



AGENCY FINANCIAL REPORT

Fiscal Year 2025

December 2025

PEACECORPS.GOV

ABOUT THIS REPORT

The Peace Corps' *Agency Financial Report (AFR)* for fiscal year (FY) 2025 provides fiscal results and performance highlights for the reporting period between October 1, 2024 and September 30, 2025. This report demonstrates to the President, Congress, and the American public how fiscal funds entrusted to the Peace Corps were used to achieve the agency's mission of promoting world peace and friendship through community-based development and intercultural understanding.

The *FY 2025 AFR* is one of the reports required from Federal agencies. It was prepared in accordance with *Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements*. The *FY 2027 Annual Performance Plan*, the *FY 2025 Annual Performance Report* (both to be published in the second quarter of FY 2026), and the *FY 2025 AFR* are made publicly available online at peacecorps.gov/about-the-agency/policies-and-publications/budget-and-performance/.

HOW THIS REPORT IS ORGANIZED

The *FY 2025 AFR* presents the agency's performance highlights and accomplishments, fiscal accountability, and operational achievements and challenges for FY 2025. It includes a message from the Peace Corps Chief Executive Officer and the three following sections:

Management's Discussion and Analysis

This section provides an overview of financial balances, summary-level performance information, and management assurances on internal controls. It showcases how the Peace Corps worked toward accomplishing its mission in FY 2025 and the impact of that work on the agency's overall financial condition and results.

Financial Section

This section includes the audited financial statements and accompanying footnotes as of September 30, 2025, and the independent auditor's report on the Peace Corps' financial statements.

Other Information

This section contains a statement from the Office of Inspector General (OIG) on the agency's *Management and Performance Challenges*, along with recommended actions. It also contains a summary of the financial statement audit and management assurances.

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MESSAGE FROM PAUL SHEA, CHIEF EXECUTIVE OFFICER

On behalf of the Peace Corps staff and Volunteers worldwide, I am pleased to present the *Agency Financial Report for Fiscal Year (FY) 2025*. This report offers an accounting of the agency's fiscal stewardship, programmatic achievements, and a look at the continuing global impact of Peace Corps Volunteers in advancing our mission of promoting world peace and friendship.

For nearly 65 years, the Peace Corps has played a vital role in advancing U.S. global engagement through the work of over 245,000 Volunteers serving in 144 host countries. By fostering mutual understanding and enduring connections between Americans and community members in some of the world's most remote regions, the agency helps strengthen alliances, create better trading partners, counter extremism, and stave off the growing influence of America's adversaries. The increasing global demand for Volunteers from world leaders further underscores the value of the agency and the importance of Volunteer presence and partnership, which is a testament to the Peace Corps strengthening U.S. national security through improved relations with host countries. The agency also helps cultivate the next generation of U.S. civic and business leaders. Volunteers return home and, for long after the conclusion of their service, contribute to American communities the adaptive leadership and entrepreneurial skills they gained during service.

The Peace Corps remains committed to growing our Volunteer corps to 8,000 by 2030, an increase in Volunteer levels from the first Trump Administration. The agency will also continue aligning its global portfolio to reflect a world that has changed significantly since its founding. In response to evolving global needs, shifting geopolitical dynamics, and Volunteer recruitment challenges, the Peace Corps will continually assess whether its footprint aligns with areas of greatest need, the potential for Volunteer impact, Administration priorities, and strategic return on investment to the U.S. These assessments will guide planning and decisions on country portfolio, staffing optimization, and programming to remain adaptive, efficient, and accountable in a dynamic global landscape. The Peace Corps will also invest in critical systems, support infrastructure, and process and policy improvements, including enhanced cybersecurity and IT capabilities across its global digital network.

The Peace Corps remains dedicated to prudent financial management, maintaining data integrity, and ensuring the reliability of its financial reports, as demonstrated by the fact that for the 19th consecutive year, the external auditors issued an unmodified (clean) audit opinion on the FY 2025 financial statements. The audit team identified two significant deficiencies and one instance of nonconformance with laws and regulations and the agency concurs with the findings and is committed to addressing them with corrective actions in FY 2026. With the exception of the audit findings, the assessment of internal controls and financial management systems meets the *Federal Managers' Financial Integrity Act* objectives as reflected in the management assurances. The Peace Corps is committed to accountability and transparency in all facets of agency operations and believes the performance and financial data in this report are reliable and complete.

We are proud of the agency's continued impact and grateful for the dedication of our Volunteers and staff around the world. With a clear vision, strong financial stewardship, and a commitment to continuous improvement, the Peace Corps remains steadfast in our work to advance cross-cultural diplomacy at local levels, in support of American values overseas.

MANAGEMENT’S DISCUSSION AND ANALYSIS

MISSION AND OVERVIEW OF THE PEACE CORPS

Initially established by President John F. Kennedy by executive order on March 1, 1961, the Peace Corps was formally authorized by Congress on September 22, 1961, with the passage of the *Peace Corps Act*. The agency’s mission is to promote world peace and friendship.

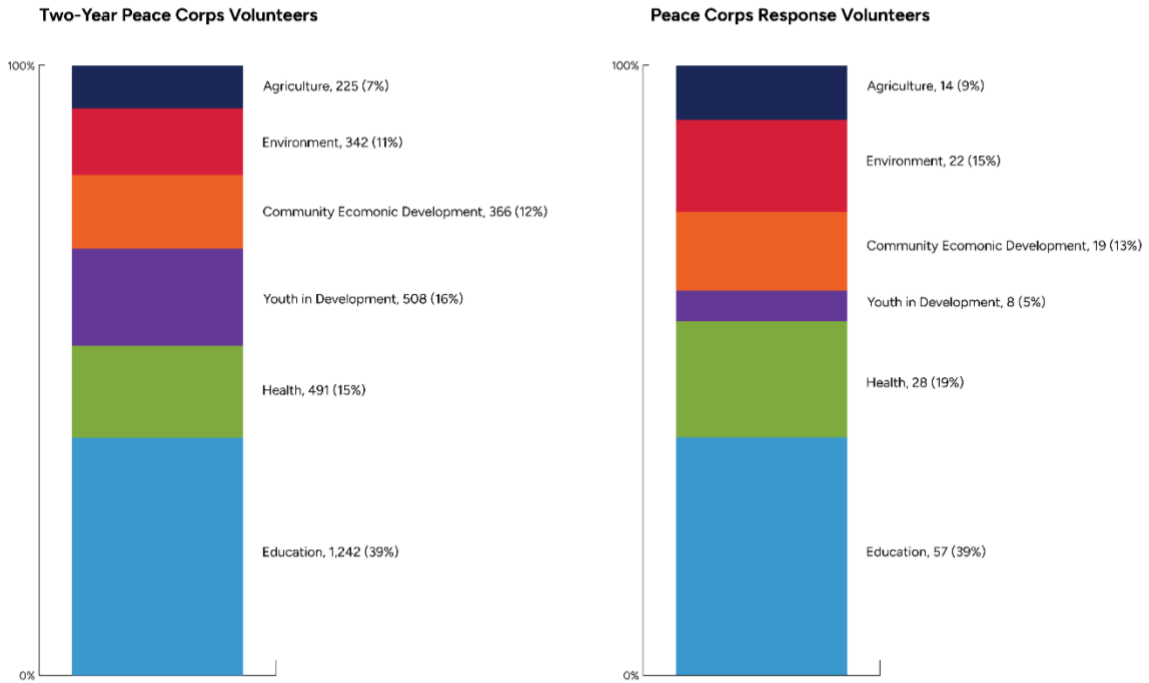
More information about the Peace Corps and its history, global initiatives, and how strategic partnerships strengthen the agency’s global impact can be found at peacecorps.gov.

ABOUT THE PEACE CORPS

The Peace Corps is a service opportunity for motivated change makers to immerse themselves in grassroots development and work alongside community members to tackle the most pressing challenges of this generation.

