



Peace Corps  
Office of Inspector General  
Semiannual Report to Congress

October 1, 2009 to March 31, 2010

# PEACE CORPS

## OFFICE OF INSPECTOR GENERAL

### **Vision**

To conduct audits, evaluations, and investigations that uphold the effectiveness, efficiency, and integrity of the Agency in achieving the goals set forth in the Peace Corps Act that Peace Corps Volunteers help the people of the countries in which they serve in meeting their needs for trained manpower, and help to promote a better understanding of the American people on the part of the peoples served, and a better understanding of other peoples on the part of the American people.

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## Highlights from this Report

### Message from the Inspector General

It is my pleasure to present the Peace Corps Office of Inspector General's (OIG) Semiannual Report to Congress for the period of October 1, 2009, through March 31, 2010. This report is required by the Inspector General Act of 1978, as amended, and covers work performed by OIG during the period indicated. OIG activities during this reporting period demonstrate our continued commitment to promote and increase the effectiveness and efficiencies of Peace Corps programs and operations, as well as maintain standards established by the Council of Inspectors General on Integrity and Efficiency (PCIE), the Executive Council on Integrity and Efficiency (ECIE), and other federal agencies.

OIG activities during this reporting period demonstrate our continued commitment to promote and increase the effectiveness and efficiency of Peace Corps programs and operations. Included are reviews of agency business processes that may contain weaknesses and other issues that would impede effective management of additional resources to support the increase in Volunteers serving overseas to the level set forth by the President. During this period, all three OIG units collaborated on various assessments and other reviews, making key recommendations vital to agency growth plans.

OIG identified the capacity of Peace Corps business operations to support growth and expansion as a management and performance challenge the agency will face in 2010. In areas of operations identified as being the most impacted by rapid growth of Volunteers, OIG produced final audit reports on Information Technology and Acquisitions and Contracting; issued a draft audit report on Safety and Security, and began field work on an evaluation of the Volunteer Recruitment and Selection process.

In addition to the work described above, the Audit Unit has continued its critical work in connection with the agency Financial Statement Audit by assisting the agency in improving the overall financial health of the Peace Corps in accordance with the requirements of the Federal Managers Financial Integrity Act and the Federal Financial Management Improvement Act (FISMA). While the Financial Statement Audit once again resulted in an unqualified opinion in 2009, it continued to identify findings that have not been addressed from prior Financial Statement Audits, some dating back to 2003. In addition, the FISMA audit continued to identify findings from prior audits that have not been addressed, some dating back to 2007.

During this reporting period, OIG issued final reports on post audits conducted in Burkina Faso, Cape Verde, Mongolia, Tanzania, and a contractor-incurred cost audit in the Dominican Republic. The Audit Unit also provided valuable advice and assistance to the agency in the areas of small grant projects funded by the Peace Corps Partnership Program and United Nations Development Programme (UNDP).

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During this reporting period, the Evaluation Unit issued reports for program evaluations conducted in Morocco and Turkmenistan. In addition, the Evaluation Unit participated in several cross-functional activities, including audits of Safety and Security and of Acquisitions and Contracting. The Evaluation Unit also participated with the Investigative Unit in an assessment of health care provided by Peace Corps/Morocco, following the death of a Volunteer.

Prior to September 1, 2008, the Investigation Unit managed and coordinated the agency's participation in the investigative and prosecutorial processes of cases involving violent crimes committed against Volunteers overseas. This function was transferred to the Peace Corps Office of Safety and Security. However, OIG remains responsible for investigating allegations of criminal wrongdoing, including violent crime, committed by Peace Corps staff members, contractors, and Volunteers.

During this reporting period, OIG Investigation Unit closed 13 legacy cases (investigations and inquiries initiated before September 1, 2008), which include preliminary inquiries and investigations involving violent crimes against Volunteers. In addition, the unit continues to work with the regional security officer and the FBI Legal Attaché to bring to justice the murderer of a Peace Corps Volunteer in 1998.

In addition, in November 2009, the Investigation Unit, in conjunction with the Evaluation Unit, conducted an inquiry into the death of a Volunteer in Morocco and participated in an assessment of the organization and provision of health services to Volunteers in Morocco. The Volunteer death inquiry and the assessment of medical care were conducted concurrently; our findings were presented in two separate reports. The Investigation Unit continued to conduct numerous investigations into allegations of waste, fraud, and abuse by Peace Corps staff, Volunteers, and contractors and provided advice and assistance to the agency in the areas of vehicle disposal and countering email and social networking scams.

At the end of the reporting period, the Peace Corps continues to position itself for growth and OIG is working to assist the agency in enhancing its efficiencies and ensuring its programs and operations are free of waste, fraud, abuse, and mismanagement.



Kathy A. Buller  
Inspector General

# Management and Administration



*Volunteer Brian Newhouse hands a microphone to a student during an English Day Celebration in Cape Verde*



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# Management and Administration

## Agency Context

As of March 31, 2010, 7,503 Peace Corps Volunteers and trainees were serving in 77 countries at 70 posts. This total includes 327 Volunteers and trainees funded by the President's Emergency Plan for AIDS Relief (PEPFAR) to work on HIV/AIDS projects at 12 posts and 82 Peace Corps Response Volunteers serving in short-term assignments in 25 countries (19 posts).

The Volunteers and their programs are supported by 893 American direct-hire staff: 201 overseas; 123 in the regional recruiting offices; and the remaining 569 at headquarters. Approximately 2,000 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.

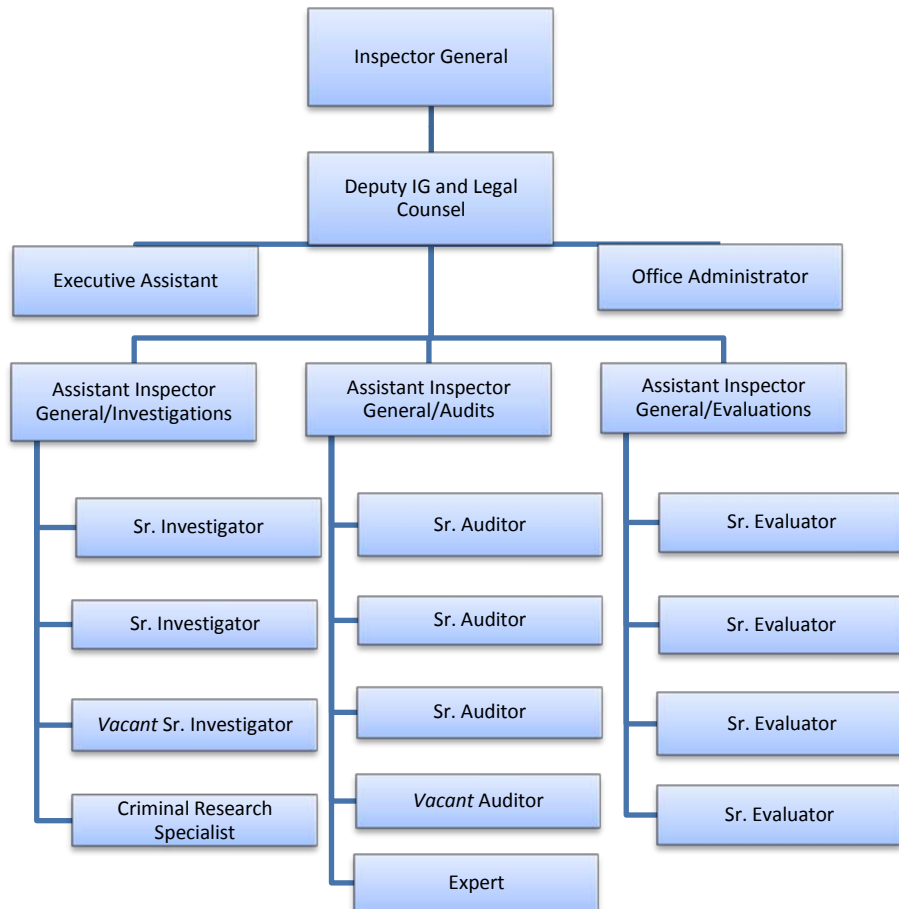
## OIG Staffing

In March 2010, Jim O'Keefe joined OIG as assistant inspector general for evaluations. O'Keefe previously was a lead inspector at the Department of Homeland Security Office of Inspector General, where he led inspections and special reviews of disaster and terrorism preparedness and response, transportation security, and other homeland security programs. He has also served at the Department of State as a bureau liaison to OIG and GAO, where he supported embassy and consulate inspections, embassy physical security, and new embassy construction programs. O'Keefe has 16 years of prior experience with the Peace Corps. He served as a Volunteer in Chad, Cameroon, and Rwanda. On the Peace Corps staff, he held positions as a recruitment communications specialist, Volunteer placement officer, and as Rwanda country director. He also served for five years as a senior evaluator with the Evaluation Unit he is now managing. O'Keefe earned a Bachelor of Arts degree from the University of South Carolina.

