OIG issued "Management Advisory Report: Agency Policies Related to Volunteer Sexual Assault Allegations," that addressed these issues (see the Advice and Assistance section of this report).

Tables



High school students in the Kailahun District of Sierra Leone pose for a photo.

Tables

1: List of Reports: Audits and Evaluations

Agency-wide
Follow-up Audit of Peace Corps' Volunteer Safety and Security Program (IG-15-03-A)
Post Audits
PC/Cameroon (IG-15-01-A)
PC/Nepal (IG-15-02-A)
Post Program Evaluations
PC/Sierra Leone (IG-15-01-E)
PC/Lesotho (IG-15-02-E)

2: Reports with Questioned Costs, Unsupported Costs, and Funds Put to Better Use

Report	Questioned Costs ⁸	Unsupported Costs ⁹	Funds Put to Better Use ¹⁰
PC/Cameroon: Audit (IG-15-01-A)	-	-	-
Unsupported Costs	-	\$281,000	-
PC/Nepal: Audit (IG-15-02-A)	-	-	-
De-obligation of funds	-	-	\$34,194
Subtotal	-	\$281,000	\$34,194
Total	\$315,194		

⁸ Questioned Costs – a cost that is an alleged violation of government or Peace Corps regulations. For example: prohibited purchases and expenditure of funds for purposes that do not relate to the Peace Corps mission.

⁹ Unsupported Costs – a cost that is not supported by adequate documentation.

¹⁰ Funds Put to Better Use – a cost that could be used more efficiently, such as costs for unnecessary goods or services.

3: Status of Reports Issued by OIG with Questioned and Unsupported Costs

	Number of Reports	Questioned Costs	Unsupported Costs
A. Reports issued prior to this period			
For which no management decision has been made on any issue	-	-	-
For which some decisions had been made on some issues	-	-	-
B. Reports issued during this period			
	1	-	1
Totals of Categories A and B	1	-	1
C. For which final management decisions were made during this period			
Dollar value of disallowed costs	1	-	\$281,000
Dollar value of costs not disallowed	-	-	-
D. For which no management decisions were made during this period			
	-	-	-
E. For which management decisions were made on some issues during this period			
	-	-	-
Totals of Categories C, D, and E	1	-	\$281,000
Total questioned costs and unsupported costs	1	\$281,000	

4: Status of Reports Issued by OIG with Funds to be Put to Better Use

	Number of Reports	Funds Put to Better Use
A. Reports issued prior to this period		
For which no management decision has been made on any issue	-	-
For which some decisions had been made on some issues	-	-
B. Reports issued during this period		
	1	\$34,194
Totals of Categories A and B		
	1	\$34,194
C. For which final management decisions were made during this period		
Dollar value of recommendations agreed to by management	1	\$34,194
Dollar value of recommendations not agreed to by management	-	-
D. For which no management decisions were made during this period		
	-	-
E. For which management decisions were made on some issues during this period		
	-	-
Totals of Categories C, D, and E		
	1	\$34,194