Officially Established:	March 1, 1961 via executive order; permanently authorized by Congress on September 22, 1961 via the <i>Peace Corps Act</i>
Volunteers Who Have Served:	Over 245,000 since 1961
Host Countries Served to Date:	144
Countries with Volunteers in FY 2025:	61
FY 2025 Appropriation:	\$430.5 Million
Contact:	Toll-Free 855-855-1961
Website:	peacecorps.gov

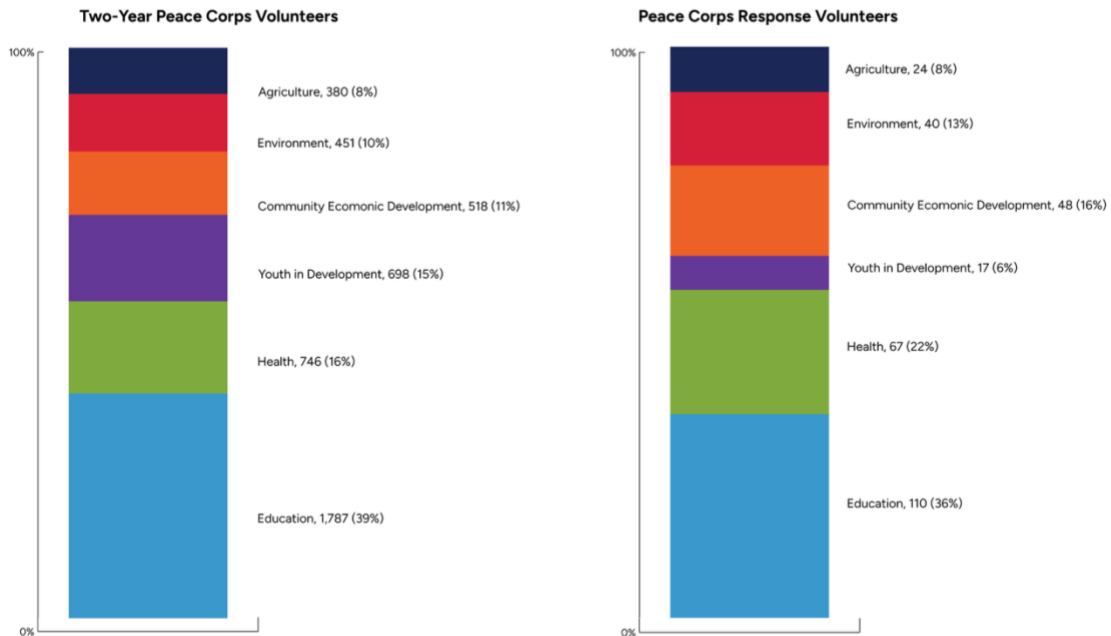
End of FY 2025 Number of Volunteers by Sector



Counts of Peace Corps Volunteers, Trainees, and Peace Corps Response Volunteers by sector from all funding sources serving on September 30, 2025. Total number of all unique Americans onboard on that day: 3,322.

Figure 1. End of FY 2025 Number of Volunteers by Sector

Annual Count of Volunteers by Sector

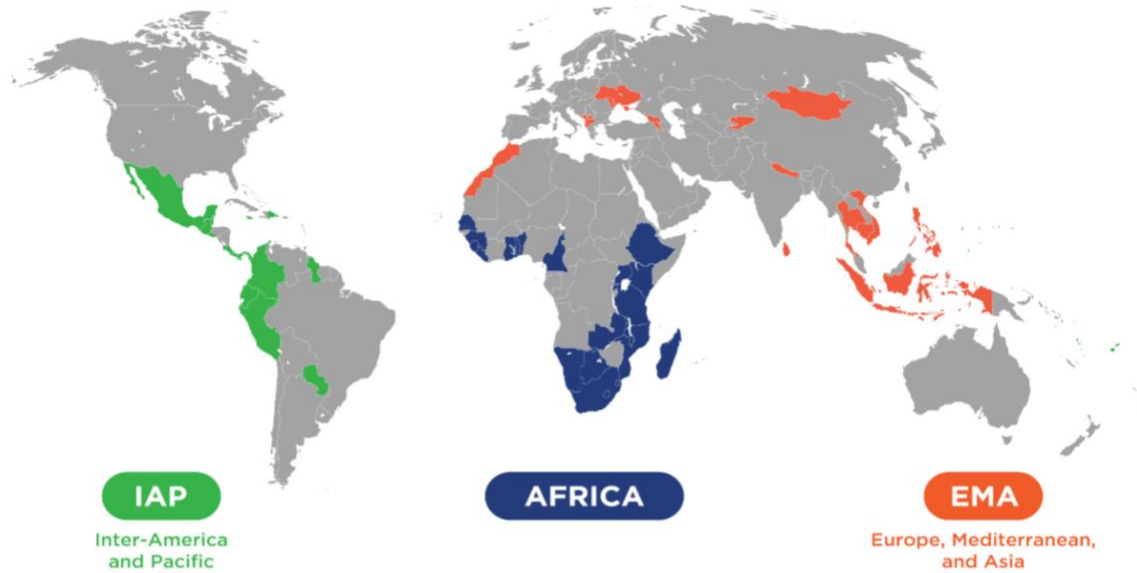


Counts of Peace Corps Volunteers, Trainees, and Peace Corps Response Volunteers by sector from all funding sources serving at any point from October 1, 2024 through September 30, 2025. Total number of all unique Americans who served during FY 2025: 4,839. Some Volunteers served in more than one sector during their Volunteer service. If an individual began and ended two separate Volunteer services in FY 2025, they are counted only once in the total.

Figure 2. Annual Count of Volunteers by Sector

PEACE CORPS COUNTRIES IN FISCAL YEAR 2025

PEACE CORPS COUNTRIES



Caribbean

Dominican Republic
Dominica¹
Grenada¹
Jamaica*
St. Lucia¹
St. Vincent and the Grenadines¹

Central and South America

Belize*
Colombia*
Costa Rica*
Ecuador*
El Salvador
Guatemala*
Guyana
Mexico*
Panama*
Paraguay*
Peru*

Africa

Benin*
Botswana*
Cameroon*
Eswatini*
Ethiopia²*
Ghana
Guinea
Kenya
Lesotho
Liberia*
Madagascar*
Malawi*
Mozambique²
Namibia*
Rwanda
Senegal
Sierra Leone
South Africa
Tanzania
The Gambia
Togo*
Uganda
Zambia

North Africa and the Middle East

Morocco

Eastern Europe and Central Asia

Albania³
Montenegro³
Armenia
Georgia*
Kosovo
Kyrgyz Republic*
Moldova*
North Macedonia*
Ukraine⁴*

Asia

Cambodia
Indonesia
Mongolia*
Nepal
Philippines*
Sri Lanka
Thailand
Timor-Leste
Viet Nam

Pacific Islands

Fiji
Palau⁵
Samoa
Tonga
Vanuatu*

* Indicates a Peace Corps country participating in the Virtual Service Pilot.

¹ Peace Corps/Eastern Caribbean operates as one post across four countries: Dominica, Grenada, St. Lucia, and St. Vincent and the Grenadines.

² Peace Corps/Ethiopia and Peace Corps/Mozambique closed in December 2025.

³ Peace Corps/Albania & Montenegro operate as one post across the two countries.

⁴ Peace Corps/Ukraine is managed by Peace Corps/Moldova. Volunteer placements in Ukraine are paused due to security considerations.

⁵ Peace Corps/Palau is supported by Peace Corps/Philippines and the EMA Region. Volunteers are expected to enter on duty in CY 2026.

