



Peace Corps  
Office of Inspector General  
Semiannual Report to Congress

April 1, 2015 — September 30, 2015



# 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.

## Semiannual Report to Congress

*April 1 to September 30, 2015*



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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 April 1 to September 30, 2015. Our work underscores OIG's commitment to promoting efficiency, effectiveness, and accountability within the Peace Corps.

During this reporting period, my office identified five management challenge areas in our statement on Peace Corps' Management and Performance Challenges in the agency's Performance and Accountability Report. We identified acquisition and contract management as a new area presenting significant challenges to the efficiency of Peace Corps operations. Four other challenge areas remain from past years, including information technology security management, which we first reported in 2009.

The Audit Unit issued final reports on post audits of Madagascar, Guyana, and Vanuatu; continued work on an agency-wide audit of the Peace Corps' Volunteer health-care contract and a report on the agency's conference costs; and initiated work on post audits of Kyrgyz Republic and Indonesia.

The Evaluation Unit issued final country program evaluations of Benin and Guatemala, a preliminary country program evaluation of Nepal, and initiated work on a follow-up evaluation on issues identified in the Peace Corps/Morocco Assessment of Medical Care.

The Investigation Unit closed 11 investigations and 116 preliminary inquiries, and continued its proactive review of Federal Employees' Compensation Act recipients. During this reporting period, the review resulted in the termination of incorrect benefit payments to a former Volunteer, resulting in cost avoidance to the Peace Corps of over \$1,113,600.

In June, I was named executive chair of the Legislation Committee for the Council of Inspectors General on Integrity and Efficiency (CIGIE), an independent government entity representing 72 OIGs in the federal government. CIGIE's mission is to promote integrity, economy, and effectiveness in government agencies as well as to increase the professionalism and effectiveness of personnel in the community of inspectors general. CIGIE's Legislation Committee is responsible for providing regular and ongoing communication regarding legislative issues and other matters of common interest between Congress and CIGIE.

On July 20, the Office of Legal Counsel of the Department of Justice (DOJ) issued an opinion that Section 6(a) of the Inspector General Act (IG Act) does not give the inspector general for

DOJ independent access to all records in the DOJ's possession that it needs to perform its oversight work. The legal counsel's opinion represents a serious threat to the independent authority of all inspectors general. As such, I, together with the other 71 federal inspectors general, signed a letter to Congress urging legislation affirming the bedrock principle enshrined in the IG Act: that inspectors general have access to all information and data in an agency's possession that the inspector general deems necessary to conduct its oversight functions. Peace Corps OIG's impasse with the agency regarding access to information has been ongoing since 2013, and my office continues to push for access to information we need to ensure our Volunteers receive the services they need when they are victims of sexual assault.

Finally, I am pleased to announce that CIGIE will present my office with two awards at its annual award ceremony in October.



Kathy A. Buller  
Inspector General

# Management and Administration



A technical training site in Peace Corps/Benin

## Management and Administration

### Agency Context

As of September 30, 2015, 6,919 Peace Corps Volunteers and trainees were serving in 63 countries at 59 posts. This total includes 820 Volunteers and trainees funded by the President's Emergency Plan for AIDS Relief (PEPFAR) to work on HIV/AIDS projects at 17 posts, and 267 Peace Corps Response Volunteers serving in short-term assignments at 33 posts.

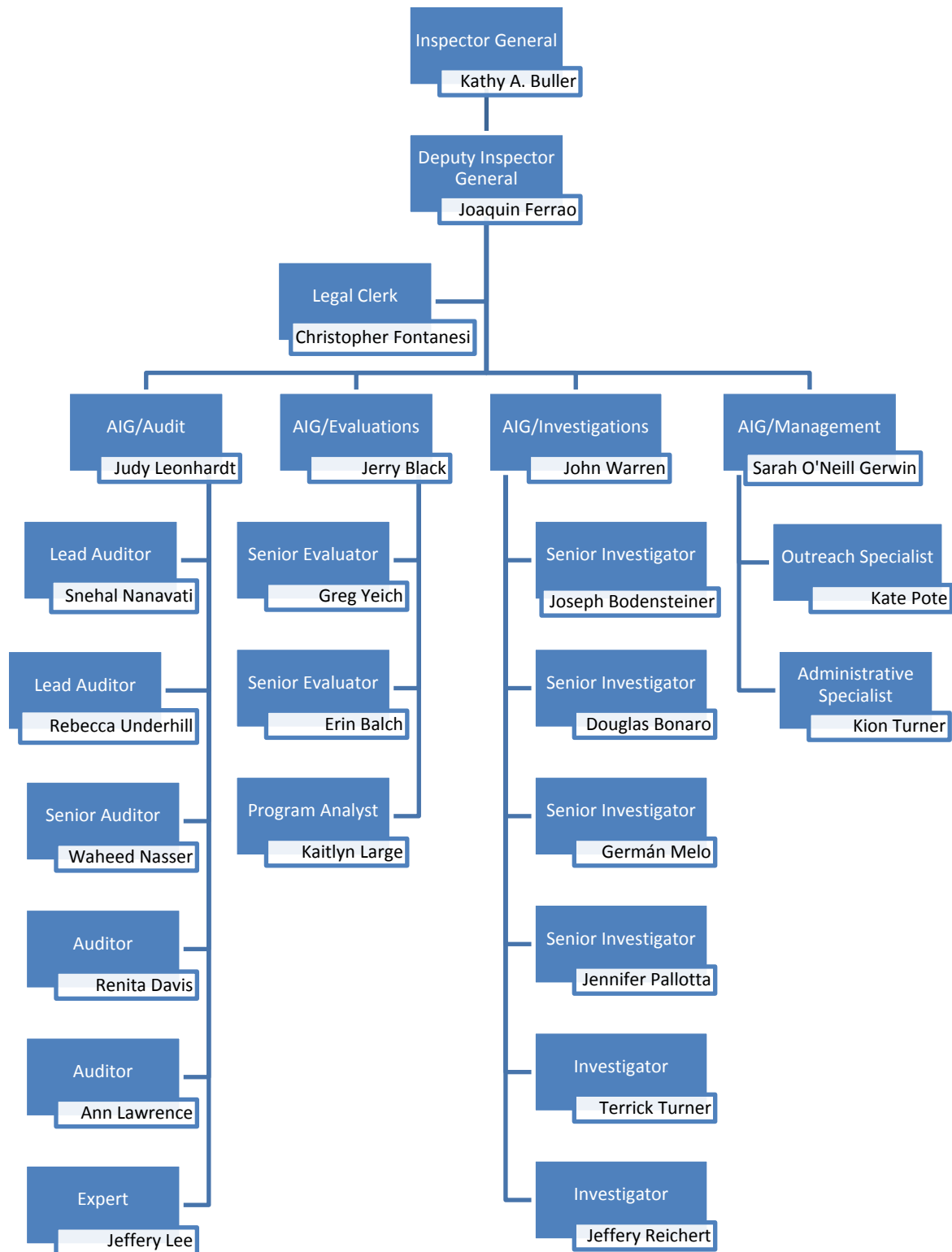
The Volunteers and their programs are supported by 1,110 American direct-hire staff: 187 overseas, 141 in the regional recruiting offices, and the remaining 782 at headquarters. Approximately 2,935 locally hired personnel complete post staffing.