5: Recommendations on which Corrective Action has not been Completed

Audits and Evaluations

Open Recommendations 60 to 119 Days						
			Agency Concurrence ¹¹			
Report	Date Issued	Total Open Recommendations	Concur	Non	Partial	
PC/Cameroon: Audit (IG-15-01-A)	01/14/2015	7	7	-	-	
PC/Sierra Leone: Evaluation (IG-15-01-E)	01/30/2015	11	11	-	-	
	Total	18	18	-	-	
Open Recommendations 120 to 179 Days						
Report	Date Issued	Total Open Recommendations				
-	-	-	-	-	-	
	Total	-	-	-	-	
Open Recommendations More than 180 Days						
Report	Date Issued	Total Open Recommendations				
PC/HQ Office of Chief Information Officer Budget Formulation and Management: Audit (IG-10-05-A)	1/11/2010	1	1	-	-	
PC/HQ Volunteer Delivery System: Evaluation (IG-11-01-E)	11/6/2010	6	6	-	-	
PC/HQ The Impact of the Five-Year Rule on Operations of the Peace Corps: Evaluation (IG-12-05-E)	6/20/2012	5	5	-	-	
PC/Jordan: Audit (IG-12-07-A)	9/25/2012	1	1	-	-	
PC/HQ The Peace Corps' Implementation of Guidelines and Protocols Related to Volunteer Victims of Sexual Assault: Review (IG-12-08-E)	9/27/2012	5	5	-	-	
PC/HQ The Peace Corps' 50th Anniversary Program: Audit (IG-13-01-A)	10/25/2012	3	3	-	-	
PC/Malawi: Audit (IG-13-02-A)	2/27/2013	1	1	-	-	
PC/Namibia: Evaluation (IG-13-01-E)	3/15/2013	1	1	-	-	
PC/Malawi: Evaluation (IG-13-02-E)	3/22/2013	2	2	-	-	
PC/HQ Peace Corps' Grant Programs: Review (IG-13-04-A)	3/28/2013	6	6	-	-	
PC/Colombia: Evaluation (IG-13-03-E)	4/29/2013	1	1	-	-	
PC/Moldova: Evaluation (IG-13-04-E)	9/16/2013	1	1	-	-	
PC/Zambia: Audit (IG-13-06-A)	9/24/2013	6	6	-	-	
PC/HQ Overseas Staffing: Audit (IG-14-01-A)	11/21/2013	13	13	-	-	
PC/HQ Sexual Assault Risk-Reduction and Response	11/21/2013	2	2	-	-	

¹¹ The sum of open recommendations in the *Agency Concurrence* columns equals the number in the *Total Open Recommendations* column.

PEACE CORPS OFFICE OF INSPECTOR GENERAL

Training: Evaluation (IG-14-01-E)						
PC/HQ Peace Corps Volunteer Sexual Assault Policy: Evaluation (IG-14-02-E)	11/21/2013	4		4	-	-
PC/HQ Applicant Screening Process: Audit (IG-14-04-A)	06/10/2014	8		8	-	-
PC/The Gambia: Audit (IG-14-05-A)	09/15/2014	11		11	-	-
PC/Philippines: Evaluation (IG-14-06-E)	90/16/2014	11		10	1	-
PC/Dominican Republic: Audit (IG-14-06-A)	09/30/2014	9		9	-	-
PC/HQ Peace Corps' Training of Overseas Staff: Evaluation (IG-14-07-E)	09/30/2014	21		18	3	-
	Total	118		114	4	-

Special Reports and Management Advisory Reports

Open Recommendations 60 to 119 Days		
Report	Date Issued	Total Open Recommendations
-	-	-
	Total	-
Open Recommendations 120 to 179 Days		
Report	Date Issued	Total Open Recommendations
-	-	-
	Total	-
Open Recommendations More than 180 Days		
Report	Date Issued	Total Open Recommendations
PC/HQ 2012 Medical Supply Issues: Capstone	8/26/2013	4
PC/HQ Bill of Collections: Capstone (IG-14-01-SR)	09/30/2014	2
	Total	6

Financial Statement and FISMA Recommendations¹²

		Agency Concurrence		
Fiscal Year Issued	Open Recommendations	Concur	Non	Partial
PC/HQ FY 2014 Financial Statement Audit				
FY 2014	1	1	-	-
FY 2013	3	3	-	-
FY 2009	1	1	-	-
FY 2004	3	3	-	-
Total	8	8	-	-
PC/HQ FY 2014 Information Security Program Audit				
FY 2014	0	0	-	-
FY 2013	7	7	-	-
FY 2009	1	1	-	-
FY 2008	2	2	-	-
FY 2007	1	1	-	-
Total	11	11	-	-

¹² All recommendations issued in conjunction with these two reports are part of a normal 12-month audit cycle. As a result, recommendations made during a given FY will remain in an open status during the entire subsequent FY. At the beginning of each new FY, the auditors will notify management whether sufficient corrective actions have been taken regarding the prior-year recommendations and issue current notifications of findings and recommendations. Prior-year findings and recommendations may be reissued if management has not taken sufficient corrective actions.