Figure 3. Peace Corps Countries in FY 2025

THE ORGANIZATION

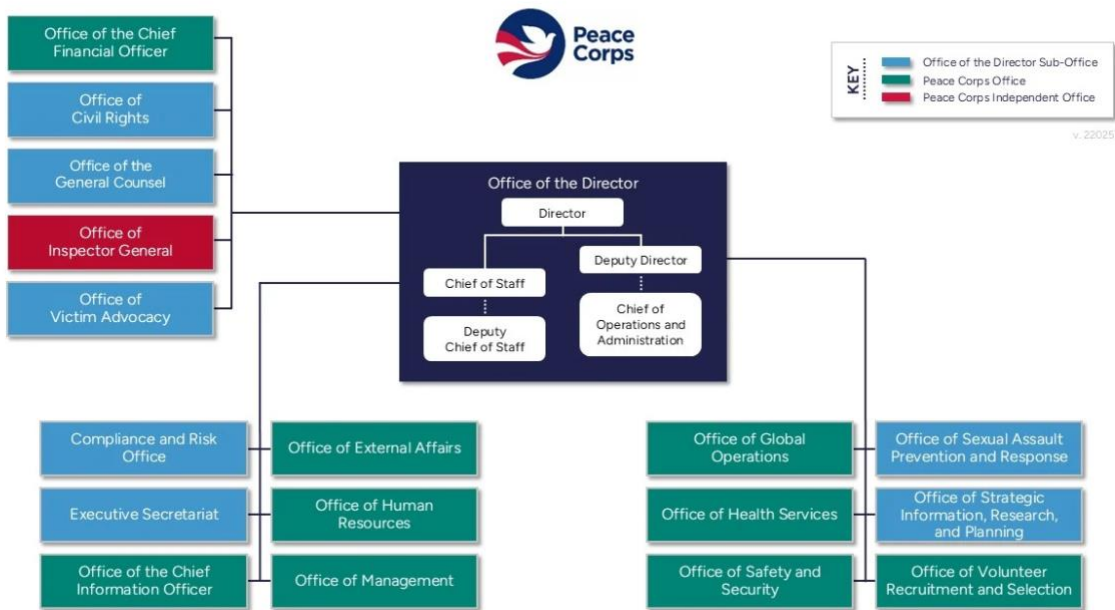


Figure 4. Peace Corps Organizational Chart

The Paul D. Coverdell Peace Corps Headquarters is in Washington, D.C. The Peace Corps is composed of domestic offices and overseas posts. In FY 2025, the Peace Corps maintained active programs, including traditional two-year Peace Corps Volunteer deployments, short-term, high-impact Peace Corps Response (PCR) Volunteer deployments, and Virtual Service Pilot Participant (VSPP) engagements, in 61 countries administered by 57 overseas posts.¹ Each post is led by a country director and supported by programming, training, safety and security, medical, financial, and administrative staff. Overseas posts are organized into three geographic regions: Africa (AF); Europe, Mediterranean, and Asia (EMA); and Inter-America and the Pacific (IAP).

¹ VSPPs are not considered Volunteers. They are private U.S. citizens who donate their voluntary services in accordance with the agency's gift acceptance authority.

WORK OF THE VOLUNTEERS

The Peace Corps sends U.S. citizens from all 50 states, the District of Columbia, and U.S. territories as Volunteers to countries at the invitation of the host country government to partner with local communities in meeting their development priorities. Since the agency's establishment in 1961, more than 245,000 Volunteers have served with the Peace Corps, the vast majority of them in traditional two-year assignments.

TWO-YEAR PEACE CORPS VOLUNTEERS

Two-year Volunteers live and work side-by-side with community members on locally prioritized projects that fall into one of the Peace Corps' six programmatic sectors: Agriculture, Community Economic Development, Education, Environment, Health, and Youth in Development. The Peace Corps provides rigorous technical training and in-depth intercultural and language instruction to Volunteers while in service to prepare them for their assignments.

PEACE CORPS RESPONSE

Peace Corps Response (PCR) is a specialized program within the agency that works to meet host country needs for advanced skills and experience. PCR Volunteers work with communities around the world at the request of host countries on short-term, high-impact service assignments. They serve from six to 12 months on locally prioritized projects that focus on transferring skills, offering technical expertise, and building the capacity of government and non-governmental organization partners. The assignments usually require at least a four-year undergraduate degree and two to five years of professional experience. Some typical PCR assignments include co-creating new educational curricula, providing guidance and training for monitoring and evaluation, health systems strengthening activities, and implementing disaster risk reduction strategies.

VIRTUAL SERVICE PILOT

The agency launched a Virtual Service Pilot (VSP) in October 2020 as an innovative way to continue delivering on the Peace Corps' mission following the global evacuation of in-person Volunteers. Demand for Virtual Service Pilot Participants' (VSPPs) highly technical support remains high with the agency continuing to receive a steady stream of requests from host country partners. VSP has proven to be a useful tool with highly skilled individuals complementing the work of in-person Volunteers, and for preparing host communities and organizations to receive their first or additional two-year or PCR Volunteers. In certain situations where Volunteers cannot serve in person for security or medical reasons, the VSP is a means for Americans to serve and for the Peace Corps to continue supporting host country partners and communities by providing assistance and maintaining relationships in anticipation of the future return of Volunteers. It is important to note that VSPP are not Peace Corps Volunteers; they are private U.S. citizens who have chosen to donate their voluntary services in accordance with the agency's existing gift acceptance authority.

PROGRAM SECTORS

At the invitation of governments around the world, community members, two-year and PCR Volunteers collaborate on locally defined, community-requested priorities and, together, achieve measurable impact within six programmatic sectors:

- **Agriculture**—Volunteers work with smallholder farmers to increase the diversity, productivity, and sustainability of their farming activities; boost income; and improve food security.
- **Community Economic Development**—Volunteers work with local and global partners, entrepreneurs, small business owners, and youth to encourage economic opportunities at the community level.
- **Education**—Volunteers teach lessons that last a lifetime by partnering with communities, school staff, and parents to advance English communication skills, increase achievement in literacy, and acquire STEM skills.
- **Environment**—Volunteers work to protect the planet by honing their own skills while collaborating with community partners to lead grassroots efforts promoting environmental awareness and sustainable management of natural resources.
- **Health**—Volunteers work alongside their communities on locally prioritized projects that focus on nutrition, basic hygiene, maternal and child health, adolescent health and wellbeing, and disease prevention and education
- **Youth in Development**—Volunteers promote life skills and positive youth development with adolescents and service providers at youth-serving organizations and schools to create an enabling environment for youth to realize their social, economic, and civic potential.

PERFORMANCE HIGHLIGHTS AND LOOK AHEAD

Since its establishment in 1961, the Peace Corps has been guided by its mission to promote world peace and friendship, advancing the interests of the American people. In cooperation with other nations and for more than six decades, more than 245,000 Volunteers have served with the Peace Corps, working to create goodwill, strengthen relations with host countries, and build local constituencies in 144 countries worldwide.

The Peace Corps sends U.S. citizens from all 50 states, the District of Columbia, and U.S. territories to work on community-based development projects, as well as advance coordinated U.S. foreign policy interests around disease prevention and mitigation, food security, and youth engagement. The Peace Corps' unique model of community-based development and people-to-people diplomacy supports the Trump Administration's vision for an America First foreign policy that makes America safer, stronger, and more prosperous. During FY 2025, a total of 4,839 Volunteers served across 61 countries. Additionally, 415 Americans donated their time supporting engagements in 28 countries through the Virtual Service Pilot (VSP).

THE PEACE CORPS MAKES AMERICA SAFER

Through its unique model of community-based people-to-people diplomacy, the Peace Corps fosters a pro-American constituency in strategic geographic regions and in some of the most remote areas of the world, including the Indo-Pacific, West Africa, and Central America. By learning the languages and customs of other nations and forging meaningful, person-to-person connections with community members, Peace Corps Volunteers earn the respect and trust of the communities in which they serve. Volunteers also demonstrate the willingness of Americans to cooperate, learn, and work toward shared national interests. By building more stable and self-reliant communities abroad, the Peace Corps makes communities at home safer.

THE PEACE CORPS MAKES AMERICA STRONGER

At the invitation of governments around the world, Peace Corps Volunteers demonstrate American culture and values to the community members who work alongside them. The Peace Corps' global footprint allows it to expand U.S. relationships in key areas of the globe. The worldwide demand for Peace Corps Volunteers is a testament to the effectiveness and value of the agency's work and demonstrates the strong potential for expanding America's reach and reducing the influence of U.S. adversaries.

THE PEACE CORPS MAKES AMERICA MORE PROSPEROUS

By increasing mutual understanding and lasting ties between the people of the U.S. and the peoples of other countries, the Peace Corps helps create better trading partners, provides a future English language workforce for American companies operating abroad and local companies doing business with America, strengthens relationships with allies, inhibits extremism, and counteracts the growing influence of America's adversaries. Volunteers strengthen the national security of the United States through improved relations with host governments and by showcasing America as an international leader.

The Peace Corps is a cost-effective investment in America's future, equipping returned Volunteers with valuable leadership, technical, management, and language skills that make them assets to the U.S. workforce, thus strengthening America's economic competitiveness. Peace Corps Volunteers gain fluency in over 130 languages, including languages that are strategically important but rarely spoken by Americans. This prepares Volunteers to be successful business owners, entrepreneurs, and capable contributors to the American economy, and to America's talented diplomatic corps. Nearly a quarter million returned Volunteers have driven innovation and global economic growth through their entrepreneurship and language proficiency, making U.S. businesses more competitive in the international marketplace.