Executive Assistant Lori Carruthers left OIG in February 2010 to work for the International Rescue Committee in Bangkok, Thailand.

At the end of this reporting period, the position of senior auditor and the position of senior criminal investigator are vacant. OIG is engaged in the hiring process and expects to fill the positions soon.

## OIG Organizational Chart



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# Advice and Assistance Provided to the Agency and Others



*PC/Paraguay Office in Asunción*

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# Advice and Assistance Provided to the Agency and Others

## PC/Morocco: Inquiry of Volunteer Death and Assessment of Medical Care

Following the death of a Volunteer in Morocco in November 2009, the Peace Corps Director requested that OIG: (1) conduct an inquiry into the death of the Volunteer and (2) assess the organization and provision of health services to Volunteers in Morocco. In response to this request, we assembled a multidisciplinary team consisting of OIG staff members from our investigation and evaluation units and expert medical consultants. The Volunteer death inquiry and the assessment of medical care were conducted concurrently; our findings were presented in two separate reports.

Numerous interviews were performed and information was gathered from agency headquarters, PC/Morocco staff and Volunteers, the deceased Volunteer's host country family, and from Moroccan medical facilities and doctors. In-country fieldwork took place December 5-19, 2009. We assessed the post medical unit's accountability and reporting lines; quality assurance procedures; funding and staffing levels; professional skill levels and qualifications; and conducted a detailed and thorough review of medical records. The Volunteer death inquiry included a chronology of the Volunteer's health care at post, as well as references to the probable cause of death. The assessment evaluated the health services provided to Volunteers, including headquarters' oversight of post operations, the experience and qualifications of medical personnel, the medical unit's organizational structure, and the day-to-day administration of Volunteers' medical services.

At the time of our assessment, PC/Morocco had three full-time Peace Corps medical officers (PCMOs). Two of the PCMOs were medical doctors and one was a registered nurse. Additionally, one administrative medical assistant supported the medical unit operations. All of the post's medical unit staff members were host country personal services contractors. We determined that the way in which PC/Morocco organizes its medical services and provides health care to Volunteers had an impact on the deceased Volunteer's medical care. The PC/Morocco medical unit staff failed to identify the condition causing the Volunteer's symptoms. Two main factors led to this breakdown. The first was a failure to effectively communicate, including transferring the case from one PCMO to another and relaying pertinent information to Moroccan medical facilities. The second was the questionable professional judgment of the PCMOs involved in the Volunteer's medical care. We also identified possible contributing factors, including the PC/Morocco medical unit's large workload, questionable organization of case management and dissemination of duties, and the lack of an effective mechanism to ensure that a PCMO is practicing within his or her scope of expertise.

We determined that there was minimal clinical oversight of the Morocco PCMOs by the Peace Corps Office of Medical Services (OMS), which is responsible for developing and managing the Volunteer health care program, and also that the way the OMS measured and monitored the quality of health care services provided to Morocco Volunteers was insufficient. The standard assessments conducted by the OMS did not and would not have identified the issues related to the deceased Volunteer's medical care.

These OMS assessments do not identify communication failures, ineffective teamwork and collaboration, or ensure that medical practitioners are practicing within their scope of practice. Additionally, there is no direct observation of clinical skills or measurement of clinical outcomes in typical reviews. While our assessment specifically looked at PC/Morocco's Volunteer health care services, the question of whether this was a one-time failure or an indication of a larger systemic problem throughout Peace Corps operations still remains.

Volunteers in Morocco are broadly dispersed throughout mountainous and sometimes hard-to-access areas. Although Volunteer service in remote locations has been typical throughout Peace Corps' history, it underscores the importance of the professional judgment of the PCMO to determine when a Volunteer needs to be seen in person by a PCMO or can be cared for locally in host country medical facilities. It also underscores the importance of site visits by the PCMO to: 1) assess the medical resources available in proximity to a Volunteer's site; 2) build relationships with providers; and 3) assess the environment in which Volunteers live.

OIG made recommendations in our PC/Morocco Assessment of Medical Care and Death Inquiry reports directed to PC/Morocco's medical unit, OMS, and to Peace Corps' Office of Global Operations that, if implemented, would improve the delivery of health care to Volunteers. The Peace Corps Director concurred with all the recommendations and made a firm commitment to implement them not only in PC/Morocco, but throughout Peace Corps' posts as appropriate. OIG will follow up and report on the agency's progress.

## **Improper Vehicle Disposal Practices**

OIG issued a Management Implication Report on improper vehicle disposal practices and vehicle sales. The report highlighted trends uncovered through multiple OIG investigations and inquiries that found improper vehicle disposal practices and sales that yielded less than their fair market value.

OIG initiated a limited review of Peace Corps vehicle disposition practices globally as a result of apparent fraudulent and improper vehicle disposal sales by a former Peace Corps country director assigned to a South American post. This ongoing investigation disclosed that the country director inappropriately sold three used Peace Corps vehicles with a total appraised value of \$63,000 to two non-governmental organizations (NGOs) for a total value of \$9,000. One vehicle was sold for \$1,000 and the other two vehicles were sold for \$4,000 each.

The sales price for the three vehicle sold to the two NGOs contravened Peace Corps policy (*Fleet Management Guide* section 2.5.2), which states that vehicles must be sold for a fair and reasonable in-country price. The OIG investigation disclosed that one NGO subsequently resold one of the vehicles for \$20,000 (five times the purchase amount), within three months of buying the vehicle from the Peace Corps.

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During our review, OIG determined that inappropriate vehicle disposition practices are not uncommon at the Peace Corps. For example, OIG discovered irregularities in the sale of a vehicle at a Peace Corps post in the Pacific. The subsequent OIG investigation revealed numerous irregularities associated with the internal vehicle auction, including that the highest bid was not honored and that the auction documentation was lost. Furthermore, the car was awarded to a Peace Corps post staff member who purchased it for approximately \$8,000 and, within a year, resold the same vehicle for approximately \$18,000, a difference of \$10,000.

Although agency policies have traditionally adhered to arms-length vehicle transactions and a prohibition against direct sales to employees, section 2.5.4 of the *Fleet Management Guide* was revised in January 2010 to bar Peace Corps staff, including contractors, from acquiring vehicles through Peace Corps auctions or other direct means.<sup>1</sup> The revised policy states:

Peace Corps employees, trainees, Volunteers, and contractors or their employees are prohibited from purchasing, bidding on, receiving as a donation, or otherwise acquiring Peace Corps fleet vehicles through direct sale by Peace Corps, through an auction conducted by Peace Corps, or by any other process conducted by Peace Corps.

The OIG inquiry into Peace Corps vehicle disposition practices is ongoing. A preliminary review of vehicle sales in a Central Asian post has raised concerns about internal auction protocols. According to an undated memo, it appears that a post sold three vehicles through an auction conducted by the Peace Corps. However, the highest bidder, who bid an average of \$11,000 for each of the three vehicles, allegedly informed the Peace Corps that he did not want to purchase the vehicles. The next highest bidder paid approximately \$5,600 for one vehicle and the other two vehicles were awarded to two post staff members who paid \$3,200 and \$3,000, respectively.

In addition to the aforementioned examples, our investigations have found multiple irregularities associated with posts that conducted their own vehicle auctions or sales. These irregularities included Peace Corps staff members receiving the winning bids, multiple bids from the same source, the highest bid not being honored, in addition to lost or missing vehicle auction records.

OIG elected to review the disposal of Peace Corps vehicles globally to determine if there were other indications of fraud, waste, or abuse. We coordinated with the Post Logistics Support Office and the Office of the Chief Financial Officer to obtain vehicle disposal data. Based upon our analysis, it is apparent that closer oversight of vehicle sales by headquarters management and the regions is warranted, including guidance instructing posts to dispose of vehicles through independent auctions or the U.S. Embassy. When available, third party auctions can better ensure that the agency receives returns at or close to fair market value. In addition, the agency should highlight and enhance global dissemination of the 2010 revised policy prohibiting Peace Corps staff, including contractors, from buying vehicles from Peace Corps auctions or other direct sales.

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<sup>1</sup> The prior agency policy advised that the direct sale of government property, including vehicles, should be conducted as arms-length transactions and that the sale to Peace Corps employees, trainees, Volunteers, or any U.S. government employee is illegal and is expressly forbidden. Additionally, it noted that all sales must be on a competitive basis.



## **PC/Paraguay: Audit Review of Peace Corps Partnership Program Project and Cooperative Agreement**

We issued a management implication report detailing noncompliance with Peace Corps Partnership Program (PCPP) regulations. We identified an inappropriate use of cooperative agreements that committed U.S. government funds, bypassed federal law and regulations, and placed the agency at risk for a potential violation of the Anti-deficiency Act.

A former country director inappropriately and without authority, signed an agreement with the host country government and a Paraguayan nongovernmental organization (NGO), committing the Peace Corps to fund a five-year scholarship program. The execution of this unauthorized cooperative agreement did not comply with the Peace Corps policy regarding Partnership Program funds and requirements for administrative control of those funds. The country director's actions resulted in a potential violation of 31 U.S.C. § 1501, requiring the recording of obligations, and risked causing an Anti-deficiency Act violation.