6: Summary of Investigative Activities and Outcomes¹³

Investigative Activities

	Preliminary Inquiries¹⁴	Cases
Opened as of 10/1/2014	45	15
Opened during 10/1/2014–3/31/2015	119	6
Closed during 10/1/2014–3/31/2015	93	4
Total Open as of 4/1/2015	71	17

Referrals

Referrals to Department of Justice	5
Referrals to Agency for Administrative Action	5
Other Referrals to Agency Management	36
Referrals to Other Agencies	6

Court Actions

Trial(s) Pending	1
Ongoing Prosecution ¹⁵	3
Convictions	-
Judgments	-
Fines/Restitution	-

Administrative Actions

Employees (Resignations and Terminations) ¹⁶	11
Other Employee Actions	6
Suspension/Debarment Referrals	1

Monetary Results

Annual Savings	-
Recoveries/Restitution	-
Cost Avoidance	\$935,424

¹³ Volunteers/trainees are included as Peace Corps staff for the purpose of reporting investigative activity.

¹⁴ Preliminary inquiries are initiated for complaints that either (1) are received from a Peace Corps source (e.g., staff, Volunteer, contractor) or (2) relate to a matter within the jurisdiction of OIG. A preliminary inquiry is limited in scope to the verification of information in a complaint or allegation and to confirm that it falls within the jurisdiction of OIG.

¹⁵ Includes arrests, indictments, information, and overseas criminal proceedings.

¹⁶ Includes all Peace Corps staff.

7: Summary of Hotline and Other Complaints

Hotline Complaints Received	130
Non Hotline Complaints received ¹⁷	21
Total Complaints from all Sources ¹⁸	151
Resulted in Investigations	6
Resulted in Preliminary Inquiries	88
Resulted in Audits or Evaluations	1
Referred to Agency Management	35
Referred to Other Agency	3
No Action Needed	19

¹⁷ These complaints are largely a result of outreach by OIG staff and were received by email, phone calls, and conversations.

¹⁸ The number of actions taken vary based on the nature of the complaint. For example, a complaint might result in multiple actions or no actions.

8: References to Reporting Requirements of the Inspector General Act

Act Reference	Reporting Requirements	Page
Section 4(a)(2)	Review of legislation and regulations	12
Section 5(a)(1)	Significant problems, abuses, and deficiencies	25–30
Section 5(a)(2)	Significant recommendations for corrective actions	7–24
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	36–38
Section 5(a)(4)	Matters referred to prosecuting authorities	25–30; 39–40
Section 5(a)(5)	Summary of instances where information was refused	10–11; 45–49
Section 5(a)(6)	List of audit reports, including evaluations, inspections, and reviews	32
Section 5(a)(7)	Summary of significant reports	13–24
Section 5(a)(8)	Statistical table - Questioned and Unsupported Costs	34
Section 5(a)(9)	Statistical table - Funds to Be Put to Better Use	35
Section 5(a)(10)	Summary of previous audit reports without management decisions	n/a
Section 5(a)(11)	Significant revised management decisions	n/a
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	n/a
Section 5(a)(13)	Information under Federal Financial Management Improvement Act of 1996	n/a

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Appendices



OIG marked its 25th anniversary in 2014, using the milestone as an opportunity to inform stakeholders about the office.

Appendices

A: Reporting of Peer Reviews

Pursuant to Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Pub. L. No. 111-203),¹⁹ OIG reports the following peer review information: During the reporting period, OIG conducted a peer review of the Office of Investigations of the Corporation for National and Community Service OIG. The Audit and Investigation Units are required to conduct, and be subject to, a peer review every three years.

Audit Unit

On March 27, 2014, the National Endowment of the Humanities OIG issued its peer review report of the OIG Audit Unit for the period ending September 30, 2013. The Audit Unit received a rating of “pass,” concluding that the system of quality control has been suitably designed to provide OIG with reasonable assurance of performing and reporting in conformity with applicable professional standards in all material respects.

In February 2013, OIG conducted a peer review of the audit organization of the National Credit Union Administration OIG in effect for the period ending September 30, 2012. There were no recommendations made.