### Staffing

Erin Balch joined OIG as a senior evaluator in April 2015. Previously, Erin worked at U.S. Agency for International Development, where she provided technical leadership and administrative oversight for the Global Health Bureau's flagship project for monitoring and evaluation. She provided oversight for the design and implementation of evaluations in more than 40 developing countries. She has a background in applied research and program evaluation and has worked on a number of clinical trials funded by the National Institutes of Health to evaluate the impact of HIV interventions in Southern Africa. She served as a community development Peace Corps Volunteer in Cape Verde from 2000–02. Erin holds a master's degree in social work and a master's degree in public health from Columbia University.

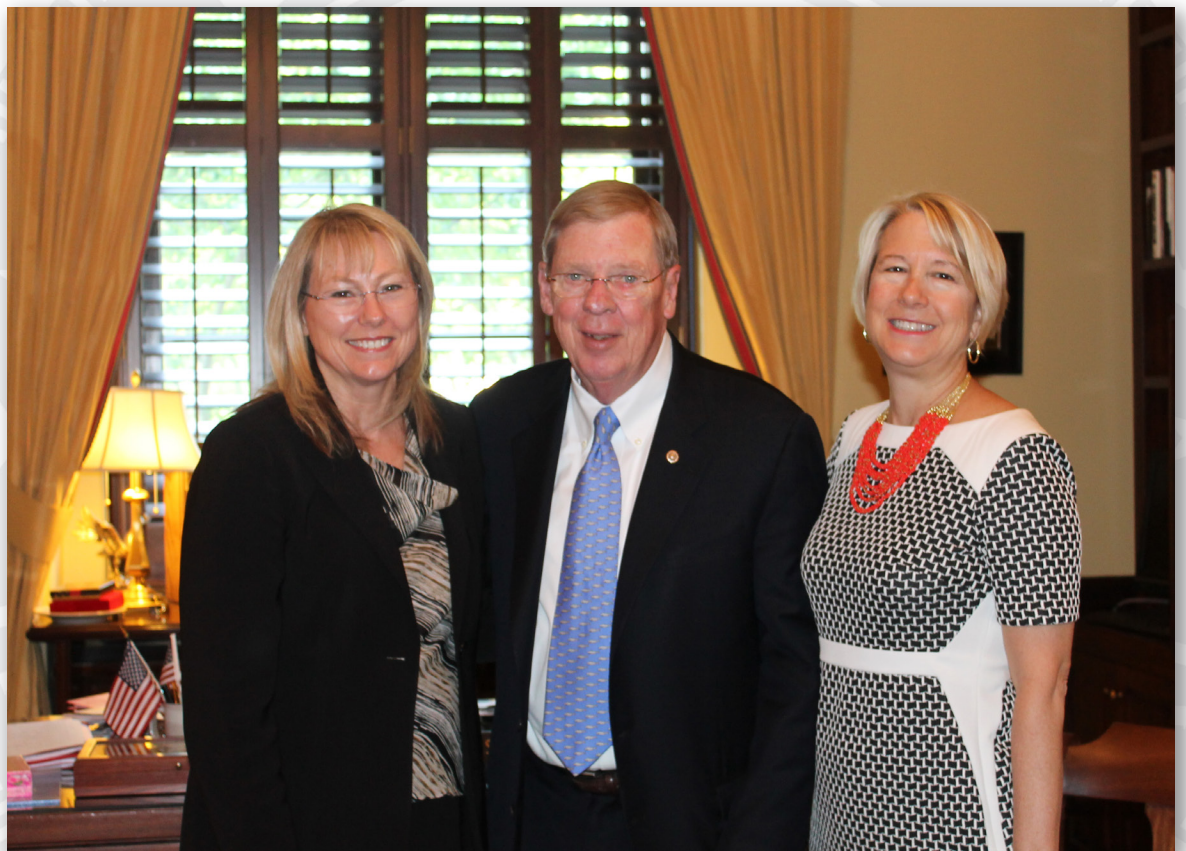
Kion Turner joined OIG as an administrative specialist in September 2015 following her Peace Corps service in Uganda as an Agriculture Volunteer from 2013–15. As a Volunteer, she assisted local governments across northern Uganda in trainings and outreach to improve the nutritional status and livelihoods of vulnerable populations. Prior to her Peace Corps service, she was a human resource professional for nine years in the private sector. Kion holds a bachelor's degree in applied psychology with a dual minor in women's studies and human resources management from Pace University and a master's in business administration with a certificate in business continuity and risk management from Iona College.