In addition, not following PCPP procedures may have been a contributing factor in the mismanagement of Peace Corps funds by a representative of the Paraguayan NGO. This issue has been referred to an Assistant United States Attorney for possible further action.

Country directors often enter into agreements with host country governments and nongovernmental agencies. However, without sufficient legal expertise, country directors may inadvertently violate laws or administrative regulations. Anti-deficiency Act violations carry administrative penalties and may have criminal penalties, including fines of not more than \$5,000, imprisonment for not more than two years, or both. Therefore, it is imperative that country directors follow Peace Corps policies regarding cooperative agreements and the Peace Corps Partnership Program.

We recommended that agency management inform country directors of the risks of entering into cooperative agreements committing U.S. government funds without fully understanding the legal and accounting implications. Furthermore, we recommended that Peace Corps increase oversight and monitoring of posts' cooperative agreements by requiring the involvement and concurrence of the Office of General Counsel and other management staff in their development and execution.

## **PC/Gambia: Review of UNDP Small Grant and Post's Grants Process**

This inquiry was conducted by the Audit Unit in response to information received from the Office of General Counsel and the Africa Region staff regarding the solicitation, acceptance, receipt, and expenditure of United Nations Development Programme (UNDP) funds by PC/Gambia Volunteers. Under the direction of PC/Gambia staff, Volunteers created an improper method to obtain UNDP grant funds for small community projects. We determined that Volunteers:

- On behalf of the Peace Corps, engaged, in the solicitation of grant funds from the UNDP without appropriate written authority from the agency



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- Established a corporate entity registered with the government of The Gambia for the purpose of directly receiving UNDP grant funds on behalf of local communities
  - With the full cooperation of the country director, used Peace Corps' tax-free status to obtain the same tax-free status for the corporate entity registered with the government of The Gambia
  - Risked inadvertently obligating the Peace Corps by accepting grant funds without any formal agreement between the Peace Corps, UNDP, and the government of The Gambia
  - Established multiple foreign bank accounts to receive and disburse UNDP funds
  - Received and disbursed UNDP funds without oversight, reporting requirements, or other methods of accountability

Furthermore, we found that the country director and PC/Gambia staff facilitated many of the unauthorized and improper transactions. For example, the country director signed a letter to a local bank certifying that the Peace Corps' tax exempt status applied to the unauthorized corporate entity formed by the Volunteers. The Peace Corps staff assisted Volunteers in improper solicitation to UNDP for grant funds and was likely aware that the Volunteers were engaged in these activities on behalf of PC/Gambia.

Since these activities did not comply with applicable laws and Peace Corps' regulations, we assisted the Peace Corps in terminating them. Our assistance included establishing a full accounting of all UNDP funds received by verifying the nature and the status of projects involving UNDP funds and the amount of funds received and disbursed and establishing the remaining fund balances. Our assistance also included helping to dissolve the unauthorized corporate entity in The Gambia and participating in meetings with staff members from UNDP and representatives of the government of The Gambia to resolve any outstanding issues. Both the acting regional director and General Counsel were briefed on our work in helping the post resolve this matter.

## Email and Social Networking Scams

During this reporting period, OIG issued a fraud alert warning to the agency and the general public about Internet scams involving persons in indigent circumstances. OIG advised former Volunteers and staff members to be vigilant against Internet scams requesting money that involve email and social network sites, such as Facebook.

The agency has received information concerning apparent West African individuals who have sent hundreds of fraudulent emails that seemingly come from American or British government officials claiming that the sender urgently needs money because he/she was robbed or otherwise compromised in an overseas location. The following quote was taken from a questionable email that was supposedly sent by a British minister of justice: "I misplaced my wallet on the way to the hotel where my money and other valuable things were kept. I would like you to assist me with a soft loan urgently to settle my hotel bills [*sic*] and get back home." The email alleged that the British minister of justice was on a trip to Africa to perform charity work. More recently, a Volunteer serving in West Africa informed the agency of her concerns about her email being compromised. Her family and friends received a bogus request seemingly sent from her email account to send money via Western Union to a location in Wales, United Kingdom.

These bogus emails appear to originate from the sender's actual webmail account. The scam has two distinct steps: (1) a scammer hacks into an email account via a phishing attack or other means and (2) once the account has been accessed, the hacker will send large volumes of bogus emails to individuals in the hacked address book with false claims of indigence and/or dire circumstances that require immediate financial assistance. Since the messages are being sent from the victim's own email address, some recipients believe the need is real and send money.

OIG advised agency staff and the general public to be wary of any email requesting money that appears to be from friends or family, especially wire transfers. Furthermore, OIG cautions former Volunteers and Peace Corps staff to look closely at the grammar and content of these requests. They often have misspelled words and broken English, which could be an indication of the scam.

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# Audits



*Mongolian students at a school where  
a Volunteer works*

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# Audits

## Overview

The Peace Corps' OIG Audit Unit performs audits of the agency's field activities at overseas posts and provides domestic administrative support at headquarters and regional recruiting offices. The Audit Unit focuses primarily on the agency's financial and administrative operations and personnel, which support the agency's mission and its Volunteers serving around the world. Although certain audits may require a team effort, most audit engagements are conducted by a single auditor under the direction and guidance of the assistant inspector general for audits. OIG also utilizes contracts with independent auditing firms and engages individual experts for some highly technical audits. Furthermore, we are charged with the responsibility of assisting with Peace Corps OIG investigations, as appropriate, requiring audit expertise and specific skill sets.

Our audit work typically examines agency operational effectiveness and financial management. Audit objectives are designed to assess whether good management practices are being followed; assets are adequately safeguarded; managers are properly accounting for assigned resources; and if operations are being carried out in compliance with federal laws, regulations, and applicable Peace Corps policies and procedures. The audits are performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Additionally, auditors may assist with the review of allegations of fraud, waste, abuse, and mismanagement related to Peace Corps programs and operations. Allegations may include the potential for improperly billing the government for goods and services either not provided or provided at inflated rates. Audit assignments involve extensive problem solving, planning, and coordination, often at overseas locations and covering a large variety of work processes carried out among several interrelated organizations.

The Accountability of Tax Dollars Act of 2002 mandates that the Peace Corps subject its financial statements for audit. OIG oversees and serves as the contracting officer's technical representative for contracts with an independent public accounting (IPA) firm to perform the annual audit of the agency's financial statements. To fulfill our responsibilities, we monitor the IPA's work to ensure that it is of acceptable quality, in compliance with federal law and applicable industry standards, and is completed within guidelines established by the Office of Management and Budget (OMB).

We are also responsible for meeting specific requirements set by the Federal Information Security Management Act. These requirements include performing annual reviews of the Peace Corps' information security program and reporting related selected data to OMB.

## Headquarter Audits

### Peace Corps Fiscal Year 2009 Financial Statement Audit

OIG contracted with Urbach Kahn & Werlin LLP (UKW), an independent certified public accounting firm, to audit the Peace Corps' financial statements. The contract required the audit be done in accordance with U.S. generally accepted government auditing standards; OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*; and the Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual. UKW's audit reports for fiscal year (FY) 2009 included: (1) an opinion on the financial statements, (2) a report on internal control, and (3) a report on compliance with laws and regulations.

In the audit of the Peace Corps, UKW found that the fiscal year 2009 and 2008 financial statements presented fairly, in all material respects, the financial position of the agency, and further, its net cost, changes in net position, and budgetary resources conformed with U.S. generally accepted accounting principles. In addition, the firm reported that there was no material weaknesses related to internal control. However, UKW's report on internal control did identify two significant deficiencies:

- Accounting business processes need enhancements. Enhancements needed are related to accountability over selected fixed assets and consistency in reporting of host country contributions.
- Information system security controls need improvement. The auditor cited security management, contingency planning, access controls, and change management as areas needing improvement.

For the FY 2009 audit, OMB Bulletin 07-04 defined a *significant deficiency* as a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements, that is more than inconsequential, will not be prevented or detected. UKW found no instances of reportable noncompliance with the laws and regulations it tested.

In connection with the contract, we reviewed UKW's report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we did not express, opinions on Peace Corps' financial statements, internal control, or conclusions on compliance with laws and regulations. UKW was responsible for the auditor's reports issued on November 12, 2009, and the conclusions expressed in the reports. However, our review disclosed no instances where UKW did not comply, in all material respects, with U.S. generally accepted government auditing standards.

As required by OMB Circular A-136, Financial Reporting Requirements, the auditor's reports have been published within the Peace Corps FY 2009 Performance and Accountability Report. In addition, a

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separate letter describing internal control weaknesses, which do not meet the definition of a significant deficiency, was issued directly to Peace Corps' management.