Investigation Unit

In February 2015, OIG conducted a peer review of the Office of Investigations of the Corporation for National and Community Service (CNCS) OIG. OIG found that the investigative operations of CNCS OIG were in compliance with the quality standards established by CIGIE and the applicable Attorney General guidelines. There were no recommendations made.

In April 2013, the U.S. Agency for International Development (USAID) OIG conducted a peer review of the OIG Investigation Unit in effect for the period ending April 8, 2013. In their Quality Assessment Review, USAID OIG gave an opinion that the system of internal safeguards and management procedures of OIG’s investigative function were in compliance with the quality standards established by CIGIE, and the applicable Attorney General Guidelines.

B: Contract Audit Reports

During this reporting period, OIG did not issue any audit reports meeting the “significant audit findings” criteria pursuant to Section 845A of the National Defense Authorization Act for Fiscal Year 2008 (Pub. L. No. 110-181).

¹⁹ Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act amends Section 5(a) of the Inspector General Act of 1978 (5 U.S.C. App.)

C: IG Congressional Testimony

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

FEBRUARY 3, 2015, 10:15 AM

CHALLENGES TO ACCESS AND INDEPENDENCE FACED BY THE PEACE
CORPS INSPECTOR GENERAL

TESTIMONY OF KATHY A. BULLER

PEACE CORPS INSPECTOR GENERAL

Chairman Chaffetz, Ranking Member Cummings, and distinguished members of the Committee:

Thank you for inviting me to appear before you today to discuss the challenges to access and independence faced by my office. I testified on this issue twice last year: on January 15 and again on September 10. While progress was made after each hearing, some challenges remain.

Denial of Access to Sexual Assault Records

The Peace Corps Office of Inspector General (OIG) access issues stem from a rather sensitive and important subject: the Peace Corps' handling of Volunteer reports of sexual assault. So I must emphasize from the outset that our push for access goes beyond our zeal for upholding the basic principle that transparency and accountability are the hallmarks of good governance. Our push for access is about fulfilling our collective responsibility to ensure that we—Congress, the Peace Corps, and OIG—do everything we can to ensure our Volunteers, who sacrifice so much when serving in remote corners of the world, receive the services they need when they are victims of a sexual assault.

Standing in our way to fulfilling that duty is a legal opinion drafted on July 9, 2013, by the Peace Corps' former general counsel. That legal opinion asserts the Kate Puzey Volunteer Protection Act of 2011 (Kate Puzey Act),²⁰ overrides my broad right of access to agency records under the Inspector General Act of 1978, as amended, (IG Act).²¹ As a result of that legal opinion, the agency has implemented policies and procedures denying us access to information.

Since my last testimony on September 5, the Peace Corps has corrected course by issuing policies and procedures that grant OIG greater access to information.²² It's worth reminding the Committee that these revisions took two years of discussions with the agency and members of Congress, two congressional hearings, negative press coverage, a hold being placed on the nomination of the Director, and, ultimately, the signing of a memorandum of understanding (MOU) between the agency and OIG. Despite this progress, the underlying legal opinion supporting those policies and procedures is still in place and much work remains to be done to undo the damage caused by these access-denying policies.

²⁰ Pub. L. No. 112-57.

²¹ Pub. L. No. 113-126.

²² On October 17, 2014, the Peace Corps issued revised Interim Policy Statement 3-13, granting OIG access to all information from restricted reports except for the personally identifying information of volunteer victims and the explicit details of sexual assaults.

Summary of Legal Issue

The IG Act

When Congress enacted the IG Act, it recognized that access to information is essential for inspectors general to effectively oversee agency programs and operations. Accordingly, Section 6(a)(1) of the IG Act enables every inspector general to access:

All records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to programs and operations with respect to which that Inspector General has responsibilities under this Act.