## OIG Organizational Chart



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## Management and Performance Challenges



IG Kathy Buller (left) and Peace Corps Director Carrie Hessler-Radelet (right) meet with Senator Johnny Isakson, a member of the Senate Committee on Foreign Relations, to discuss Volunteer safety and security.

## Management and Performance Challenges

### Inspector General's Statement

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 (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.

### FY 2015 Challenges

#### **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.<sup>1</sup> 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

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<sup>1</sup> FISMA was amended in December 2014 by the Federal Information Security Modernization Act of 2014 (Pub. L. No. 113-283).

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.<sup>2</sup> 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

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

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.<sup>3</sup>

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.

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<sup>3</sup> The OIG has not examined whether the agency's use of this authority has been an appropriate mitigation strategy to counter the impact of excessive turnover.

### **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.

### **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 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](#)

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# Advice and Assistance



An OIG evaluator (right) conducts an interview with a Peace Corps/Benin staff member.

## Advice and Assistance Provided to the Agency and Others

### 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 26 Peace Corps Manual sections, corresponding procedures, and interim policy statements. Some of the policies and procedures reviewed include those involving response to sexual assault, whistleblower protections for Volunteers, Volunteer conduct and discipline, an anonymous sexual assault hotline, information technology security, and crimes against Volunteers. One key policy, noted below, was revised after an OIG audit:

#### *Manual Section 734 (Medical Supplies and Equipment)*

The agency revised Manual Section 734, “Medical Supplies and Equipment,” as recommended in the April 2015 OIG audit of Peace Corps/Madagascar: Posts may dispose of excess or nearly expired medicines through return to a local vendor for credit.

### Participated in Overseas Staff Training

OIG participated in overseas staff training in June 2015, in which it briefed 26 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 four country directors.

### Conducted Investigation Unit Outreach

OIG investigators continued an outreach initiative started in fiscal year 2012. During the current reporting period, investigators conducted outreach to 213 Peace Corps staff members and 205 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, investigators discussed ways to detect potential fraud, waste, and abuse of Peace Corps resources. Open forums followed each briefing to address concerns and answer questions.

### Investigative Training on Sexual Assault Reporting

During this reporting period, OIG hosted a training on methods to improve the accuracy and effectiveness of written investigative products that detail sexual assaults. The training was targeted toward OIG investigative staff who prepare memoranda and investigative reports that describe sexual assault incidents. The training was also open to other Peace Corps staff who

prepare similar reports or take action based upon OIG reports. Staff from the Office of Victim Advocacy, the Office of General Counsel, and the Office of Safety and Security attended.

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

As reported in previous SARCs, on August 16, 2012, OIG issued a Management Advisory Report (MAR) about the agency's noncompliance with Executive Order (EO) 12564, which mandates a drug-free federal workplace. While the agency has made progress toward meeting the recommendations in the MAR, it remains out of compliance.

Implementing procedures issued to agencies by the U.S. Department of Health and Human Services, Substance Abuse and Mental Health Services Administration<sup>4</sup> (SAMHSA) provide that all employees serving in "presumptive" and "preferred"<sup>5</sup> positions must be included in a pool of testing-designated positions and randomly tested for drug use.<sup>6</sup> As of September 30, 2015, there was one presidential appointee-Senate confirmed position filled and, according to the agency, 350<sup>7</sup> staff with access to national security information.

The agency reports that during the last six months, it has signed an interagency agreement with the Department of the Interior to conduct random drug testing for the Peace Corps. Further, the agency reports that, in consultation with the agency labor union, it has updated the Peace Corps Drug-Free Workplace Plan, finalized the list of testing-designated positions, and developed a new agency policy for final review and approval by the Senior Policy Committee. Staff currently occupying testing-designated positions who will be subject to random drug testing have been briefed about the Drug-Free Workplace Plan. The agency is working to develop implementing procedures with a target implementation date of December 1, 2015.

OIG is encouraged that the agency reports progress toward eventual compliance with EO 12564. OIG remains concerned about the number of staff with access to national security information who are neither currently designated in testing-designated positions nor being randomly drug tested, and any potential resulting impact on both agency operations and national security.

### **Advised Congress on Issues Related to Access to Agency Information**

During the reporting period, OIG responded to a request from the chairman and ranking member of the House Government Oversight Committee for information regarding whether OIG is receiving timely, unfettered access to documents, information, and agency employees. OIG's response outlined three instances where the Peace Corps has refused to provide timely and

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<sup>4</sup> SAMHSA is responsible for agency Drug-Free Workplace Plan certification and review under a delegation from the Interagency Coordinating Group Executive Committee convened by the Office of National Drug Control Policy.

<sup>5</sup> Positions requiring access to national security classified information and presidential appointee-Senate confirmed positions are "preferred."

<sup>6</sup> Federal employees occupying positions in those categories require written justification to be excluded from the testing-designated list contained in the agency's Drug-Free Workplace Plan.

<sup>7</sup> This number includes 21 OIG staff. These 21 staff serve in testing-designated positions and are randomly drug tested as part of an interagency agreement between Peace Corps OIG and U.S. Agency for International Development OIG.

unfettered access to documents, information, or agency employees; delayed said access; or argued that access was not required under the Inspector General Act of 1978, as amended (IG Act). Our response focused on the denial of access to information included in restricted reports of sexual assaults reported by Peace Corps Volunteers.<sup>8</sup> The denial of access to the information included in restricted reports of sexual assault centers on the interpretation of Section 8A(f)(2) of the Kate Puzey Peace Corps Volunteer Protection Act of 2011 by the agency's former general counsel. The section 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 can only be shared 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 as well as 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 the response to Congress, OIG noted that it had informed the agency 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-Reduction and Response (SARRR) policy and program, and delivers services to sexual assault victims. The Kate Puzey Act requires that OIG conduct an evaluation on this matter and provide reports to Congress by November 21, 2013, and again in 2016. The law requires the report 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, extensive 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.<sup>9</sup> OIG believes that unless this legal opinion is retracted, the door remains open for the agency to withhold or delay OIG access to information in the future. This sets a dangerous precedent for other agencies to interpret laws to deny 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 employees on what information can and must be provided to OIG, inserting confusion into one of the agency's most sensitive programs.