The [Peace Corps Act of 1961](#) articulates three foundational goals that anchor the mission of the Peace Corps: To help the people of interested countries in meeting the need for trained men and women; to help promote a better understanding of Americans on the part of the peoples served; and to help promote a better understanding of other peoples on the part of Americans. In tandem with the Administration's priorities of making America safer, stronger, and more prosperous, these goals guide the *Peace Corps' FY 2026 Agency Performance Plan*.

STRATEGIC GOAL 1: STRENGTHEN LOCAL CAPACITY

Partner with the people of interested countries in meeting their need for trained individuals. The Peace Corps promotes commerce and trade by building local capacity and fostering mutual prosperity for Americans and host country partners. By supporting the development of skilled workforces and sustainable communities, the Peace Corps helps to create new markets, improve trade relationships, and stimulate economic growth. In addition to contributions made during service, Volunteers return home with adaptive, transferable skills valued by employers in the U.S. public and private sectors and continue to make America stronger and more prosperous long after their service is complete.

STRATEGIC GOAL 2: SHARE AMERICA WITH THE WORLD

Promote a better understanding of Americans on the part of the peoples served. Volunteers embody the American spirit and promote a better understanding of Americans through day-to-day interactions with their host families, counterparts, friends, and others. Over the course of their service, through mutual respect, Volunteers foster deep relationships with community members, share experiences, and transform perceptions and attitudes toward the U.S. Over time, they develop trusting partnerships essential to building a safer and more secure world.

STRATEGIC GOAL 3: BRING THE WORLD BACK HOME

Promote a better understanding of other peoples on the part of Americans. During their service, Volunteers become more resilient, innovative, and culturally competent. The transferable skills and broadened worldview cultivated through Peace Corps service position Volunteers to make meaningful contributions to the U.S. workforce and, in turn, strengthen America's ability to compete and lead in an interconnected world.

SUMMARY OF FY 2025 PROGRESS

In FY 2025, 4,839 Americans served as Volunteers in 61 countries, with 3,322 working in the field at the close of the fiscal year on September 30. This measure of “onboard strength” held roughly constant from FY 2024 (3,338 Volunteers as of September 2023). However, the number of new Volunteers entering on duty dropped by 12 percent from FY 2024 to FY 2025, from 1,734 to 1,530. This drop was counteracted by an increase in the number of Volunteers extending for a third year of service at a rate nearly double that of Volunteers in the years preceding the pandemic. Overall, the Peace Corps is seeing increasing satisfaction with the experience and impact of Volunteer service, but limited and declining effectiveness of the recruitment approaches in place from the *FY 2022-2026 Strategic Plan*.

To improve performance and align agency activities with Administration priorities during the development of the *FY 2026-2030 Strategic Plan*, the Peace Corps retired the *FY 2022-2026 Strategic Plan* and adopted an interim [FY 2025-2026 Annual Performance Plan](#). While retaining the agency mission and strategic goals outlined in the *Peace Corps Act*, the agency adopted three new strategic objectives aiming at a future where the Peace Corps uses new approaches to recruit, deploy, and support a larger number of Volunteers for safe and effective service with a more efficient staff.

STRATEGIC OBJECTIVE 1: ALIGN GLOBAL PORTFOLIO

Impact Statement: By the end of FY 2026, the Peace Corps will have identified a data-driven plan to align presence in countries that advance the agency’s mission and the Administration’s priorities while shifting resources out of countries where strategic alignment, cost-effectiveness, and ability to ensure the safety and security of U.S. citizen Volunteers no longer allows for a continued Peace Corps presence.

FY 2025 Progress:

In FY 2025, the agency conducted a comprehensive country portfolio review of the Peace Corps’ financial, programmatic, and operational resource distribution and refined the agency’s optimal balanced portfolio of posts and Volunteers. The agency also piloted new processes to optimize the allocation of Volunteers across posts.

Additionally, the agency implemented a data-driven process to align staffing levels at posts with Volunteer cohort size and country context to ensure high-quality support while eliminating redundancies and reducing staffing levels where appropriate. By the end of FY 2025, 100 percent of posts were operating at revised optimal staffing levels.

STRATEGIC OBJECTIVE 2: OPTIMIZE STAFFING

Impact Statement: During FY 2026, the Peace Corps will undergo significant restructuring, achieving payroll reduction and cost savings. The resulting data-driven staff optimization will allow the Peace Corps to more efficiently support U.S. citizen Volunteers conducting person-to-person diplomacy safely and securely in a strategically aligned portfolio of countries.

FY 2025 Progress:

The Peace Corps designed and initiated an agency reorganization that will bring USDH payroll costs as a percentage of overall budget down from 35 percent in FY 2025 to 30 percent or

lower in FY 2027. The agency will redirect these resources to new incentives and marketing strategies that will increase the number of Volunteers serving annually to 8,000 by 2030.

In FY 2025, the agency completed 72 percent of the planned staff reductions, with the remainder to take place in FY 2026. To support a future expansion of the Volunteer corps with a target 575 U.S. direct hire staff at Peace Corps headquarters and posts, the Peace Corps began designing an agency restructure that will streamline operations and reduce duplication of functions while eliminating single points of failure so that high standard of safety and security the agency provides to Volunteers can be maintained.

STRATEGIC OBJECTIVE 3: BOLSTER VOLUNTEER OPPORTUNITIES

Impact Statement: By the end of FY 2026, the Peace Corps will strengthen opportunities for U.S. citizens to serve overseas in low-cost, high-impact assignments. Through a modernized recruitment infrastructure, improved technology, an enhanced candidate experience, and increased incentives, the agency will improve its Volunteer Delivery System (VDS)—ensuring more Americans can serve and that their service is effective and aligned with host country and Administration priorities.

FY 2025 Progress:

In FY 2025, the Peace Corps conducted a data-driven assessment of the VDS. A review of the data revealed that most candidate attrition after candidate invitation happens during the medical clearance process, either because individuals are not cleared for service or because the clearance process is lengthy and complicated. For this reason, the focus of interventions to improve the candidate experience has been on the medical clearance process in FY 2025. Further analysis and research will be conducted on other parts of the applicant to Volunteer pipeline in FY 2026.

In FY 2025 the agency also expanded its digital recruitment capabilities through a Pipeline Assessment Group contract awarded in FY 2025 to extend the agency's recruiting reach for applicants. The Pipeline Assessment Group provides recruitment support to engage with prospects not yet ready to apply. Further, the agency started the contract process for a website chatbot that will help the public connect with a recruiter and opt in to newsletters and invitations to virtual and in person events that will drive deeper engagement.

For a more detailed discussion of agency performance measurement and reporting processes for FY 2025, please visit the agency's [Reports and Documents](#) site. The Office of Strategic Information, Research and Planning (OSIRP) tracks the agency's performance efforts and will publish the agency's *FY 2025 Annual Performance Report* in the second quarter of FY 2026.

FINANCIAL SUMMARY

The Office of the Chief Financial Officer (OCFO) spearheads the financial management functions and oversight of domestic offices and overseas posts. OCFO provides the tools and resources necessary to achieve the agency's mission in a fiscally sound and compliant manner. The office comprises multiple units responsible for budgeting, procurement, payments and receipts, accounting and reporting, financial policy, and financial systems.

Sound financial management is integral to executing the Peace Corps mission of world peace and friendship. The following pages provide a summary and overview of the Peace Corps' financial position and highlight some of the significant financial management issues addressed during FY 2025.

- **Audited Financial Statements.** For the 19th consecutive year, the Peace Corps received an unmodified (clean) audit opinion on its financial statements. This achievement underscores the agency's commitment to sound financial reporting and ensuring data integrity in all aspects of its financial cycle.
- **Lease Reporting.** The Peace Corps remediated a significant deficiency identified in last year's financial statement audit by refining and strengthening its lease accounting policies and reporting procedures.
- **Modernizing Financial System Code Management.** The Peace Corps reduced software licensing costs and mitigated risk of financial system downtime by migrating financial system source code management into the agency's existing Microsoft environment.
- **Contract Review.** The Peace Corps conducted a comprehensive review of the agency's contract portfolio to identify opportunities for eliminating non-essential contracts totaling \$7.5 million.
- **Workforce Reduction.** The Peace Corps reduced financial management staff by more than 30 percent through the Deferred Resignation Program and the expiration of time-limited appointments.