## **Annual Review of Peace Corps Fiscal Year 2009 Information Security Program**

The Federal Information Security Management Act (FISMA) mandates that federal agencies establish effective information security protections and a program to secure its 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 OIGs to annually review their agency's information security programs. OMB is responsible for reporting to Congress on the overall progress of the federal government in meeting FISMA requirements. This is accomplished through an online data collection tool that is used by agencies to report to OMB annually. Federal agencies and their respective OIGs are required to submit their responses regarding FISMA compliance to OMB. The data collected in response to the OMB requirements are designed to measure an agency's progress.

OIG contracted with UKW to perform the annual review of the Peace Corps' information security program. UKW assisted OIG in preparing OMB responses for FISMA and provided reports associated with reviewing a representative sample of Peace Corps' information systems. Overall, the review concluded that Peace Corps has made progress over the last few years in addressing its information security weaknesses and becoming fully compliant with FISMA. During FY 2009, Peace Corps issued three Authorizations to Operate (ATO) for its information systems. The agency continues to maintain an up-to-date comprehensive system inventory in accordance with Federal Information Processing Standards. Furthermore, incident response procedures to ensure that security incidents are properly reported and remediated have been implemented and the percentage of personnel completing security awareness training has significantly improved. However, Peace Corps still faces some important challenges in becoming fully FISMA compliant. For example, at the conclusion of the FY 2009 review, five out of 12 agency information systems needed to be fully certified and accredited to meet FISMA requirements and eight of the 12 systems had contingency plans that had not been tested in accordance with federal policy.

Although some progress was made during FY 2009, several security issues from previous FISMA annual reviews were brought to management's attention because they had not been fully remediated. The more significant issues include:

- Certification and accreditation of 100 percent of Peace Corps' information systems
- Implementation of adequate controls over the Plan of Action and Milestone process
- Completion of risk assessments and system security plans
- Implementation of adequate controls over the vulnerability assessment process
- Completion and implementation of adequate security controls over the agency's information system environment
- Implementation of sufficient controls over change management procedures

Achieving full FISMA compliance will require effective leadership in the Office of the Chief Information Officer (OCIO). However, the agency's chief information officer (CIO) position has



remained vacant for over one year and the chief information security officer position has remained vacant for several months. The gaps in key OCIO leadership positions have caused problems in addressing FISMA issues. For example, the process of coordinating recommendations resulting from this year's FISMA review was more time consuming than in previous years and was complicated by some managers' lack of understanding of their roles and responsibilities as they relate to FISMA compliance. In some cases managers disagreed with each other concerning their respective responsibilities to resolve FISMA issues, refusing to take ownership for making the necessary corrective actions. Ultimately the matter was referred to top management to assist in resolving the conflicts and reaching an agreement. There are significant challenges ahead in achieving full FISMA compliance so it is critical that managers understand their roles and responsibilities and agree on what actions need to be taken to effectively remediate the issues.

### **Office of Chief Information Officer: Budget Formulation and Management Audit** *IG-10-05-A*

We reviewed the Peace Corps' information technology investment and the Office of the Chief Information Officer (OCIO) budget processes to determine whether Peace Corps complied with federal requirements in the Clinger-Cohen Act of 1996 and the Office of Management and Budget (OMB) Circular A-130 and to ensure the most efficient and effective use of agency resources. The chief information officer (CIO) is responsible for providing advice and other assistance to the Peace Corps Director to ensure that information technology is acquired and that information resources are managed in accordance with federal regulations. In fiscal year 2008, the CIO managed an office of 58 employees and 27 contractors and a budget of approximately \$8,470,500 in operations and maintenance funds and approximately \$9,157,200 in centrally managed funds.

Our review determined that Peace Corps did not establish an effective information technology governance process as required by the Clinger-Cohen Act of 1996 and OMB Circular A-130. Specifically, Peace Corps did not: develop an Information Resource Management strategy, maintain a current information technology roadmap to guide future decisions, clearly define the criteria for prioritizing and selecting information technology investments, or establish a standard method for monitoring and evaluating all project costs and schedules. As a result, Peace Corps:

- Management lacked the necessary information to make informed information technology planning and budgetary decisions and did not fully understand the information technology investment process.
- Offices made short-term decisions that did not ensure the most efficient and effective use of information resources, including more than \$99,000 in funds and labor costs that could have been avoided for two uncompleted information technology projects.
- Management did not adequately plan for high priority initiatives and failed to allocate sufficient resources to fulfill federal information technology requirements.



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- Project managers frequently allowed information technology projects to exceed budget estimates and missed scheduled milestones.

In addition, OCIO did not ensure its budgetary resources were sufficient and expended efficiently. Although controls were in place and operating effectively to ensure fund allocation and expenditures were necessary, justified, and properly approved, OCIO inappropriately commingled its two fund accounts and relied heavily on additional agency funds to support routine business activities. The OCIO also did not adequately manage its contracts or oversee the agency's information technology personnel. Because of poor budget management, OCIO:

- Risked that essential and required functions would not have adequate funding.
- Did not maintain adequate oversight to ensure that its workforce completed tasks timely and efficiently.
- Paid \$35,000 in unnecessary contract services and failed to properly track an additional \$149,000 in contract costs.
- Did not properly manage \$97,000 in lapsed salary costs.
- Did not maintain oversight of all agency information technology resources as required by the Clinger-Cohen Act of 1996.

OCIO did not provide Peace Corps offices with adequate guidance concerning requests for additional agency funds and failed to monitor the use of additional funds. As a result, OCIO did not have sufficient administrative control of funds to ensure the most efficient use of agency resources and could not make fully informed decisions when providing additional resources to offices.

After reviewing the draft audit for 16 weeks, management fully concurred with 18 of the 23 recommendations made in our report, partially concurred with one, and didn't concur with four. However, overall management comments were not responsive and did not include evidence demonstrating that they had either addressed the identified weaknesses or had a plan in place to correct them. As a result, we were unable to close any of the recommendations and at the end of the reporting period all 23 recommendations remain open.

#### **Funds to be Put to Better Use**

OCIO Budget Formulation and Management Audit - \$154,357

#### **Questioned Costs**

OCIO Budget Formulation and Management Audit - \$35,000

## Peace Corps' Process for Soliciting, Awarding, and Administering Contracts

IG-10-06-A

We reviewed the Peace Corps' contracting processes to determine whether they complied with applicable federal laws, regulations, and agency policies and ensured the most effective and efficient use of agency resources.

In fiscal year (FY) 2009, approximately 23 percent (\$79.7 million) of Peace Corps' budget (\$340 million) was spent for the purchase of goods and services through contracts. The Office of Acquisitions and Contract Management (OACM) is responsible for the policy and operational management of Peace Corps' acquisitions domestically and overseas. The mission of OACM is to provide acquisition support to Peace Corps stakeholders through both operations and policy. OACM also serves as the agency's business liaison with the public and private sectors for contracting matters. Responsibilities of OACM include: awarding and administering contracts, Interagency Agreements, Memorandums of Understanding, transferring resources or funds, cooperative agreements, personal services contracts, and managing the Government wide Commercial Purchase Card Program. The office is led by the Peace Corps' chief acquisition officer (CAO). In FY 2009, the CAO managed a staff of 17, with an operating budget of approximately \$1.46 million.

The Federal Acquisition Regulation (FAR) is the primary regulation for use by federal agencies for procuring goods and services. The Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP) frequently issues supplemental guidance, such as minimum training requirements for acquisitions professionals in the federal government. Most recently, OMB issued memorandums in support of the President's initiative for federal agencies to reduce spending and minimize high-risk contracts. OMB also recently issued guidance for increasing competition in federal contracts, for using cost comparisons to determine the most cost-effective solution for meeting contract requirements, and for meeting the growing needs of the civilian agency acquisition workforce. The Peace Corps has issued nine *Peace Corps Manual* (PCM) sections related to acquisition and other guidance that cover aspects of the contracting process.

The Peace Corps Act (Public Law 87-293), as amended, provides contracting authority to the Director of Peace Corps and permits the delegation of that authority to his subordinates. The Peace Corps Director has partially delegated his contracting authority to the agency's chief acquisition officer (CAO). The Peace Corps Director has also delegated purchase authority to each country director for individual procurement actions of goods and services valued up to \$100,000 at posts worldwide. The CAO is responsible for the policy and operational management of Peace Corps' acquisitions domestically and overseas.

The audit report contains five findings that require management's attention:

- OACM has achieved improvements in agency contracting practices, but progress has been significantly impacted by resource limitations. As a result, initiatives to put a proactive contract surveillance program in place, improve compliance with Peace Corps and federal guidance, and broaden customer support services have not been fully implemented.

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- A lack of trained contracting officer technical representatives has exposed the Peace Corps to risks, including higher or unnecessary costs relating to the acquisition of products or services.
  - Required Peace Corps activities do not always allow sufficient time to perform adequate acquisition planning. As a result, unnecessary and costly contract extensions of existing contracts may occur, or contracts are awarded that may not be the most cost-effective alternative.
  - Inappropriate use of cost-reimbursement contracts has caused noncompliance with applicable federal regulations and resulted in the Peace Corps assuming greater risks associated with the acquisition process.
  - Delegation of contracting authority from the Peace Corps Director to country directors has inhibited the CAO's ability to mandate required minimum training and establish effective internal control over posts' contracting process for procurements up to \$100,000.