On July 20, the Office of Legal Counsel of the Department of Justice (DOJ) issued an opinion that Section 6(a) of the IG Act does not give the inspector general for DOJ independent access to

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<sup>8</sup> OIG also reported two other instances that resulted in delays or less than unfettered access. These include limitation of access to the Consolidated Incident Reporting System database maintained by the Peace Corps and denial of access to the Peace Corps' Database of Volunteer Enrollment. The incident reporting system contains allegations or complaints of crimes against Peace Corps Volunteers but does not contain restricted reports of sexual assault allegations.

<sup>9</sup> 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, details that can be critical to OIG reviews and investigations.

all records in the DOJ's possession that it needs to perform its oversight work. While the opinion purports to be limited to DOJ, the federal IG community has determined that it represents a serious threat to the independent authority of all inspectors general. As a result, the 72 federal inspectors general, including Peace Corps IG, jointly signed a letter to Congress urging it to pass legislation affirming what has been the singular interpretation of the IG Act since 1978: that inspectors general have access to all information and data in an agency's possession that the inspector general deems necessary to conduct its oversight functions.

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# Audits



Peace Corps OLIG auditors and post staff in Peace Corps/Guyana

## 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 issued by the comptroller general of the United States. In addition, the unit oversees the annual audit of the agency's financial statements and the review of information system security 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 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.

In addition to the final reports described below, the Audit Unit also continues work on an agency-wide audit of the Peace Corps' Volunteer health-care contract and an audit of the Peace Corps' conference costs. The unit also initiated a post audit of Indonesia and the Kyrgyz Republic.

## Agency-wide Audits

### Peace Corps Fiscal Year 2015 Financial Statement Audit

During this reporting period, OIG engaged the accounting firm Kearney & Company to perform an audit of the Peace Corps fiscal year 2015 financial statements. As of September 30, 2015, the audit was ongoing. When completed, OIG will provide Kearney's audit report to the Peace Corps Director. The auditor's report will be included in the Peace Corps' FY 2015 Performance and Accountability Report to be issued on November 15, 2015. Details regarding the audit results will be included in the next SARC.

### Review of the Peace Corps Fiscal Year 2015 Information Security Program

The Federal Information Security Management Act (FISMA) requires federal agencies to establish effective security for their sensitive information and establish a program to protect information systems from unauthorized access, use, disclosure, modification, and other harmful impacts. In addition, FISMA requires that each OIG review its agency's information security program and report results to the Office of Management and Budget (OMB) annually. To meet this requirement, OMB has developed an online data collection system for FISMA reporting from federal agencies and their respective OIGs. During this reporting period, OIG engaged the consulting firm Williams, Adley & Company to conduct the FY 2015 FISMA review. This review will be the first to address whether the agency is meeting the requirements of the Federal Information Security Modernization Act of 2014, enacted in December 2014. OIG will complete its FISMA reporting by November 15, 2015. The review was ongoing as of September 30, 2015. Comments on the FY 2015 review results will be covered in the next SARC.

## Audits of Operations Abroad

### PC/Madagascar: Audit

IG-15-04-A

OIG issued its final audit of PC/Madagascar in April 2015. Approximately 892 Peace Corps Volunteers have served in Madagascar since the program's inception in 1993. The post reopened in November 2009 after closing in March 2009 due to safety and security concerns for Volunteers. At the time of the audit, there were three U.S. direct hires, two foreign service nationals, and 58 full-time personal service contractors supporting 140 Volunteers serving in three projects: education, community health, and agriculture/food security. The post's FY 2014 spending was approximately \$2.5 million. In addition, at headquarters, the Africa region incurred an average of approximately \$436,000 per overseas post.

OIG found that the post did not maintain an accurate medical inventory system resulting in numerous discrepancies with specially designated and controlled substances. Furthermore, the

agency lacked a policy to address the redistribution of unexpired medication returned by Volunteers.

In addition, the post did not adequately track and monitor grant projects to ensure that projects managed by Volunteers were completed and settled prior to a Volunteer's completion of service. Similarly, the post did not properly record and monitor bills of collection from FY 2010–14, resulting in 50 outstanding bills of collection that exceeded 30 days.

OIG also noted internal control issues with the collection of cash, imprest fund management, and inadequate separation of duties with property management.

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

### **Questioned Costs**

Recommendation Number 10: Unsupported costs for three grant projects -- \$2,700

## **PC/Guyana: Audit**

*IG-15-05-A*

OIG issued its final audit of PC/Guyana in August 2015. More than 580 Peace Corps Volunteers have served in Guyana since the program's inception in 1967. At the time of the audit, there were three U.S. direct hires, two foreign service nationals, and 20 personal service contractors supporting 51 Volunteers serving in Education and Health project sectors. The post's FY 2014 spending was approximately \$1.5 million. In addition, at headquarters, the Inter-America and the Pacific region incurred an average of approximately \$401,000 per overseas post.

OIG found that the post did not consistently solicit competitive bids for procurements that exceeded \$3,000 U.S. dollar equivalent (USDE) from FY 2012–14, resulting in \$80,626 of unsupported costs.

In addition, the post inappropriately transferred Volunteer in-country allowance payments to other Volunteers. The post did not consistently create bills of collection for the full amount of the living allowance overpayments. Instead, a portion of the funds were moved to other Volunteer accounts to supplement additional living expenses. OIG also noted internal control issues with cash collection and recording bills of collection.

Management concurred with all seven recommendations. At the end of the reporting period, one recommendation remains open.