OVERVIEW OF FINANCIAL POSITION

The Peace Corps' audited financial statements are submitted to Congress and the Director of OMB in compliance with the *Accountability of Tax Dollars Act of 2002*. The Peace Corps' unmodified (clean) audit opinion on these financial statements and corresponding *Independent Auditor's Report* are disclosed in the Financial Section below. Internal controls, alongside risk management, remain an ongoing focus of the agency for identifying, assessing, and controlling risks that may impact financial management in the execution of the Peace Corps mission and goals.

The agency's financial results are presented in principal statements: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. Agency management is accountable for the integrity of the financial statements, which were prepared using the Peace Corps' books and records in accordance with the standards prescribed for Federal agencies by the *Federal Accounting Standards Advisory Board*. The Peace Corps is an independent agency within the Executive Branch of the U.S. Government operating one major program, as presented on the Statements of Net Cost.

Table 1. Overview of Financial Position

Overview of Financial Position	
Condensed Balance Sheets	FY 2025 (in Thousands)
Fund Balance with Treasury	182,603
Accounts Receivable	440
Property, Plant, and Equipment	72,861
Other Assets	16,783
TOTAL ASSETS	\$ 272,687
Accounts Payable	8,135
Federal Employee and Veteran Benefits	164,929
FSN and PSC Separation Liability	24,718
Non-Entity Funds	14,725
Lease Liability	37,994
Other Liabilities	10,565
TOTAL LIABILITIES	\$ 261,066
TOTAL NET POSITION	\$ 11,621
TOTAL LIABILITIES AND NET POSITION	\$ 272,687
Net Cost of Operations	
Gross Costs	483,521
Less: Earned Revenue	(2,218)
NET COST OF OPERATIONS	\$ 481,303
Resources and Status of Budgetary Resources	
Unobligated Balance Brought Forward	71,106
Appropriations	430,500
Donations Received	1,196
Spending Authority from Offsetting Collections	3,276
TOTAL BUDGETARY RESOURCES	\$ 506,078
Obligations Incurred	456,880
Unobligated Balance, Unexpired and Expired	49,198
STATUS OF BUDGETARY RESOURCES	\$ 506,078

BALANCE SHEET

The *Balance Sheet* presents resources owned and managed by the Peace Corps that have future economic benefits (assets) and amounts owed by the agency that will require future payments (liabilities). The difference between assets and liabilities is the residual amount retained by the Peace Corps (net position).

ASSETS: WHAT THE AGENCY OWNS AND MANAGES

Assets are the amount of current and future economic benefits owned or managed by the Peace Corps and used to achieve its mission. As of September 30, 2025, the agency held *Total Assets* of \$272.7 million.

- *Fund Balance with Treasury (FBWT)* represents monies held within the Treasury as agency resources available to pay liabilities and future expenditures. It is the largest asset of the agency, accounting for 67 percent of the overall asset value. As of September 30, 2025, FBWT totaled \$182.6 million
- *General Property, Plant, and Equipment (PP&E)* accounts for 26.7 percent of agency assets at the end of FY 2025. PP&E is comprised of tangible assets like Information Technology (IT) hardware, internal-use software, leasehold improvements for the Peace Corps headquarters and overseas posts, right-of-use leases, and vehicles owned by the agency.
- *Other Assets* totaled \$16.8 million in FY 2025. This balance includes prepayments for Federal shared services, rent, IT maintenance costs, travel advances, and Volunteer living allowances. Some monthly Volunteer allowances are paid in advance, so Volunteers have funds for subsistence expenses during their service.

LIABILITIES: WHAT THE AGENCY OWES

Liabilities are amounts owed by the Peace Corps for goods and services provided but not yet paid, which represent monies owed to the public and to other Federal agencies. As of September 30, 2025, the agency held *Total Liabilities* of \$261.1 million.

- *Federal Employee and Veterans Benefits* equaled \$164.9 million in FY 2025. Included in this balance is the [Federal Employees' Compensation Act \(FECA\) actuarial liability](#) which is calculated by the U.S. Department of Labor (DOL).
- *Foreign Service Nationals (FSN) and Personal Services Contractors (PSC) Separation Liability* totaled \$24.7 million in FY 2025. Overseas Peace Corps staff is a combination of U.S. direct hire (USDH) and host country staff. Host country staff make up most overseas support staff and are comprised of PSCs and FSNs. The Peace Corps is liable for separation and post-retirement benefits to eligible PSCs and FSNs who work in countries that require such payments under the host country's local labor laws. The balance of this account represents the funded portion of the agency's future liability.
- *Non-Entity Funds* primarily represent future liability for Volunteer readjustment allowances. Volunteers earn a readjustment allowance during their Peace Corps service. The agency holds earned readjustment allowances in a specified deposit account and pays each Volunteer their earned readjustment allowance when they return from service.

STATEMENT OF BUDGETARY RESOURCES

The *Statement of Budgetary Resources* summarizes how varying sources of budgetary funding were made available during the year and their status at the end of the fiscal year. Agency resources primarily consist of funds appropriated by Congress and administered by the U.S. Department of the Treasury (Treasury). The agency has the authority to obligate these funds over a two-year period. In FY 2025, the agency received \$430.5 million in regular appropriations. In addition to appropriated monies, the agency is authorized to receive donations from the public under [22 United States Code \(U.S.C\) § 2509\(a\) \(4\) of the Peace Corps Act](#) to help further its mission. The agency is also authorized to receive additional funds under the *Foreign Assistance Act of 1961 sections 632 (a) and (b)*.

The agency ended FY 2025 with *Budgetary Resources* of \$506.1 million. The *Statement of Budgetary Resources* presents appropriations of \$431.7 million—more than 85 percent of the Peace Corps' budgetary resources in FY 2025. This amount is comprised of appropriations authorized by Congress of \$430.5 million and donations to the Peace Corps of \$1.2 million.

- *Unobligated Balance Brought Forward* of \$71.1 million comprises unobligated balances from prior fiscal years. Of this, \$18.7 million was FY 2024 funding carried over from September 30, 2024 that remained available for new obligation in FY 2025. Annual Peace Corps appropriations are available to be obligated for a period of two years.
- *Spending Authority From Offsetting Collections* is a type of budget authority financed by reimbursements, as authorized by law. Under the *Foreign Assistance Act, section 632(b)*, the Peace Corps is authorized to perform work for USAID on programs such as Small Project Assistance and Digital Literacy for Women, which, in total, amounted to \$1.9 million in FY 2025. After significant scaling back of reimbursable activities throughout FY 2025, the remaining balance on these agreements was \$40 thousand on September 30, 2025. The remainder of this balance are funds collected from the disposal of vehicles or other agency property that are available for the agency to purchase replacement equipment.

As a grassroots-level organization, the Peace Corps is uniquely positioned to carry out a critical role in the fight against HIV/AIDS in host countries. In FY 2025, the agency received \$25.9 million in funds for the President's Emergency Plan for AIDS Relief (PEPFAR) from the U.S. Department of State (DOS) through an allocation transfer, a legal delegation by one Federal agency to another. The Peace Corps obligates and outlays funds for PEPFAR-related programs and submits required financial and performance data results to DOS. Financial results for PEPFAR activities are not reflected in the financial statements of the Peace Corps because they are reported by DOS.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations of the Peace Corps, consistent to the requirements of [31 U.S.C. § 3515\(b\)](#). The statements are prepared from records of this Federal entity in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

ANALYSIS OF SYSTEMS, CONTROL, AND LEGAL COMPLIANCE

This section presents the financial management system framework and strategy, addresses the Peace Corps' compliance with the *Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255) (FMFIA)* and other applicable laws, and provides the required management assurance statements, including addressing any key internal control issues.

FINANCIAL MANAGEMENT SYSTEMS FRAMEWORK AND STRATEGY

The Peace Corps strives to maintain and enhance financial management systems, processes, and controls that ensure financial accountability and transparency, provide financial management data and information to decision makers, and comply with Federal laws, regulations, and policy. Oracle E-Business Suite (also known as Odyssey) is the agency's system of record and is integrated with various end-user applications to capture the agency's financial transactions. Odyssey is also the main system of record for [USAspending.gov](https://www.usaspending.gov) reporting in compliance with the *Digital Accountability and Transparency Act of 2014 (DATA Act)*.