Of the 17 recommendations made in our report, management fully concurred with 15 recommendations, partially concurred with one recommendation, and didn't concur with one recommendation. At the end of the reporting period 16 recommendations remain open.

#### **Questioned Costs and Funds Put to Better Use**

We questioned costs amounting to \$138,263 and determined that \$323,794 could be put to better use. Both the questioned costs and funds put to better use are annual expenditures and are recurring costs.

#### **Contractor Incurred Cost Audit**

OIG conducted a contractor incurred cost audit. The audit evaluated the contractor's recorded direct and indirect costs for fiscal years ending December 31, 2005, through December 31, 2008. The OIG also evaluated contractor severance payments to employees under contract performance years ending December 31, 2002, through December 31, 2004. The OIG audit evaluated: the contractor's accounting procedures and practices; internal controls; and compliance with contract provisions, applicable cost accounting standards, and the Federal Acquisition Regulations. The audit found the contractor had overbilled the Peace Corps \$11,123 for severance payments and \$13,851 for labor costs. OIG identified contractor internal control weaknesses, including inadequate accounting policies and procedures. Such weaknesses contributed to the contractor's failure to: submit contract-required incurred cost submissions; reconcile recorded costs incurred with amounts billed to the Peace Corps; and to adequately segregate recorded costs from one contract performance period/contract line item with costs recorded for the next year's contract performance period/contract line item. The audit results were provided to the contracting officer for resolution.

#### **Questioned Costs - \$24,974**

## Post Audits

### PC/Burkina Faso: Audit

*IG-10-01-A*

We issued our audit report of PC/Burkina Faso in October 2009. The Peace Corps began its program in Burkina Faso (then called Upper Volta) in 1966, but was asked by the country to cease sending Volunteers in June 1986. In 1995, Peace Corps resumed work in the country and sent 19 Volunteers to work in primary health care in rural communities. Two years later, the Ministry of Secondary Education requested Volunteers to work with middle schools, high schools, a teacher training college, and a university to make up for large shortfalls in qualified teachers. At the time of the audit there were 100 Volunteers working throughout the country.

We found that, in general, PC/Burkina Faso's financial and administrative operations were functioning effectively and complied with agency policies and federal regulations. We also found that the post had established the necessary separation of duties concerning financial responsibilities; developed an effective control mechanism for fuel cards through coordination with a vendor; implemented successful procedures to manage its transit house; and took a proactive stance in updating its documentation and establishing the necessary control processes before the audit.

However, there were several areas in need of improvement. The post had not fully implemented the medical supply procedures to ensure proper separation of duties; lacked documentation to support charges incurred due to personal use of Peace Corps property; and did not ensure all personal service contractors completed an intelligence background information certificate, attesting to any involvement in intelligence activities. Management concurred with all 20 recommendations. At the end of the reporting period, three recommendations remain open.

#### **Funds to be Put to Better Use**

PC/Burkina Audit - \$ 4,605

### PC/Cape Verde: Audit

*IG-10-03-A*

We issued our audit report of PC/Cape Verde in December 2009. The Peace Corps began its program in Cape Verde in 1988. Since then, approximately 450 Volunteers have served in the country. At the time of the audit, 52 Volunteers were engaged in the areas of education and small enterprise development. We found that the post's financial and administrative operations required improvement in a number of areas and that it did not fully comply with agency policies and federal regulations.

We identified weaknesses in internal control and recommended improvements to strengthen imprest fund and cash management. The cashier did not change the combination to the imprest fund safe at least annually to safeguard the fund's assets. Furthermore, the post did not have on file a memorandum of agreement with the bank handling Volunteer allowances, establishing and documenting the bank's

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requirements and responsibilities. The billing officer did not prepare and record bills of collection for host country contributions for Volunteer housing until checks were received by the post. Furthermore, budgetary reports to headquarters did not include all in-kind host country contributions.

Control over post property was inadequate and related records were incomplete or inaccurate. We noted discrepancies between the property inventory records and the actual property on hand. The property control officer did not reconcile the records with changes, which might have identified the discrepancies.

We found that the management's oversight of post vehicles could be improved. The post's vehicle usage logs were incomplete and not reviewed by all required individuals to ensure that the post's vehicles were being used appropriately. The post's vehicle auction process also contained internal control deficiencies. In addition, the post had not fully implemented the agency's medical supplies inventory policy and we found differences between the inventories on hand and medical supplies records.

The post did not compile and evaluate Volunteer responses to the fiscal year 2009 living and settling-in allowance surveys and did not perform related market basket surveys to ensure that allowances adequately provide for each Volunteer's health and well-being.

The post had not obtained security clearances and intelligent background certifications for several staff members. Also, time and attendance records were inaccurate and incomplete and there was a discrepancy in the payments that the post was required to make to Cape Verde's social security agency on behalf of its staff.

Management concurred with all 41 recommendations. At the end of the reporting period, 29 recommendations are closed and 12 recommendations remain open.

## **PC/Tanzania: Audit**

*IG-10-04-A*

We issued our audit report of PC/Tanzania in January 2010. The Peace Corps began its program in Tanzania in 1962. Since then, more than 2,100 Volunteers have served there. The program was closed in 1969 and re-established 10 years later. In addition, post activities were suspended in 1991 and resumed later that year. At the time of our audit, 134 Volunteers were working in the areas of education, environment, and health.

The country director arrived at the post in October 2008 and the administrative officer arrived in November 2008. The post functioned with temporary duty (TDY) country directors between July and October of 2008 and with TDY administrative officers between July and November of 2008. Many of the deficiencies noted occurred during the TDY periods.

We found that the post's financial and administrative operations required improvement and that its compliance with agency policies and federal regulations was lacking or inconsistent. We noted deficiencies in three of the five internal control standards of the Government Accountability Office:

standards requiring a control environment, control activities, and effective monitoring. We also found that file management was inadequate and that some records and documents were missing or incomplete.

Contrary to agency policy, the cashier did not change the combination to the safe at least annually. Further, the post had not reconciled bank statements for its new zero balance accounts and had not obtained memoranda of agreements with the banks it uses to ensure that it was obtaining all the services agreed upon. In addition, though the post conducted, in 2008, three surveys to evaluate the Volunteer living allowance, all three surveys contained deficiencies. Moreover, the post did not complete its surveys of the settling-in allowance for new Volunteers. Such surveys are critical in helping ensure that the allowance amounts provided to Volunteers are adequate to support their health and well-being.

In contravention to federal and agency policy, personal services contractors signed and executed procurement contracts committing the post and obligating U.S. government funds. Furthermore, the post was unable to provide documentation demonstrating that procurements were competitively awarded.

We also found that personal phone calls by post staff members were not adequately or promptly identified, billed, and/or collected, and that previous administrative officers did not diligently monitor the status of billings. In addition, a single staff member maintained the property database and performed physical inventory verification, violating the internal control requirement for segregation of duties. We also found that post vehicle usage, maintenance, disposition records, and control procedures were inadequate, incomplete, and/or not performed.

Travel authorizations lacked proper signatures and staff members did not submit their travel vouchers in a timely manner. Furthermore, both Volunteer and staff per diems required review. In addition, the post's official time and attendance records were not reviewed periodically by post management and did not always reflect the information shown on timesheets.

Finally, the post had not fully implemented the agency's policy on medical supplies inventories. We found discrepancies between the quantities and expiration dates when comparing inventory records with the medical supplies on hand.

Management concurred with all 56 recommendations. At the end of the reporting period, all recommendations were closed.

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## PC/Mongolia: Audit

IG-10-07-A

We issued our audit report of PC/Mongolia in February 2010. The Peace Corps began its program in Mongolia in 1991. Since then, over 725 Volunteers have served there. At the time of our visit, 120 Volunteers were engaged in English education and community development, youth development, community-based health, and community and economic development.

We found that the post's financial and administrative operations were functioning effectively and complied overall with agency policies and federal regulations. However, we identified several areas requiring attention.

We discovered that the cashier had not changed the combination to the imprest fund at least annually. Further, security clearance updates for 13 personal services contractors were not on file but were in the process of being completed by the U.S. Embassy's regional security officer. In addition, two forms listing Volunteer property held for safekeeping were inaccurate. Also, the post did not document the basis used for estimating host country contributions for Volunteer housing.

In addition, we found that post documents inappropriately contained the complete Social Security numbers of U.S. direct-hire staff and Volunteers. Finally, the post's medical supplies inventory records showed discrepancies in expiration dates with the inventory on hand and the medical officers did not always list the quantities dispensed on the medical supplies dispensed form so the records could be appropriately updated.