### **Questioned Costs**

Recommendation Number 5: Unsupported costs for conference costs, equipment and furnishings, and office equipment -- \$80,626

**PC/Vanuatu: Audit***IG-15-06-A*

OIG issued its final audit report on PC/Vanuatu on September 29, 2015. Approximately 665 Peace Corps Volunteers have served in Vanuatu since the program's inception in 1990. At the time of the audit, 59 Volunteers were working in Education and Health project sectors. The post had three U.S. direct hires, two foreign service nationals, and 20 full-time personal service contractors. The post's FY 2014 spending was approximately \$2.3 million. In addition, at headquarters, the Inter-America and the Pacific region incurred an average of approximately \$383,000 per overseas post.

The post did not retain supporting market research documentation for any of its leases. The audit found that the post did not have selection memoranda for two Volunteer housing leases, totaling \$34,400 USDE. The post leases space for the main office and for the country director, director of management and operations, and director of programming and training residences. Since FY 2010, the post paid approximately \$958,000 USDE for leases.

The post did not maintain adequate documentation to support personal service contractors' eligibility to receive compensation payments for their family members and children. The local compensation plan provides that contractors will be compensated for the cost of health care for up to four children. During the review of the personal service contracts, auditors noted that the post did not have birth certificates to support the child allowances or possess any other documentation to prove dependency status. The post requested that staff members provide the required documentation during OIG fieldwork.

The post did not provide adequate security for the Volunteer lounge, located adjacent to the post's office, during evenings and weekends. In addition, the post did not comply with agency contracting guidelines for its security guard contract. During the review of supporting documents auditors noted that the total contract value (with four option years) was approximately \$55,000 USDE, which exceeded the contracting officer's authority. Since the contracting officer did not have authority to bind the government, the contract cannot be considered a valid obligating document and related payments made by the Peace Corps are not proper. The post also did not maintain adequate supporting documentation for the previous security guard contract, valued at \$19,000 USDE.

Auditors also noted that the post did not have adequate controls over voiding and issuing bills of collection, failed to ensure adequate separation of duties regarding access to the agency's web-based financial system, and did not claim exemptions from value-added tax per the country agreement.

The OIG made eight recommendations to improve operations and internal controls at the post. Management concurred with all eight recommendations. At the end of the reporting period, all eight recommendations remain open.

**Questioned Costs**

Recommendation Number 2: Unsupported costs for two leases -- \$34,400

Recommendation Number 7: Unsupported cost for two security guard contracts -- \$74,000

# Evaluations



Peace Corps Volunteer Alexandria Munson (second from left) and her colleagues in Guatemala.

## Evaluations

### Overview

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

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

During country program evaluations, evaluators interview post and headquarters staff, Volunteers, and key host country and U.S. government officials. 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, the Evaluation Unit initiated a follow-up evaluation of issues identified in the 2010 PC/Morocco assessment of medical care.

**PC/Guatemala: Country Program Evaluation***IG-15-03-E*

OIG issued its final country program evaluation of PC/Guatemala in May 2015. Over 4,900 Peace Corps Volunteers have served in Guatemala since the program began in 1963. At the time of OIG's visit, 48 staff were supporting 78 Volunteers serving in the following projects: healthy schools, maternal and child health, youth in development, and food security. The post's FY 2014 budget was \$2.9 million.

Areas of Volunteer support that functioned appropriately included staff support and responsiveness to Volunteers' concerns, Volunteers' host families and housing, site visits from staff, the handling of crime incidents, and medical support. However, the agency had not effectively communicated to applicants the crimes and risks of service in Guatemala or the rules and policies they would need to follow as Volunteers. Volunteers did not report their whereabouts consistently or report all crimes they experienced. Extra risk-management steps and measures the agency had put in place in 2011 and 2012 to reverse negative safety trends in the country had unclear effects: The rate of serious crimes against Volunteers rose sharply in 2013 and dropped in 2014.

Programming in Guatemala was adequately aligned with the country's development priorities. Coordination with the host country, site development policies and practices, and the use of site history information were sound. However, Volunteers in healthy schools struggled to establish effective working relationships with their supervisors. Weaknesses in the reporting system prevented overseas program staff from summarizing the results of Volunteer activities in 2013. Additionally, while the training program demonstrated many areas of effectiveness, the way the post evaluates the second part of the "split model" for pre-service training could be made more systematic. OIG recommends the agency set specific goals and measures for its security program in Guatemala, assess them regularly, and make adjustments based on its analyses.

Management concurred with all 15 recommendations. At the end of the reporting period, six recommendations remain open.

**PC/Benin: Country Program Evaluation***IG-15-04-E*

OIG issued its final country program evaluation of PC/Benin in September 2015. Nearly 2,000 Peace Corps Volunteers have served in Benin since the program began in 1968. At the time of OIG's visit, 72 staff (including 31 part-time and full-time guards) supported 96 Volunteers serving in the following project sectors: community economic development, environmental action, rural community health, and teaching English as a foreign language. The post's fiscal year 2015 operating budget was approximately \$3.5 million.

OIG found the post coordinated well with the government of Benin and other development partners, and was implementing projects that met the development needs of the communities

where Volunteers served. The post utilized strategic partnerships to strengthen programming and improve training opportunities for Volunteers and their work partners. The training program, especially technical training, was effective in providing Volunteers with skills to succeed with their projects at site. Resources and management practices were generally adequate for the post to effectively operate. Post senior staff maintained excellent relationships with the U.S. Embassy and other U.S. government development partners. The post's high-performing host country national staff, coupled with focused programming and training objectives, led Volunteers in productive service.

OIG identified issues related to programming, training, and Volunteer support. Extended staffing gaps in U.S. direct hire positions negatively affected Volunteers' perceptions of accessibility to and support by senior staff, as well as the quality of Volunteer-staff communication. The selection and training of primary counterparts needs to be improved so that assigned work partners can best support Volunteers. The post's management and organization of site history files needed improvement. Local language training was deficient, and the post had recently implemented an in-site local language tutor program to improve Volunteers' local language skills. Other areas of Volunteer support requiring management attention included Volunteers' settling-in allowances and reimbursements, clarity in the roles and responsibilities of regionally based staff, effectiveness of the Volunteer advisory council, emergency preparedness, and Volunteer whereabouts reporting.