There is no ambiguity in this language. IGs have access to all agency documents and information, and the legislative history to the IG Act leaves no room for doubt: the language “all records” is expansive and is intended to include even confidential agency memoranda.²³

The Kate Puzey Act

Congress enacted the Kate Puzey Act following reports that emerged after the ABC network’s “20/20” show aired a story on how the agency mishandled sexual assault complaints by former Volunteers. The show also focused on the mishandling of an unrelated complaint filed by Kate Puzey, a Volunteer who was murdered in Benin in 2009 after a staff member allegedly failed to keep her complaint confidential.²⁴

Section 8E(d)(1)(B) of the Kate Puzey Act provides OIG with key oversight roles in ensuring the agency adequately responds to sexual assault and other crimes, effectively implements and trains on the Sexual Assault Risk Reduction and Response policy and program, and delivers services to sexual assault victims. The Kate Puzey Act requires that OIG conduct an evaluation on this matter and report to Congress by November 21, 2013, and again in 2016.²⁵ The report must be based on a case review of a statistically significant number of sexual assault cases.²⁶

Section 8A(f)(2) of the Kate Puzey Act mandates that victims have access to a restricted reporting mechanism that allows them to receive services without automatically triggering an official investigation. If a victim makes a restricted report, the victim’s personally identifiable information (PII) can only be shared with specified individuals unless an exception applies. One

²³ S. REP. NO. 95-1071, at 33-34 (1978).

²⁴ The “20/20” show was not the first in-depth investigation into the underreported incidence of rape, sexual assault, and murder in the Peace Corps. On October 26, 2003, the Dayton Daily News published an article titled, “Mission of Sacrifice: Peace Corps volunteers face injury, death in foreign lands.” The newspaper combed through thousands of records on Volunteer assaults over a span of four decades and highlighted the alleged failings of the Peace Corps in responding to crimes against Volunteers.

²⁵ Sec. 8E(d)(1)(A) also requires Peace Corps OIG submit a biennial report to Congress concerning reports received from Volunteers that discuss incidents of misconduct, mismanagement or policy violations by Peace Corps staff, or that relate to breaches of confidentiality of Volunteers.

²⁶ OIG submitted the initial report to Congress in November 2013 but the scope of the review did not include restricted reports because the agency had not implemented a system of restricted reporting until September 1, 2013.

of those exceptions authorizes disclosures “to State and Federal courts when ordered, or if disclosure is required by Federal or State statute.”

Peace Corps’ Legal Position

Despite the exception authorizing disclosure when required by federal law, the legal opinion asserts the exception applies only to courts because courts are the only person or organization listed in the exception. The opinion also reinterprets the statutory definition of PII in a manner that effectively prohibits OIG from accessing the crucial information it needs to fulfill its key oversight role mandated by the Kate Puzey Act.

Most egregiously, however, the opinion concludes OIG should not have access to restricted reports because the Kate Puzey Act overrides the IG Act. This is incorrect, however, since it is well established that a statute cannot be construed as overruling a pre-existing statute unless that intent is clear or the two statutes are irreconcilable.²⁷ Nothing in the Kate Puzey Act suggests an intent to override the IG Act and both laws can be easily reconciled by reading the exception as applying to OIG.

Furthermore, the Peace Corps’ interpretation conflicts with the plain meaning of the statute as a whole.²⁸ The Kate Puzey Act provides OIG a central role in improving the Peace Corps’ response to sexual assault victims. In particular, the law requires OIG oversee sexual assault mismanagement allegations and conduct a case review of a statistically significant number of sexual assault cases. It is inconceivable that Congress intended to increase OIG’s oversight duties over the Peace Corps’ response to sexual assaults, while simultaneously curtailing its ability to access the information it needs to fulfill those new duties.

Memorandum of Understanding between the Peace Corps and OIG

In May 2014, to avoid the possibility of remaining in the dark about a substantial category of sexual assault reports, I entered into a formal agreement with the Peace Corps granting OIG more—though not all—information from these reports, while maintaining our legal position.

The revisions the Peace Corps made to the access-denying policies and procedures as a result of the MOU are a good step forward. Since the policies and procedures were revised, we have requested specific case files for two post country evaluations and have been able to review two restricted reports with corresponding redactions of PII and explicit details. However, the true test

²⁷ “The intention of the legislature to repeal must be clear and manifest.” *Posadas v. National City Bank of New York*, 296 U.S. 497, 503 (1936). *See also* *Tennessee Valley Authority v. Hill*, 437 U.S. 153, 189–90 (1978); *Morton v. Mancari*, 417 U.S. 535, 549 (1974); 1 GAO, *Principles of Federal Appropriations Law* 2-43 (3d ed. 2004)(“ A corollary to the ‘cardinal rule’ against repeal by implication...is the rule of construction that statutes should be construed harmoniously so as to give maximum effect to both wherever possible.”)