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



# Evaluations



*Traditional Kasbah near the town of  
Taroudant, Morocco*



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# Evaluations

## Overview

The Evaluation Unit provides the agency with independent evaluations of management and operations of the Peace Corps, including overseas posts and domestic offices and programs. It identifies best management practices and recommends program improvements and means by which to comply with Peace Corps policies and federal regulations. During this reporting period, we concentrated on cross-functional assessments conducted with the audit and investigation units that focused on Volunteer health care in PC/Morocco, acquisitions and contract management, and Volunteer safety and security, which we discuss elsewhere in this report. We also continued to provide management with a comprehensive assessment of how effectively overseas country programs are functioning. Evaluations are conducted under the direction and guidance of the assistant inspector general for evaluations and in accordance with the Quality Standards for Inspections published by the Council of the Inspectors General on Integrity and Efficiency.

Our country program evaluations include extensive interviews, reviews of relevant documents, physical observations, and analysis by evaluators. The evaluators interview Volunteers and headquarters and post staff, as well as key host country and U.S. government officials. In effecting their interviews, the evaluators select a stratified judgmental sample of at least 20 percent of currently serving Volunteers based on their length of service, site location, project focus, gender, age, marital status, and ethnicity. Evaluators conduct the bulk of the Volunteer interviews at their homes and worksites and inspect their housing using post-defined criteria. The period of review for a country program evaluation is one full Volunteer cycle (typically 27 months). For country program evaluations, we use the following researchable questions to guide our work:

- To what extent has the post developed and implemented programs intended to increase the capacity of host country communities to meet their own technical needs?
- To what extent has the post implemented programs to promote cross-cultural understanding?
- To what extent does training provide Volunteers the necessary knowledge, skills, and attitudes to integrate into the community and perform their jobs?
- To what extent has the post provided adequate support and oversight to Volunteers?
- To what extent are post resources and agency support and oversight effectively aligned with the post's mission and program and agency priorities?
- Is the post able to adequately administer the President's Emergency Plan for AIDS Relief (PEPFAR) program, support Volunteers, and meet its PEPFAR objectives? (Only applicable to posts receiving PEPFAR funds.)

The findings and recommendations provided in our evaluation reports are reviewed by agency stakeholders affected by the review to ensure: (1) that our recommendations are feasible and (2) that our reports are useful to the agency in its effort to strengthen internal controls and correct deficiencies.

## Country Program Evaluations

### PC/Turkmenistan: Country Program Evaluation

*IG-10-02-E*

We issued our final country program evaluation of PC/Turkmenistan in November 2009. Over 650 Volunteers have served in Turkmenistan since the inaugural program in 1993. At the time of our review, there were 74 Volunteers serving in two projects: (1) English education and teacher enhancement and (2) community health education and extension.

PC/Turkmenistan is considered a challenging post for staff and Volunteers. Although government ministries have expressed support for Peace Corps, government controls and restrictions impact the effectiveness of PC/Turkmenistan's programs and Volunteers struggle to meet the first goal of the Peace Corps mission – to help the people of interested countries in meeting their need for trained men and women. Staff and Volunteers reported that restrictions imposed by the host country government, including its control over Volunteer site selection and limitations on the activities that Volunteers may engage in within their host community, have made it difficult for the PC/Turkmenistan program to be effective and promote sustainability. In September 2009, the Peace Corps encountered further difficulties with the Turkmen government. At that time, the government of Turkmenistan informed the Peace Corps that the next Volunteer input would not be welcomed and the agency cancelled the September 2009 input.

In addition to the challenges PC/Turkmenistan has encountered with the host country government, the OIG evaluation determined that other factors inhibit the efficiency and effectiveness of PC/Turkmenistan:

- Volunteers have received inaccurate information about the reality of serving in Turkmenistan.
- Staff is burdened by the host country government's administrative demands and by Peace Corps' staffing shortages.
- Staff and Volunteers reported that programmatic changes need to be made before expanding the number of Volunteers and until these changes are put into place, the post may not be able to meet the agency's expectations for program growth.

Despite these challenges, the OIG evaluation discovered that staff and Volunteers believe Peace Corps has the potential to make a positive contribution to the people of Turkmenistan. We recommended that the post assess the viability of project plans; develop strategies to address obstacles, such as establishing Memoranda of Understanding with host government ministries; and improve technical training and trainee assessment. We also recommended that post and regional managers develop a growth strategy for PC/Turkmenistan that takes into consideration the host country's receptivity, post staffing, and programming constraints.

Management concurred with all 17 recommendations. At the end of this reporting period, five recommendations are closed and 12 remain open.

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## PC/Morocco: Country Program Evaluation

IG-10-06-E

We issued our final country program evaluation of PC/Morocco in November 2009. Over 4,000 Volunteers have served in Morocco since the program began in 1963. At the time of our evaluation, PC/Morocco was Peace Corps' second largest country program, with 258 Volunteers serving in the following four projects: environment; health; small business development; and youth development.

Morocco continues to cope with the aftermath of the events of September 11; the continuing instability in Iraq, Iran, and the Middle East; and ongoing concerns over the potential for further domestic terrorism. Volunteers are widely dispersed throughout mountainous and sometimes hard-to-access areas and they face an assortment of challenges related to language, religion, politics, gender, and harassment. The OIG evaluation determined that the PC/Morocco program staff is experienced, resourceful, dedicated to the Peace Corps mission, and has the skills required to support the Volunteers. Most of the program staff has 10 to 20 years of Peace Corps experience. However, overall, PC/Morocco staffing levels are insufficient to meet the extensive and complex support needs of the program. We determined that staffing levels are inadequate in three key support areas and we made recommendations to assess and redistribute workload or to add additional staff:

- Programming staff are overworked and struggle to provide Volunteer support needs such as site visits, report feedback, and regular communication.
- PCMOs have an unmanageable workload and the quality of medical support to the Volunteers is impacted by the medical unit's large volume of work.
- The safety and security coordinator is strained by a continuous flow of Volunteer communications.

The OIG evaluation also determined that improvements in the following areas would increase the efficiency and effectiveness of PC/Morocco:

- The youth development and small business development projects should collaborate with their project partners to develop Project Advisory Councils.
- Volunteers and trainees, particularly those over the age of 50, need additional support with language learning before and during their service.
- Language and cultural facilitators need additional training and experience to effectively conduct training.
- Program staff requires additional managerial and technical support from the programming and training officer and the staff needs to be more involved in the development of the training program.

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

# Investigations



*Mountain road on Santo Antão  
Island, Cape Verde*

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# Investigations

## Overview

The Office of Inspector General (OIG) is authorized to conduct investigations on waste, fraud, abuse, and mismanagement in Peace Corps programs and operations both domestically and overseas. In the performance of this mandate, OIG investigates both criminal and administrative misconduct allegations involving Peace Corps staff, contractors, and Volunteers, including violations of Peace Corps and U.S. government standards of conduct. OIG utilizes various techniques to investigate allegations of wrongdoing and often works with other offices within the Peace Corps and with law enforcement officials from other agencies, as appropriate. These include the Department of Homeland Security, Immigration and Customs Enforcement, the Department of State, Bureau of Diplomatic Security, the Federal Bureau of Investigation (FBI), the Department of Labor, and the Department of Justice. Allegations are forwarded to OIG through various means, including OIG audits and evaluations and hotline complaints, and by multiple Peace Corps stakeholders, such as Volunteers, trainees, staff, contractors, and other federal entities, as well as the general public.

Prior to September 1, 2008, the Investigation Unit managed and coordinated the agency's participation in the investigative and prosecutorial processes of cases involving violent crimes committed against Volunteers overseas. This function was transferred to the Peace Corps Office of Safety and Security. However, OIG remains responsible for investigating allegations of criminal wrongdoing, including violent crimes, committed by Peace Corps staff members, contractors, and Volunteers.

During this reporting period (October 1, 2009 to March 31, 2010), the OIG investigation unit closed 13 legacy cases, which include preliminary inquiries and investigations involving violent crimes against Volunteers. Legacy cases include investigations and inquiries initiated before September 1, 2008. The following table demonstrates the types and number of closed violent crime cases.

<b>Closed Legacy Cases of Violent Crimes Against Volunteers</b>		
<b>Investigation Type</b>	<b>Number of Inquiries</b>	<b>Number of Investigations</b>
Aggravated Assault	4	1
Attempted Rape	0	1
Burglary with Volunteer Present	2	0
Intimidation	0	0
Major and Other Physical Assault	0	0
Major Sexual Assault	2	1
PROTECT Act	0	1
Rape	0	0
Other Sexual Assault	0	1
<b>Totals:</b>	<b>8</b>	<b>5</b>

## Crimes against Volunteers

### Investigation of a Homicide at a West African Post

OIG continues to coordinate with other members of the law enforcement community to investigate the murder of a Volunteer in West Africa that occurred in 1998. During this reporting period, U.S. law enforcement officials continue initiatives to reintroduce this case in the host country's court of law. The Peace Corps' attorney filed petitions with the local courts to enable the regional security officer (RSO) and the FBI Legal Attaché to interview the main suspect in this investigation, a male host country national who initially confessed to the crime, but later recanted. The RSO provides weekly updates on this homicide case to the U.S. ambassador, who has raised the case with the newly elected President of the country.