Management concurred with all 14 recommendations. At the end of the reporting period, 10 recommendations remain open.

# Investigations



A Volunteer site in Southern Africa

## 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, search premises, and seize evidence. 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.

OIG noted a marked increase in the number of instances of alleged Volunteer drug use. During this reporting period, 31 Volunteers were terminated or resigned for involvement with drugs. A number of other Volunteers resigned after being questioned about drug use. These investigations have highlighted how illegal drug use has put the health and safety of Volunteers—and the integrity of the county program—at risk. OIG is assisting the agency in finding ways to address this issue.

During the reporting period, OIG investigated two allegations that the agency retaliated against whistleblowing Volunteers. In both cases, the investigations uncovered facts indicating that the agency's actions were not retaliatory.

OIG's proactive review of Federal Employees' Compensation Act recipients resulted in the termination of incorrect benefit payments to a returned Volunteer, resulting in cost avoidance to the Peace Corps of over \$1,113,600.

OIG continued working with U.S. and host country partners to solve a 2009 Volunteer homicide in Africa.

## **Criminal and Misconduct-Related Investigations**

### **Homicide Investigation at a Post in West Africa**

OIG continued to be engaged in the investigation of the 2009 homicide of Peace Corps/Benin Volunteer Kate Puzey. OIG and the FBI, supported by the government of Benin, Department of Justice, DOS/DS, and the U.S. Embassy in Benin, are still engaged in the investigation.

### **Volunteer Death Review**

OIG conducted an investigative review of the facts and circumstances surrounding the death of a Volunteer. The investigation found the death resulted from a drug overdose.

### **Volunteer Drug Use Allegation at a Post in East Africa**

While conducting an investigative review of a Volunteer death, OIG initiated an investigation into alleged widespread use of controlled substances by Volunteers in the deceased's country of service. The investigation disclosed that 22 Volunteers had used controlled substances, including heroin, cocaine, and marijuana, during their service. All 22 Volunteers resigned or were separated.

### **Volunteer Drug Distribution Allegation at a Post in West Africa**

OIG received information that a Volunteer in West Africa was distributing illicit substances to other Volunteers. Although the allegation of distribution was not substantiated, the OIG investigation disclosed that nine Volunteers had used controlled substances. All nine Volunteers resigned or were separated.

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

OIG received an allegation that one Volunteer sexually assaulted another Volunteer by engaging in nonconsensual sexual contact. OIG interviewed the accused Volunteer, who admitted to engaging in nonconsensual sexual contact with the other Volunteer. The agency placed the accused on a behavioral modification agreement, allowing this Volunteer to complete Peace Corps service provided that the Volunteer adheres to the requirements specified in the agreement.

### **Volunteer on Volunteer Harassment Allegation in Southern Africa**

Senior management advised OIG that at a post in Southern Africa, four Volunteers had reported being sexually harassed by the same Volunteer. Out of concern that the Volunteer would further harass other Volunteers or attempt to intimidate the witnesses, the country director instructed the Volunteer to cease all further communication with other Volunteers pending the resolution of the OIG investigation and that violation of this order was grounds for administrative separation.

The OIG investigation identified at least seven Volunteers who had been sexually harassed by the subject Volunteer, and a number of Volunteers confirmed witnessing these events. During an OIG interview, the subject Volunteer admitted to communicating in such a way that others could reasonably perceive as harassing. The Volunteer also admitted to having communicated with eight different Volunteers on 11 occasions after the country director instructed the Volunteer not to do so. The Volunteer resigned following the investigative interview.

### **Headquarters Staff Providing False Information During Appointment Process**

OIG received an anonymous complaint alleging that a headquarters employee provided false information to the Peace Corps during his security background investigation. Specifically, it was alleged that the employee, a political appointee, falsely asserted in his résumé that he received a baccalaureate degree.

The employee admitted to OIG that his résumé was inaccurate and that reference to his possession of a baccalaureate degree was “a mistake.” He also acknowledged that the security questionnaire he completed was not accurate with respect to his alcohol-related offenses, which occurred in 1995 and 1998. He said he mistakenly thought the offenses were reportable only if they had occurred more recently.

The U.S. Department of Justice declined to prosecute the headquarters employee in favor of administrative remedies. The employee resigned from the Peace Corps.

### **Country Director Sexually Assaulting Host Country National Allegation in Eastern Europe**

OIG received an allegation that a country director groped a host country national while intoxicated. Following the investigation, the country director resigned. The victim declined to seek criminal prosecution of the matter.

### **Headquarters Employee Providing False Information During an Audit**

OIG concluded an investigation concerning alleged obstruction of an OIG audit. The investigation disclosed that an employee at Peace Corps headquarters willfully concealed relevant, derogatory information from OIG auditors. The staff member was placed on administrative leave and his security clearance was revoked.

### **Conflict of Interest, Breach of Confidentiality, Retaliation, and Sexual Harassment Allegation at a Post in the Pacific**

OIG received a complaint containing several allegations that staff at a post in the Pacific breached a Volunteer’s confidentiality and retaliated against a Volunteer for filing a complaint. This occurred among other alleged violations. The investigative findings did not support that a staff member had breached the Volunteer’s confidentiality or that staff had retaliated against the

Volunteer for filing a complaint. However, the investigation uncovered facts that would support several violations of the Standards of Ethical Conduct for Employees of the Executive Branch by the staff member. The matter was referred to the agency.

### **Volunteer Whistleblower Retaliation Allegation in Eastern Europe**

A Volunteer alleged that the post's country director retaliated against her for raising several concerns to management and OIG about the post's deputy for programming and training. The OIG investigation established that the Volunteer engaged in protected activities when the Volunteer reported alleged mismanagement to agency officials and OIG, and action was taken against the Volunteer shortly after she reported the alleged mismanagement. The investigation also found that agency staff involved in the disciplinary action taken against the Volunteer was aware of the protected activities. Nevertheless, OIG uncovered substantial evidence that management would have taken the same disciplinary action in the absence of the Volunteer's protected activities and the actions taken with the Volunteer appeared to be consistent with discipline administered by staff to other Volunteers.