The Peace Corps makes strategic investments to Odyssey each fiscal year to improve business processes and meet Federal requirements. In FY 2026, the Peace Corps plans to mitigate the risk associated with aging hardware by migrating on-premise overseas financial systems servers to a FEDRAMP Authorized cloud environment and the Peace Corps Data Center. The agency will deploy newer versions of the PRISM contract-writing application and Linux operating systems on Odyssey servers to maintain compliance with vendor premium support requirements. The Peace Corps also continues to collaborate with Treasury to implement recently issued Federal mandates.

CONTROLS

Guidance for implementing FMFIA is provided through *OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*. The *Peace Corps Manual Section (MS) 780, Enterprise Risk Management (ERM)* and *MS 784, Internal Control Systems*, set out the agency's oversight role and strategic decision-making over ERM and policies and procedures for establishing, assessing, correcting, and reporting on internal controls.

Internal controls are maintained over the normal course of conducting agency business and are revised and strengthened when necessary. OCFO oversees the internal controls over financial reporting as part of the requirements outlined in *Appendix A of OMB Circular A-123*, as applicable.

As the agency incorporates the ERM framework to aid in advancing its mission, the Peace Corps selected a cross-agency team to collaborate, develop, and implement an agency-wide risk governance structure. The Enterprise Risk Management Council (ERMC) is governed by the ERMC Charter and serves as the director's advisory body on matters concerning the agency's risk management and mitigation efforts. The ERMC, which is composed of senior-level representatives across the agency, reviews, evaluates, and monitors opportunities and risks to achieving the Peace Corps mission.

LEGAL COMPLIANCE

Key legal requirements that have a significant effect on the agency's operations and financial statements are provided below:

THE FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Peace Corps maintains compliance with the *Federal Managers' Financial Integrity Act* (FMFIA), which mandates that agencies establish effective internal control to provide reasonable assurance that (1) obligations and costs are in compliance with applicable law; (2) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (3) revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the assets. FMFIA requires agencies to establish accounting and administrative controls over program, operational, and administrative functions, in addition to accounting and financial management.

FMFIA also requires standards to ensure prompt resolution of all audit findings and mandates agency heads to annually evaluate agency controls and provide an assurance statement on the adequacy of internal and administrative controls (Section 2) and conformance of systems with government-wide standards (Section 4). This is provided in the *FY 2025 FMFIA Unmodified Management Assurance Statement*.

ACCOUNTABILITY OF TAX DOLLARS ACT OF 2002

The *Accountability of Tax Dollars Act* expands auditing requirements for financial statements to agencies not covered by the *CFO Act*, including the Peace Corps. The Peace Corps submits its *FY 2025 Agency Financial Report* in accordance with this act.

ANTI-DEFICIENCY ACT

The Peace Corps maintains compliance with the *Anti-Deficiency Act* (31 U.S.C. §§ 1341, 1342, 1351, and 1517), which prohibits Federal agencies from obligating and expending Federal funds that exceed appropriations. The agency's financial system was designed to prevent *Anti-Deficiency Act* violations. This systematic control ensures that obligations are not recorded until monies are authorized and allotted by the OCFO. Funds control is a critical tool for ensuring that funds are managed effectively across all levels of the agency.

DIGITAL ACCOUNTABILITY AND TRANSPARENCY ACT

The *Digital Accountability and Transparency (DATA) Act* established government-wide, financial data standards and increased the availability, accuracy, and usefulness of Federal spending information. *DATA Act* implementation, led by Treasury and OMB, mandates Federal agencies report on direct Federal expenditures and link Federal contract, loan, and grant spending information to agency programs. Pursuant to the statutory reporting requirements, the Peace Corps uses the required standard data exchange, Governmentwide Spending Data Model (GSDM), to submit award-level information for posting on [USASpending.gov](https://www.usaspending.gov). The Peace Corps' financial system is updated with the most recent version of the GSDM to ensure the submission of all required financial data elements are complete and accurate. The agency uses

a contract writing system, PRISM for domestic contracts, which automatically transmits contract award data to Federal Procurement Data System (FPDS), the central repository of government contracting transactions. Overseas awards are aggregated monthly and entered into FPDS.

The agency continues to maintain, perform, and assess the design and operating effectiveness of key controls over data quality to support the achievement of *DATA Act* reporting objectives. In FY 2025, the Peace Corps continued to refine internal standard operating procedures with the goal of improving the quality of its *DATA Act* submissions.

PAYMENT INTEGRITY INFORMATION ACT

The *Payment Integrity Information Act (PIIA) of 2019* requires agencies to assess and identify high-risk programs and activities and report findings in the AFR. Significant improper payments are defined as annual improper payments exceeding both 1.5 percent of program outlays and \$10 million of all payments made during the fiscal year reported. The Peace Corps submitted payment integrity information to OMB through their annual data call. The agency's estimate of improper payments was well below the threshold for significant improper payments.

The Peace Corps is a small agency operating under one major program, with no activities that are susceptible to the threshold limits for significant improper payments. As an agency in Phase 1 without programs in Phase 2, as defined in [Appendix C of OMB Circular A-123](#), the Peace Corps performs a combination of invoice review, post-audit verification, and sampling to ensure improper payments are prevented, identified and, if feasible, recovered. The Peace Corps performs extensive advance certification reviews on payments in excess of \$2,500 as well as post-payment audits of disbursements on a continuous basis. The agency participates in the [Do Not Pay Initiative](#). These preventative and recovery activities are effective and efficient tactics to identify and prevent or remediate instances of improper payments.

For more information about U.S. Government payment integrity efforts, visit [PaymentAccuracy.gov](https://www.paymentaccuracy.gov).

MANAGEMENT ASSURANCE STATEMENT

The *Federal Managers' Financial Integrity Act Unmodified Management Assurance Statement* that follows is consistent with the FY 2025 financial statement audit report.

FY 2025 FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT UNMODIFIED MANAGEMENT ASSURANCE STATEMENT

The Peace Corps' management is responsible for mitigating risks and maintaining effective internal control to meet the objectives of Section 2 of the *Federal Managers' Financial Integrity Act (FMFIA)*. The agency conducted a risk assessment and evaluated internal controls to support effective and efficient programmatic operations, reliable reporting, and compliance with applicable laws and regulations in accordance with *OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control*. Through this assessment, the Peace Corps can provide reasonable assurance of the soundness of its internal control over operations, reporting, and compliance with laws and regulations as of September 30, 2025, with the exception of one significant deficiency over the internal controls for PP&E.

The Peace Corps assessed whether the financial management systems conform to government-wide financial systems requirements in accordance with *FMFIA Section 4*. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems comply with the applicable provisions of *FMFIA Section 4* and *OMB Circular A-123* for FY 2025. However, this excepts one significant deficiency and one nonconformance with the *Federal Information Security Modernization Act of 2014*. In accordance with *OMB Bulletin No. 22-01 Audit Requirements for Federal Financial Statements*, this is not considered a material weakness.



Paul Shea
Chief Executive Officer
December 15, 2025

FINANCIAL SECTION

Peace Corps
Balance Sheet
 As of September 30, 2025
 (Dollars in Thousands)

	2025
Assets	
Intragovernmental Assets	
Fund Balance with Treasury (Note 3)	\$ 182,603
Accounts Receivable, Net (Note 4)	286
Other Assets (Note 7)	9,815
Total Intragovernmental Assets	192,704
Other than Intragovernmental Assets	
Accounts Receivable, Net (Note 4)	\$ 154
Property, Plant, and Equipment, Net (Note 5)	72,861
Prepaid Volunteer Living Allowances (Note 6)	1,330
Other Assets (Note 7)	5,638
Total Other than Intragovernmental Assets	79,983
Total Assets	\$ 272,687
Liabilities	
Intragovernmental Liabilities	
Accounts Payable	\$ 360
Other Liabilities	
Unfunded FECA Liability (Note 8)	23,738
Other Unfunded Employment Related Liability (Note 8)	152
Total Intragovernmental Liabilities	24,250
Other than Intragovernmental Liabilities	
Accounts Payable	\$ 7,775
Federal Employee Salary, Leave and Benefits Payable (Note 8)	141,191
Liability for Non-Entity Assets (Notes 2 and 8)	14,725
Lease Liability (Notes 8 and 10)	37,994
Other Liabilities (Note 9)	
Advances from Others and Deferred Revenue (Note 9)	5,794
Accrued Funded Payroll and Leave (Note 9)	4,619
FSN and PSC Separation Liability (Note 9)	24,718
Total Other than Intragovernmental Liabilities	236,816
Total Liabilities	\$ 261,066
Net Position	
Unexpended Appropriations	\$ 143,031
Cumulative Results of Operations	(131,410)
Total Net Position	\$ 11,621
Total Liabilities and Net Position	\$ 272,687

The accompanying notes are an integral part of these statements.