### Judicial Disposition of an Attempted Rape at a Caribbean Post

As previously reported, a Volunteer serving in a Caribbean country was burglarized and brutally assaulted while her assailant attempted to rape her. A host country male was apprehended and placed in local custody. OIG coordinated with the regional security officer, host country police, and the local prosecutor to prosecute the case. OIG assisted with photo identification, physical line-up, and transport of evidence to the FBI laboratory for analyses. OIG also accompanied the Volunteer victim to a pre-trial hearing. On September 22, 2009, the suspect pleaded guilty to some, but not all, of the charges and on October 22, 2009 he was sentenced to 15 years imprisonment by the local courts.

### Investigation of Sexual Assault Allegation at an African Post

A Volunteer serving in an African post reported that she had been sexually assaulted by a Peace Corps personal service contract staff member. OIG investigated the incident at the post and obtained subject and witness statements which supported some, but not all, of the victim's allegations. The personal service contractor was subsequently placed on administrative leave and escorted from Peace Corps property. The country director and the region determined that it was in the best interest of the Peace Corps to place him on administrative leave until his contract expired in December 2009. The Volunteer took a break in service, but hopes to continue serving at another agency post.

## Criminal and Misconduct Related Investigations

### Investigation of Disclosure of Confidential Information at a West African Post

During the previous reporting period, OIG visited a country in West Africa to investigate the improper release of confidential information by Peace Corps staff members. OIG continues to provide assistance to law enforcement organizations involving this matter. In this reporting period, OIG responded to a request for assistance from the FBI to coordinate the interview of a former Volunteer and provided the FBI with information obtained through an Inspector General subpoena.



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## **False Statements Associated with a Vehicle Fraud at a South American Post**

In a previous semiannual report to Congress, OIG reported an ongoing investigation involving a former country director who used his position for personal gain. The investigation uncovered evidence of a scheme intended to represent that a public auction of Peace Corps vehicles had occurred when, in fact, the vehicles were sold directly to various nongovernmental organizations (NGOs). The fraudulent scheme led the U.S. Embassy to unknowingly provide inaccurate information to the host country government regarding the disposition of Peace Corps vehicles. The investigation has also revealed evidence indicating apparent improper payments associated with the country director's living quarter allowances (LQA). As a result of the OIG's ongoing investigative efforts, the contract of a Peace Corps staff member who participated in this scheme was not renewed.

The case involving the country director is ongoing and the OIG also plans to pursue civil recovery of approximately \$100,000 from the former country director. This matter has been referred to an assistant U.S. attorney for criminal prosecution.

## **Improper Vehicles Sales at a Pacific Post**

A country director informed OIG about possible vehicle fraud. He told OIG that during his cursory review of vehicle sales at the post he noticed a vehicle that appeared to have been sold for under market value. OIG subsequently reviewed disposal records for the last four vehicles auctioned and sold at the post. The investigation disclosed one suspect transaction: a vehicle that was auctioned and internally awarded to a Peace Corps staff member. This staff member submitted two questionable bids, the highest of which was missing from post records and had not been honored by the staff member. However, this staff member also submitted the second highest bid so he was awarded the vehicle. Within nine months of acquisition, the staff member sold the vehicle for a \$10,000 profit. Prior to the OIG inquiry, no one had questioned the staff member or the events surrounding the sale of this vehicle. Because of the timing of this investigation and the lack of vehicle auction documentation, there was no conclusive evidence that a crime had occurred. However, the administrative officer was not contractually rehired and the financial assistant received a letter of reprimand.

## **NGO Embezzlement at a South American Post**

An OIG auditor and investigator collaborated to investigate allegations of embezzlement of Peace Corps funds by a host country nongovernmental organization (NGO) in a South American country. OIG determined that Peace Corps scholarship funds for local girls were not deposited in a bank account set up for the program. Specifically, the audit and investigation disclosed that the president of the NGO did not deposit four checks, totaling \$36,435, into the program's bank account, but instead cashed the checks. OIG also determined that the former country director had improperly, and without prior authorization, contractually bound the Peace Corps with a host country ministry to provide an undefined amount of funds for a period of five years. OIG has referred this case for prosecution to the U.S. Attorney's Office.

### **Marijuana Importation at a Caribbean Post**

OIG received a report that a host country customs service officer in a Caribbean country determined that a package addressed to a Volunteer contained marijuana. The Volunteer indicated that the package may have originated with a male friend who lived in the United States. OIG referred the findings of our inquiry to the U.S. Postal Inspection Service for subsequent investigation. The Volunteer was administratively separated by the country director.

### **Kickback Scheme at a West African Post**

OIG deployed a special agent to a post in West Africa to investigate an allegation that the post's general services officer, a personal services contract staff member, had accepted kickbacks for awarding contracts. The OIG investigation confirmed that the staff member had accepted cash and gifts from contractors working for the Peace Corps. As a result of these findings, the staff member resigned from the Peace Corps.

### **Sexual Harassment at a Central American Post**

OIG investigated an allegation of inappropriate sexual conduct against a safety and security coordinator in a Central American country. The investigation confirmed the allegations of harassment and other misconduct. Additionally, OIG discovered that the staff member had sexual relationships with several currently serving Volunteers in violation of Peace Corps fraternization policy. The staff member resigned from the Peace Corps.

### **Allegations of Sexual Harassment and Improper Computer Access at an Inter-American Post**

OIG received an anonymous letter that made allegations against a U.S. direct-hire employee. The letter stated that the employee had been sexually harassing a male Peace Corps personal services contractor staff member. The letter alleged that the U.S. direct-hire employee had improperly accessed the staffer's emails and his medical records.

The evidence indicated that the employee may have violated 18 U.S.C. §2701, unlawful access to stored communications. OIG made a referral to the United States Attorney's Office for Western District of Texas, which declined prosecution in lieu of administrative remedies.

Under agency policy, an IT specialist and/or backup computer administrator does not have authority to access another staff member's computer files without prior authority from his/her supervisor or from the Office of the Chief Information Officer. The investigation disclosed a general pattern of abuse of authority and concluded that the U.S. direct-hire employee had failed to obtain authorization to access the staffer's files. The U.S. direct-hire employee received a letter of proposed termination from agency management.



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## Investigation of Federal Employee's Compensation Act Recipients

The OIG Investigation Unit monitors Federal Employees' Compensation Act (FECA) claims. The Peace Corps paid \$12.2 million for 1,386 active claims for medical care and disability compensation for former staff members and Volunteers who were injured or became ill on the job or during their Peace Corps service. As of the end of this reporting period (March 31, 2010), Peace Corps spent approximately \$7.3 million on active FECA claims.

In an effort to maintain the integrity of FECA, the Peace Corps OIG continues to coordinate with the Peace Corps Office of Medical Services (PC/OMS) and the Office of Inspector General of the U.S. Department of Labor (DOL/OIG) to investigate fraud. As part of our investigative actions, we review the case files of beneficiaries, conduct background reviews, physician verifications, and site visits to ensure that FECA funds are properly paid. During this reporting period OIG investigations and initiatives disclosed the following instances of overpayments and unreported income:

1. While conducting a routine visit to the district office of the Office of Workers' Compensation Program (OWCP), OIG and PC/OMS discovered a FECA recipient who reported earning incomes. An investigation was initiated on this returned Peace Corps Volunteer (RPCV). The OIG investigation disclosed that the RPCV was working in two different positions, earning approximately \$100 an hour in one position and approximately \$45 an hour in the second position. Inspector General subpoenas were served on the two businesses and records were received. Based on the records it was determined that the RPCV was earning more than the allowed amount under her wage earning capacity. PC/OMS drafted a report and submitted it to the DOL claims examiner and the RPCV wage earning capacity was recalculated and subsequently reduced from \$1,632 to approximately \$696 a month. The reduction of \$939 resulted in annual savings of approximately \$11,268. Based upon the RPCV's age and DOL's average life expectancy formula (through 78 years of age), this will result in a savings to the Peace Corps of approximately \$326,000. This investigation is still ongoing.
2. OIG and PC/OMS found that an RPCV had surgery and re-entered the workforce. She returned several uncashed FECA checks to DOL, which totaled over \$21,000. These checks were issued between May 2007 and April 2008. When interviewed by OIG, this RPCV stated that she had difficulty getting DOL to acknowledge her changed income earning status.
3. While conducting a routine alive and wellness check on an elderly RPCV, OIG found that the FECA recipient had died four months earlier. OIG communicated the RPCV's status to PC/OMS and DOL and the FECA recipient's payments were stopped. Our investigation revealed that she had received approximately \$5,000 in direct deposits since her death. These funds will be returned to DOL.

During this reporting period OIG visited the OWCP district office in Jacksonville, Florida, with PC/OMS clinical personnel. Together, we conducted record checks on 30 FECA recipients at the district office. Claimant files revealed some possible overpayments and other administrative issues. Specifically, one FECA recipient's wage earnings indicate that his FECA benefits should be reduced. We also performed field visits and alive and wellness checks on five FECA recipients.