### **Federal Employees' Compensation Act**

During a proactive review of Federal Employees' Compensation Act (FECA) benefits paid to returned Volunteers, Peace Corps OIG, with the aid of the Corporation for National and Community Service (CNCS) OIG, identified a possible discrepancy. The review disclosed that a recipient had been a full-time AmeriCorps Volunteer while receiving FECA benefits, demonstrating that the recipient was capable of working under the recipient's claimed FECA conditions. Peace Corps OIG and CNCS OIG reviewed work statements and other records and notified the Department of Labor (DOL) of the possible discrepancy. DOL determined the recipient should not be receiving benefits and terminated the monthly payments. 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 \$1,113,600 (approximately \$22,272 a year). In addition, Peace Corps OIG is attempting to work with DOL to recoup approximately \$70,000 in payments to the recipient.

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# Tables



Post staff from Peace Corps/Madagascar during an OIG audit

## Tables

### 1: List of Reports: Audits and Program Evaluations

<b>Post Audits</b>
PC/Madagascar (IG-15-04-A)
PC/Guyana (IG-15-05-A)
PC/Vanuatu (IG-15-06-A)
<b>Post Program Evaluations</b>
PC/Guatemala (IG-15-03-E)
PC/Benin (IG-15-04-E)

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

Report	Questioned Costs <sup>10</sup>	Unsupported Costs <sup>11</sup>	Funds Put to Better Use <sup>12</sup>
<b>PC/Madagascar: Audit (IG-15-04-A)</b>			
Unsupported Costs		\$2,700	
<b>PC/Guyana: Audit (IG-15-05-A)</b>			
Unsupported Costs		\$80,626	
<b>PC/Vanuatu: Audit (IG-15-06-A)</b>			
Unsupported Costs		\$108,400	
<b>Subtotal</b>		\$191,726	
<b>Total</b>	\$191,726		

<sup>10</sup> 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.

<sup>11</sup> Unsupported Costs – a cost that is not supported by adequate documentation.

<sup>12</sup> 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
<b>A. Reports issued prior to this period</b>			
For which no management decision has been made on any issue	-	-	-
For which some decisions had been made on some issues	1	-	1
<b>B. Reports issued during this period</b>			
	3		3
<b>Totals of Categories A and B</b>	4		4
<b>C. For which final management decisions were made during this period</b>			
Dollar value of disallowed costs	1	-	\$80,626
Dollar value of costs not disallowed	-	-	-
<b>D. For which no management decisions were made during this period</b>			
	2	-	\$111,100
<b>E. For which management decisions were made on some issues during this period</b>			
	1	-	\$34,000
<b>Totals of Categories C, D, and E</b>	4	-	\$225,726
<b>Total questioned costs and unsupported costs</b>			<b>\$225,726</b>

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

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

## 5: Recommendations on Which Corrective Action Has Not Been Completed

### Audits and Evaluations

Open Recommendations 60 to 119 Days					
Report	Date Issued	Total Open Recommendations	Agency Concurrence <sup>13</sup>		
			Concur	Non	Partial
-	-	-	-	-	-
	<b>Total</b>		-	-	-
Open Recommendations 120 to 179 Days					
Report	Date Issued	Total Open Recommendations			
PC/Madagascar: Audit (IG-15-04-A)	4/30/2015	8	8	-	-
PC/Guatemala: Evaluation (IG-15-03-E)	5/13/2015	6	6		
	<b>Total</b>	14	14	-	-
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	3	3	-	-
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/HQ The Peace Corps' Implementation of Guidelines and Protocols Related to Volunteer Victims of Sexual Assault: Review (IG-12-08-E)	9/27/2012	3	3	-	-
PC/HQ The Peace Corps' 50th Anniversary Program: Audit (IG-13-01-A)	10/25/2012	3	3	-	-
PC/Namibia: Evaluation (IG-13-01-E)	3/15/2013	1	1	-	-
PC/Zambia: Audit (IG-13-06-A)	9/24/2013	3	3	-	-
PC/HQ Overseas Staffing: Audit (IG-14-01-A)	11/21/2013	12	12	-	-
PC/HQ Sexual Assault Risk-Reduction and Response Training: Evaluation (IG-14-01-E)	11/21/2013	1	1	-	-
PC/HQ Peace Corps Volunteer Sexual Assault Policy: Evaluation (IG-14-02-E)	11/21/2013	3	3	-	-
PC/HQ Applicant Screening Process: Audit (IG-14-04-A)	6/10/2014	7	7	-	-
PC/The Gambia: Audit (IG-14-05-A)	9/15/2014	4	4	-	-

<sup>13</sup> The sum of open recommendations in the Agency Concurrence columns equals the number in the Total Open Recommendations column.

PC/Dominican Republic: Audit (IG-14-06-A)	9/30/2014	2		2	-	-
PC/HQ Peace Corps' Training of Overseas Staff: Evaluation (IG-14-07-E)	9/30/2014	15		14	1	-
PC/Cameroon: Audit (IG-15-01-A)	1/14/2015	5		5		
PC/Sierra Leone: Evaluation (IG-15-01-E)	1/30/2015	2		2		
PC/HQ Follow-up Audit of the Peace Corps' Volunteer Safety and Security Program: Audit (IG-15-03-A)	3/12/2015	7		7		
PC/Lesotho: Evaluation (IG-15-02-E)	3/31/2015	2		2		
	<b>Total</b>	<b>79</b>		<b>78</b>	<b>1</b>	<b>-</b>