²⁸ “It is a fundamental canon of statutory construction that the words of a statute must be read in their context and with a view to their place in the overall statutory scheme... A court must therefore interpret the statute as a symmetrical and coherent regulatory scheme, ... and fit, if possible, all parts into an harmonious whole...” *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. at 132–133 (citations and quotation marks omitted). *See also* 1 GAO, *Principles of Federal Appropriations Law* 2-86 (3d ed. 2004).

of the agreement will come this fall, when we begin reviewing a statistically significant number of cases as required by the Kate Puzey Act.

Other Concerns

Despite the progress made—thanks in part to this Committee—I remain concerned about the appropriateness of my office having to enter into an MOU to obtain information we are entitled to by law and that we need to fulfill our statutory duties. Therefore, we see this agreement as a temporary fix to obtain information while we seek agency or congressional action.

I am also concerned the Peace Corps has yet to adequately train staff on what information can and must be shared with OIG pursuant to the MOU. There is already evidence that the Peace Corps' lack of guidance has led to staff confusion in handling sexual assaults. For example, in November we issued a management advisory report (MAR) to the Director documenting confusion on whether complaints from a third party should be treated as a restricted report.²⁹ The MAR documents how staff was initially advised by the Office of General Counsel not to report the information to OIG only to reverse course after discovering that other victims may have been assaulted by the same perpetrator. While the law is clear that only victims of sexual assault can make restricted reports, at least in one senior-level training the former general counsel advised staff that sexual assault allegations made by persons other than the victim should be treated as restricted and should not be reported to OIG.

Beyond training on third-party complaints, staff and Volunteers must be reassured that they should report allegations to our office concerning mismanagement of a sexual assault response, even if it relates to a restricted report. During the time OIG was denied access to any details of sexual assaults multiple people expressed concern about sharing information with OIG because of agency policies. Additionally, staff responsible for providing services and information to Volunteers (in cases where the perpetrator is alleged to be another Volunteer or staff) need to know they can consult with OIG about how our investigations are conducted, even if they are unable to provide OIG with explicit details of the assault or the victim's PII.

Finally, I am concerned about the Peace Corps' ability to meet its commitments under the agreement, such as implementing a system that would permit OIG to review sexual assault cases without full access to information. Lacking such access, Congress will be unable to properly assess whether the Peace Corps is adequately responding to victims.

Solving the Issue

Congress and the Peace Corps have the power to solve this issue. Congress could take legislative action in one way or another to ensure we get full access to agency records.

The Peace Corps, for its part, could retract its erroneous legal opinion underlying its access-denying policies and procedures. As long as that opinion remains in place, the Peace Corps is

²⁹Management Advisory Report: Agency Policies Related to Volunteer Sexual Assault Allegations: http://files.peacecorps.gov/multimedia/pdf/policies/PCIG_Agency_Policies_Related_to_Volunteer_Sexual_Assault_Allegations.pdf

free to rescind our agreement and withhold or delay OIG access to sexual assault reports. Moreover, its very existence sets a dangerous precedent whereby any agency may withhold information by deciding to interpret a law as overriding the IG Act.

Allowing agencies to unilaterally decide when they can or cannot release information to the IG presents a clear conflict of interest. Not only that, it forces the IG to spend its limited time and resources wrangling with the agency to obtain information—as I have done for over two years. Taxpayers—and Volunteer victims of sexual assault in particular—deserve better.

While the Peace Corps withdrawing its legal opinion would resolve our access issue, it will do nothing to help other IGs who are denied full access to agency records. I appreciate the Committee's efforts to help us on our quest for access—for the sake of the Peace Corps, Volunteer victims of sexual assault, and the entire IG community.

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Anyone knowing of wasteful practices, abuse, mismanagement, fraud, or unlawful activity involving Peace Corps programs or personnel should contact the Office of Inspector General. Reports or complaints can also be made anonymously.

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