## Suspension and Debarment Referrals

During this reporting period OIG submitted two referrals to the Office of General Counsel for consideration of suspension and debarment of two (former) Peace Corps contractors under Part 9 of the Federal Acquisition Regulations (FAR). These referrals resulted from OIG investigations that uncovered a preponderance of evidence indicating that these two contractors violated the terms of their contracts, specifically Clause X, Section C, which mandates that contractors adhere to the U. S. federal government employees' Standards of Conduct, as set forth in 5 C.F.R. § 2635.

One investigation revealed that a post's cashier, a personal services contract staff member, embezzled Peace Corps funds from the post. During the course of the investigation the cashier confessed to the embezzlement. The other investigation disclosed that the post's general services officer, who was a personal services contractor, received illegal gratuities and gifts from individuals performing contract services for the post. These acts of wrongdoing by the personal services contractors directly impacted their status and eligibility to be recognized as responsible government contractors. Given the presence of other federal agencies overseas and the Peace Corps' five-year rule, which can hinder institutional memory, we believe the agency should consider this action of suspension and debarment as necessary to protect the government.

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# Tables



*Men playing traditional Turkmen instruments in Turkmenistan*

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# Tables

## 1: List of Reports: Audits and Evaluations

<b>Headquarter Audits</b>
Peace Corps Fiscal Year 2009 Financial Statement Audit
Peace Corps Fiscal Year 2009 Annual Review of Information Security Program
Office of Chief Information Officer: Budget Formulation and Management Audit
Peace Corps' Process for Soliciting, Awarding, and Administering Contracts
Contractor Incurred Cost Audit
<b>Post Audits</b>
PC/Burkina Faso: Audit
PC/Cape Verde: Audit
PC/Tanzania: Audit
PC/Mongolia: Audit
<b>Country Program Evaluations</b>
PC/Turkmenistan: Country Program Evaluation
PC/Morocco: Country Program Evaluation

## 2: Reports Issued with Questioned Costs or Funds Put to Better Use

	Questioned Costs	Funds Put to Better Use
<b>Office of Chief Information Officer: Budget Formulation and Management Audit</b>		
7 Purchase of E-vault Software	-	\$ 46,368
19 Disaster Recovery Testing	\$ 35,000	-
22 Lapsed Salary Costs	-	\$ 107,989
<b>Peace Corps' Process for Soliciting, Awarding, and Administering Contracts</b>		
D.1 Discontinue use of cost reimbursement contracts (PC/Paraguay)	-	\$ 323,794
D.1 Discontinue use of cost reimbursement contracts (PC/Dominican Republic)	\$138,263	-
<b>PC/Burkina Faso: Audit</b>		
E.2 Fuel taxes that were not exonerated by the host country	-	\$ 2,559
H.1 Cost of leasing the staff house at the training site for 9 out of 12 months of the year	-	\$ 2,046
<b>Contractor Incurred Cost Audit</b>		
Overbilled severance payment	\$ 11,123	-
Overbilled direct labor	\$ 13,851	-
<b>Total</b>	<b>\$</b>	<b>680,993</b>

### 3: Status of Reports Issued by OIG with Questioned Costs

	Number of Reports	Value
<b>A. Reports issued prior to this period</b>		
For which no management decision has been made on any issue	1	\$ 3,083
For which some decisions had been made on some issues	0	-
<b>B. Reports issued during this period</b>		
	2	\$ 198,237
<b>Totals of Categories A and B</b>		
	3	\$ 201,320
<b>C. For which final management decisions were made during this period</b>		
	0	-
<b>D. For which no management decisions were made during this period</b>		
	2	\$ 198,237
<b>E. For which management decisions were made on some issues during this period</b>		
	0	-
<b>Totals of Categories C, D, and E</b>		
	2	\$ 198,237



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

	Number of Reports	Value
<b>A. Reports issued prior to this period</b>		
For which no management decision has been made on any issue	0	-
For which some decisions had been made on some issues	0	-
<b>B. Reports issued during this period</b>		
	3	\$ 482,756
<b>Totals of Categories A and B</b>		
	3	\$ 482,756
<b>C. For which final management decisions were made during this period</b>		
	1	\$ 4,605
<b>D. For which no management decisions were made during this period</b>		
	2	\$ 478,151
<b>E. For which management decisions were made on some issues during this period</b>		
	0	-
<b>Totals of Categories C, D, and E</b>		
	3	\$ 482,756

## 5: Reports with Recommendations on which Corrective Action has not been Completed

<b>Recommendations Open 60 Days or More</b>		
<b>Report</b>	<b>Date Issued</b>	<b>Number of Open Recommendations</b>
PC/Cape Verde Island: Audit	12/2/2009	12
PC/HQ Office of Chief Information Officer: Budget Formulation and Management Audit	1/11/2010	23
	<b>Total :</b>	<b>35</b>
<b>Recommendations Open 120 Days or More</b>		
<b>Report</b>	<b>Date Issued</b>	<b>Number of Open Recommendations</b>
PC/Burkina Faso: Audit	10/27/2009	3
PC/HQ FY 2009 Financial Statement Audit	11/15/2009	15
PC/Turkmenistan: Program Evaluation	11/16/2009	12
PC/HQ FY 2009 Information Security Program Audit	11/18/2009	24
	<b>Total:</b>	<b>54</b>
<b>Recommendations Open 180 Days or More</b>		
<b>Report</b>	<b>Date Issued</b>	<b>Number of Open Recommendations</b>
PC/HQ Travel Policies and Procedures Audit	6/27/2006	3
PC/Eastern Caribbean: Audit	12/20/2007	2
PC/HQ Medical Clearance System: Evaluation	3/31/2008	9
PC/HQ Volunteer Safety and Security: Evaluation	8/28/2008	6
PC/El Salvador: Audit	9/22/2008	3
PC/Dominican Republic: Program Evaluation	12/17/2008	1
PC/Guyana: Program Evaluation	1/29/2009	4
PC/Guinea: Audit	3/31/2009	2
PC/Uganda: Audit	3/31/2009	1
PC/HQ Purchase Card Program: Audit	3/31/2009	8
PC/Senegal: Audit	7/24/2009	1
PC/Nicaragua: Audit	7/29/2009	2
PC/Jordan: Program Evaluation	9/10/2009	9
	<b>Total:</b>	<b>51</b>

## 6: Summary of Investigative Activity

<b>Cases</b>	<b>Number</b>	<b>Value</b>
Cases Opened as of 03/31/2010	57	
Cases Opened during 10/1/2009 - 3/31/2010	10	
Cases Closed that were previously Opened	23	
Cases Open and Closed during 10/1/09 - 3/31/2010	2	
Total Open Cases as of 03/31/10	34	
Referrals for Department of Justice Prosecution	4	
Referrals for Agency Administrative Action	1	
Referrals to Other Agency	2	
<b>Domestic Court Actions</b>		
Trial (s) Pending	1	
Convictions	0	
Acquittals	0	
Judgments	0	
Fines/Restitution	0	
<b>Overseas Court Actions</b>		
Ongoing Prosecutions	3	
Convictions	1	
Acquittals	0	
Judgments	0	
Fines/Restitution	0	
<b>Monetary Results</b>		
Annual Savings	1	\$ 11,268
Recoveries/Restitution	3	\$ 30,000
Cost Avoidance	1	\$ 326,000
<b>Administrative Actions</b>		
Employees (Resignations and Terminations)	5	
Other Employee Actions	4	
Other Persons/Businesses	0	
Suspension/Debarment Referrals	2	

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## 7: Summary of Hotline and Other Complaints

Complaints Received	24
Complaints Closed	24
Awaiting OIG Action	0
Resulted in Investigations	4
Resulted in Audits	0
Resulted in Evaluations	0
Referred to Agency Management	6
Referred to Other Agency	0
No Action Needed	14

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

<b>Act Reference</b>	<b>Reporting Requirements</b>	<b>Page</b>
Section 4(a)(2)	Review of legislation and regulations	n/a
Section 5(a)(1)	Significant problems, abuses, and deficiencies	7-31
Section 5(a)(2)	Significant recommendations for corrective actions	7-31
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	46
Section 5(a)(4)	Matters referred to prosecuting authorities	33-41; 47
Section 5(a)(5)	Summary of instances where information was refused	n/a
Section 5(a)(6)	List of audit reports, including evaluations, inspections, and reviews	42
Section 5(a)(7)	Summary of significant reports	15-31
Section 5(a)(8)	Statistical table - questioned costs	44
Section 5(a)(9)	Statistical table - funds put to better use	45
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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Attn: Inspector General  
1111 20th St., NW  
Washington, DC 20526

Or

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

**Email:**

OIG@peacecorps.gov

**Website:**

[www.peacecorps.gov/OIG](http://www.peacecorps.gov/OIG)

*All information and complaints will be treated confidentially unless OIG determines, during the course of the investigation, that disclosure is unavoidable.*

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