*Special Reports and Management Advisory Reports*

Open Recommendations 60 to 119 Days		
Report	Date Issued	Total Open Recommendations
-	-	-
	<b>Total</b>	-
Open Recommendations 120 to 179 Days		
Report	Date Issued	Total Open Recommendations
-	-	-
	<b>Total</b>	-
Open Recommendations More than 180 Days		
Report	Date Issued	Total Open Recommendations
PC/HQ 2012 Medical Supply Issues: Capstone	8/26/2013	3
PC/HQ Bill of Collections: Capstone (IG-14-01-SR)	9/30/2014	2
PC/HQ MAR: Agency Policies Related to Volunteer Sexual Assault Allegations (IG-15-02-SR)	11/21/2014	3
PC/HQ MAR: The Peace Corps' Cloud Computing Pilot (IG-15-01-SR)	3/17/2015	4
PC/HQ MAR: Peace Corps' Volunteer Health Care Administration Contract (IG-15-03-SR)	3/31/2015	5
	<b>Total</b>	<b>17</b>

*Financial Statement and FISMA Recommendations<sup>14</sup>*

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

<sup>14</sup> 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 fiscal year will remain in an open status during the entire subsequent fiscal year. At the beginning of each new fiscal year, the auditors will notify management of whether sufficient corrective actions have been taken regarding the prior years' recommendations and issue their current notification 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 Outcomes<sup>15</sup>

### *Investigative Activities*

	<b>Preliminary Inquiries<sup>16</sup></b>	<b>Cases</b>
Opened as of 4/1/2015	71	17
Opened during 4/1/2015–9/30/2015	145	12
Closed during 4/1/2015–9/30/2015	116	11
<b>Total Open as of 10/1/2015</b>	<b>100</b>	<b>18</b>

### *Referrals*

Referrals to Department of Justice	2
Referrals to Agency for Administrative Action	4
Other Referrals to Agency Management	69
Referrals to Other Agencies	6

### *Court Actions*

Trial(s) Pending	-
Ongoing Prosecution <sup>17</sup>	2
Convictions	-
Judgments	-
Fines/Restitution	-

### *Administrative Actions*

Employees (Resignations and Terminations) <sup>18</sup>	36
Other Employee Actions	2
Suspension/Debarment Referrals	-

### *Monetary Results*

Annual Savings	-
Recoveries/Restitution	-
Cost Avoidance	1,113,600

<sup>15</sup> Volunteers/trainees are included as Peace Corps staff for the purpose of reporting investigative activity.

<sup>16</sup> Preliminary inquiries are initiated for complaints which 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.

<sup>17</sup> Includes arrests, indictments, information, and overseas criminal proceedings.

<sup>18</sup> Includes all Peace Corps staff.

## 7: Summary of Hotline and Other Complaints

Hotline Complaints Received	149
Non Hotline Complaints Received <sup>19</sup>	29
Total Complaints from All Sources <sup>20</sup>	178
Resulted in Investigations	7
Resulted in Preliminary Inquiries	129
Resulted in Audits or Evaluations	-
Referred to Agency Management	64
Referred to Other Agency	5
No Action Needed	42

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<sup>19</sup> These complaints are largely a result of outreach by OIG staff and were received by email, phone calls, and conversations.

<sup>20</sup> In some instances, OIG received multiple complaints for the same issue, which resulted in fewer actions (investigations, preliminary inquiries, audits, evaluations, referrals, or no action) than complaints received.

## 8: References to Reporting Requirements of the Inspector General Act

Act Reference	Reporting Requirements	Page
Section 4(a)(2)	Review of legislation and regulations	20
Section 5(a)(1)	Significant problems, abuses, and deficiencies	8-17
Section 5(a)(2)	Significant recommendations for corrective actions	8-17
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	45-47
Section 5(a)(4)	Matters referred to prosecuting authorities	36-39; 48
Section 5(a)(5)	Summary of instances where information was refused	20-23
Section 5(a)(6)	List of audit reports, including evaluations, inspections, and reviews	41
Section 5(a)(7)	Summary of significant reports	27-34
Section 5(a)(8)	Statistical table - questioned and unsupported costs	42
Section 5(a)(9)	Statistical table - funds to be put to better use	44
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



A Volunteer site in Central America

## Appendices

### A: Reporting of Peer Reviews

Pursuant to Section 989C of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Public Law No. 111-203),<sup>21</sup> OIG reports the following peer review information:

During the reporting period, the Peace Corps OIG conducted a peer review of the Office of Investigations of the National Science Foundation 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 Peace Corps 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, the Peace Corps OIG conducted a peer review of the Audit Unit of the National Credit Union Administration OIG for the period ending September 30, 2012. There were no recommendations made.

#### Investigation Unit

In February 2015, the Peace Corps OIG conducted a peer review of the Office of Investigations of the Corporation for National and Community Service (CNCS) OIG. Peace Corps OIG found that the CNCS OIG Investigative Unit was in compliance with the quality standards established by the Council of the Inspectors General on Integrity and Efficiency (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 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.

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<sup>21</sup> Section 989C of the Frank Wall Street Reform and Consumer Protection Act amends Section 5(a) of the Inspector General Act of 1978 (5 U.S.C. App.)

## **B: Contract Audit Reports**

Pursuant to Section 845A of the National Defense Authorization Act for Fiscal Year 2008 (Public Law No. 110-181), the Peace Corps OIG reports final contract audit reports with significant audit findings. During this reporting period, OIG did not issue any audit reports meeting the “significant audit findings” criteria established in P.L. 110-181.

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# **Help Promote the Integrity, Efficiency, and Effectiveness of the Peace Corps**

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.

## **Contact OIG**

### **Reporting Hotline:**

U.S./International: 202.692.2915  
Toll-Free (U.S. only): 800.233.5874

Email: **[OIG@peacecorps.gov](mailto:OIG@peacecorps.gov)**  
Online Reporting Tool: **[peacecorps.gov/OIG/ContactOIG](https://peacecorps.gov/OIG/ContactOIG)**

Mail: Peace Corps Office of Inspector General  
P.O. Box 57129  
Washington, DC 20037-7129

### **For General Information:**

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 Twitter: **[twitter.com/PCOIG](https://twitter.com/PCOIG)**



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