Peace Corps
Statement of Net Cost
For the Fiscal Year Ended September 30, 2025
(Dollars in Thousands)

	2025
Gross Program Cost (Note 12)	
Gross Cost	\$ 483,521
Less Earned Revenue	<u>(2,218)</u>
Net Cost of Operations	<u>\$ 481,303</u>

The accompanying notes are an integral part of these statements.

Peace Corps
Statement of Changes in Net Position
For the Fiscal Year Ended September 30, 2025
(Dollars in Thousands)

	2025
Unexpended Appropriations	
Beginning Balance	\$ 156,776
Appropriations Received	\$ 430,500
Other Adjustments	(4,600)
Appropriations Used	<u>(439,645)</u>
Net Change in Unexpended Appropriations	\$ (13,745)
Total Unexpended Appropriations	<u>\$ 143,031</u>
Cumulative Results of Operations	
Beginning Balance	\$ (119,114)
Appropriations Used	\$ 439,645
Donations and Forfeitures of Cash and Cash Equivalents	1,196
Transfers In/Out Without Reimbursement	240
Donations and Forfeitures of Property	206
Imputed Financing (Note 13)	27,720
Net Cost of Operations	<u>481,303</u>
Net Change in Cumulative Results of Operations	\$ (12,296)
Total Cumulative Results of Operations	<u>\$ (131,410)</u>
Net Position	<u>\$ 11,621</u>

The accompanying notes are an integral part of these statements.

Peace Corps
Statement of Budgetary Resources
For the Fiscal Year Ended September 30, 2025
(Dollars in Thousands)

	2025
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	\$ 71,106
Appropriations (Discretionary and Mandatory)	431,696
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	<u>3,276</u>
Total Budgetary Resources	<u><u>\$ 506,078</u></u>
New Obligations and Upward Adjustments (Total)	\$ 456,880
Unobligated Balance, End of Year	
Apportioned, Unexpired Accounts	20,232
Exempt from Apportionment, Unexpired Accounts	4,274
Unapportioned, Unexpired Accounts	<u>5,009</u>
Unexpired Unobligated Balance, End of Year	29,515
Expired Unobligated Balance, End of Year	<u>19,683</u>
Unobligated Balance, End of Year (Total)	<u>49,198</u>
Total Budgetary Resources	<u><u>\$ 506,078</u></u>
Outlays, Net (Total) (Discretionary and Mandatory)	\$ 451,107
Distributed Offsetting Receipts	<u>(34)</u>
Agency Outlays, Net (Discretionary and Mandatory)	<u><u>\$ 451,073</u></u>

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS (AUDITED)

Note 1 Significant Accounting Policies

A. Financial Reporting

The Peace Corps was initially established by President John F. Kennedy pursuant to Executive Order 10924 on March 1, 1961, and was subsequently formalized by the Peace Corps Act of 1961. The Peace Corps is an independent agency within the executive branch of the United States government.

The Peace Corps' core mission is to promote world peace and friendship by fulfilling three goals: (1) to help the people of interested countries in meeting their need for trained men and women; (2) to help promote a better understanding of Americans on the part of the peoples served; and (3) to help promote a better understanding of other peoples on the part of Americans.

B. Basis of Presentation

The financial statements present the financial position, the net cost of operations, and changes in net position, along with budgetary resources activities of the agency pursuant to the requirements of 31 U.S.C. 3515(b). They have been prepared using the Peace Corps' books and records in accordance with agency accounting policies, the most significant of which are summarized in this note. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The financial statements are presented on a single-year basis in accordance with the applicable form and content requirements of the Office of Management and Budget (OMB)'s Circular A-136, Financial Reporting Requirements, issued July 14, 2025. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity. Comparative prior-year information is not presented.

The financial activities of the agency are categorized between entity and non-entity assets. Entity assets are those assets which the agency has authority to use in its operations, while non-entity assets are assets that are currently held by the Peace Corps but are not available for use by the agency. Although both entity and non-entity assets are in custody and management of the agency, they are reported but segregated for presentation purposes.

The Peace Corps' accounting policies follow Federal Accounting Standards Advisory Board standards and other generally accepted accounting principles for the United States Federal government.

The financial statements represent intragovernmental and other than intragovernmental activities. The intragovernmental balances, revenues, and costs reflect financial transactions between the Peace Corps and other Federal agencies. Other than intragovernmental activities are those with non-governmental customers, including Volunteers, contributors, employees, contractors, and vendors. The Peace Corps financial statements reflect agency-only financial activities and do not require consolidation.

Federal Financial Statements

Statement	Federal Objective
Balance Sheet	Reflects the agency's financial position as of the statement date. The assets are the amount of current and future economic benefits owned or managed by the agency. The liabilities are amounts owed by the agency. The net position is the difference between the assets and liabilities.
Statement of Net Cost	Shows separately the components of the net cost of the agency's operations for the period. Net cost is equal to the gross cost incurred by the agency, less any exchange revenue from its activities.
Statement of Changes in Net Position	Explains how the net cost of the agency's operations was funded, and reports other changes in the equity that are not included in the Statement of Net Cost. It reflects the changes in both the proprietary and the budgetary activities through the respective components: Cumulative Results of Operations and Unexpended Appropriations.
Statement of Budgetary Resources	Provides information about how the budgetary resources were made available as well as their status at the end of the period. It is the only financial statement exclusively derived from the agency's budgetary general ledger in accordance with budgetary accounting rules.

C. Basis of Accounting

Accounting principles encompass both accrual and budgetary transactions. Under the accrual method, revenues are recognized when earned and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash. Under the budgetary basis, fund availability is recorded based upon legal considerations and constraints. The agency receives financing sources through direct appropriations from the general fund of the Department of the Treasury (Treasury) and offsetting collections to support its operations. "Appropriations Used" recognizes that appropriation authority has been applied against received goods and services.

D. Fund Accounting Structure

The agency's financial activities are accounted for by the Treasury Appropriation Fund Symbols. They include accounts for appropriated funds and other fund groups described below for which the Peace Corps maintains financial records.

General Funds—These funds consist of the receipts and expenditures by the Peace Corps that are not earmarked by law for a specific purpose and used to fund agency operations and capital expenditures.

Special or Trust Funds—These funds consist of receipts and expenditures by the Peace Corps for carrying out specific purposes and programs in accordance with the terms of the statute that designates the fund as a special fund or trust fund.

Deposit Funds—These funds consist of monies held temporarily by the Peace Corps as an agent for others. These include allowance and allotment accounts for employees and Volunteers. The balances in these funds are non-entity assets and are only reported on the face of the Balance Sheet.

General Fund Receipt Accounts—These funds consist of monies collected by the Peace Corps that are returned to the Treasury and not available for the Peace Corps' use. The balances in these funds are excluded from the financial statements.

E. Budget Authority

Congress annually passes multi-year appropriations that provide the agency with authority to obligate funds over a two-year period for necessary expenses to carry out operations. After the right to create new obligations has expired, this two-year budget authority is available for five additional years for adjusting obligations and for completing the liquidation of open obligations, advances, and receivables. After the five-year period, all open transactions for the respective fiscal year will be cancelled and funds will be returned to the Treasury. Any valid claims associated with these funds after closure must be processed against the current year appropriations.

In addition, Congress enacts no-year appropriations that are available until expended. All appropriations are subject to OMB apportionment as well as Congressional restrictions. The agency places internal restrictions to ensure the efficient and proper use of all funds.

The Peace Corps has discretionary and mandatory spending of its budget authority. The general funds, which are funded by multi-year appropriations from Congress, are discretionary. The special and trust funds, which were authorized by permanent laws, are considered mandatory spending for donations received from private entities and to account for retirement and separation of Host Country Resident Personal Services Contractors (PSCs) and Foreign Service Nationals (FSNs).

F. Revenues and Other Financing Sources

The Peace Corps' operations are financed through appropriations, proceeds from the sale of property, and spending authority from offsetting collections. For financial statement purposes, appropriations are recorded as a financing source and reported on the Statement of Changes in Net Position at the time they are recognized as expenditures.

G. Fund Balance with Treasury (FBWT)

FBWT consists of general, special, and trust funds that are available to pay current liabilities and finance authorized purchase commitments, and special funds that periodically are direct-financing reimbursements to the appropriated funds.

Peace Corps does not maintain cash in commercial bank accounts. All cash receipts and disbursements are processed by the Treasury or the U.S. Department of State (DOS).

The funds that make up post cashiers' imprest funds belong to the Treasury through DOS's accountability.

These funds are routinely used to pay for low value purchases of goods and services and are also used to make an occasional emergency payment. Per agreement with DOS, the Peace Corps is responsible for any losses incurred by the cashiers. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps fund balance in Treasury records.

FBWT is carried forward until such time as goods or services are received and payment is made, or until the funds are returned to the Treasury.

H. Foreign Currency

Accounting records for the agency are maintained in U.S. dollars, while a significant amount of the overseas expenditures are in foreign currencies. For accounting purposes, overseas obligations and disbursements are recorded in U.S. dollar equivalents, based on the budgeted rate of exchange as of the date of the transaction. U.S. disbursing officers located at the Global Financial Services Centers in Charleston, South Carolina and Bangkok, Thailand make foreign currency payments.

I. Accounts Receivable

Accounts receivable includes amounts due from other Federal entities and from current and former employees and Volunteers. Annually, a determination of the amount of the Allowance for Doubtful Accounts is established for material amounts of non-Federal debt exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts are not likely to be collected. Accounts with approved payment plans in place and for which the debtor is meeting the terms of the plan are exceptions to this allowance policy.

J. Advances and Prepayments

Payments in advance of the receipt of goods and services are recorded as advances and recognized as expenses when the related goods and services are received. Advances are made principally to agency employees for official travel and prepayments to Volunteers for living allowances.

Pursuant to Section 5(b) of the Peace Corps Act, Peace Corps Volunteers are entitled to a living allowance in order that they may serve effectively and safely overseas. Living allowances are paid to Volunteers to provide support while in their country of assignment. Allowances are based on local living standards and costs, including food, clothing, household items, rent, utilities, and local transportation.

K. Property, Plant, and Equipment (PP&E)

The Peace Corps capitalizes PP&E that has an individual or aggregate cost of \$100,000 or more, a useful life of at least two years, is not intended for sale, and is intended for agency use only. Vehicles are capitalized if the acquisition cost is \$10,000 or more.

All capitalized PP&E is recorded at historical cost and depreciated using the straight-line method over the estimated useful life of the asset. Equipment and furniture are depreciated over five to ten years. IT hardware is depreciated over a range of three to fifteen years. Vehicles are depreciated between five and six years and are assigned a salvage value of 40 percent. Buildings are depreciated over ten years. Leasehold improvements are amortized over their useful estimated lives, ranging from two to ten years. Internal-use software is amortized over a period ranging from three to nine years. Land and attached overseas buildings are capitalized at their fair market value at the time of transfer, regardless of acquisition cost. Acquisitions that do not meet these criteria are recorded as operating expenses.

Prior to FY 2021, the agency capitalized individual PP&E acquisitions of \$25,000 or more and aggregate purchases of \$100,000 or more. Assets capitalized under this earlier policy remain in the books and continue to be depreciated in accordance with their original useful lives.

Starting in FY 2024, the Peace Corps recognizes right-to-use leases as part of PP&E in accordance with Statement of Federal Financial Accounting Standards (SFFAS) 54. See

Note 1M—Leases for additional information on lease accounting policies.

L. Accounts Payable and Other Liabilities

Liabilities represent the amount of monies or other resources that are likely to be paid as the result of a transaction or event that has already occurred. Liabilities classified as not covered by budgetary resources are liabilities for which appropriations have not been enacted.

M. Leases

SFFAS 54 provides a comprehensive set of lease accounting standards to recognize Federal lease activities in the reporting entity's general purpose Federal financial reports, effective for reporting periods beginning after September 30, 2023. Implementing this standard results in significant accounting changes to the financial reporting standards for Federal lease accounting by the Peace Corps. Lease liabilities meeting the threshold of \$100,000 in outlays and greater than 24 months in length, in compliance with SFFAS 54, are also included in Other Liabilities. As mentioned, above in PP&E, leases applicable to SFFAS 54 and exceeding the threshold of \$100,000 and 24 months are amortized over the remaining lease term. To calculate the present value of future payments, the Peace Corps used the 5-year average interest rate for Treasury Bonds, as most leases in the agency portfolio are for 5 years (1 base year and 4 option years) and interest rates are not stated in any of our lease agreements.

The Peace Corps does not have an agreement, either Federal or non-Federal, where the Peace Corps is the Lessor.

Most of agency lease agreements are for living, office, and training facilities located overseas. The Peace Corps leases properties for office space used for main office facilities in the host country, residences for certain staff, medical facilities, training space, and regional offices. Each Peace Corps post has at least one main office facility, 3-5 residences, as well as some number of medical, training, and regional offices depending on the programmatic needs of the Peace Corps operations in the country. The Peace Corps has authority to lease property overseas not to exceed 60 months; the standard lease agreement is for one base year plus 4 option years. Payment terms of Peace Corps leases depend on the lessor in the various countries; therefore, some are paid monthly, bi-monthly, quarterly, semi-annually and annually. Additionally, many lease payments escalate over the term of the lease. This means the payment during the base year is different from the payments in option years, generally increasing with each option year. Each overseas lease specifies that the underlying asset is for exclusive use of the Peace Corps and that all other agreements concerning the property are cancelled upon execution of the lease agreement.

In addition to overseas leases, the Peace Corps has the following domestic leases. One is for the Peace Corps headquarters in Washington, DC with the General Services Administration (GSA) and is considered intragovernmental. Our mailroom services agreement is considered an embedded lease because it includes warehouse services. The headquarters lease is accounted for and reported in the financial statements in accordance with SFFAS 54. The Peace Corps evaluates contracts for embedded leases in accordance with SFFAS 54. Embedded leases determined to be material are recognized as right-to-use assets and lease liabilities.

N. Employee Benefits

- I. Federal Employees' Compensation Act (FECA) Accrued Claims—FECA provides income and medical cost protection to covered Federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases through the U.S. Department of Labor (DOL). The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Peace Corps. The Peace Corps reimburses DOL as funds are appropriated for this purpose, generally resulting in a two-year lag in payment. This is the liability for the actual claims paid by DOL to be reimbursed by the agency.
- II. Future Workers Compensation Benefits—The second component of FECA is the estimated actuarial liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually as of September 30, and the Peace Corps recognizes an unfunded liability to DOL for estimated future payments.
- III. Accrued Leave—A liability for annual leave is accrued as leave is earned and paid when leave is taken or employment terminates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick and other leave are expensed as taken.
- IV. Employee Health Benefits and Life Insurance—The agency's employees are eligible to participate in the contributory Federal Employees Health Benefits Program (FEHB) and the Federal Employees Group Life Insurance Program (FEGLI). The agency contributes to each program to pay for current benefits.
- V. Post-Retirement Health Benefits and Life Insurance—Agency employees who may be eligible to participate in the FEHB and the FEGLI could continue to do so during retirement. The Office of Personnel Management (OPM) has provided the agency with cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The agency recognizes the current cost for these and other retirement benefits at the time of employment with the agency. The other retirement benefit expense is financed by OPM and offset by the agency through the recognition of an imputed financing source on the Statement of Changes in Net Position.
- VI. Employee Retirement Benefits—The Peace Corps direct hire employees participate in one of three retirement systems: Civil Service Retirement System, Federal Employees Retirement System, or the Foreign Service Retirement and Disability System. FSN employees at overseas posts who were hired prior to January 1, 1984, are covered under the Civil Service Retirement System. FSNs hired after that date, as well as most host country residential PSCs, are covered under a variety of local compensation plans in compliance with the host country's local laws and regulations.
- VII. The Peace Corps recognizes its share of the cost of providing future pension benefits to eligible employees throughout their period of employment. The pension expense not covered by budgetary resources is calculated using actuarial factors provided by OPM and is considered imputed cost to the agency.
- VIII. Valuation of Host Country Resident Personal Services Contractor Separation

Liability—The Peace Corps is generally liable for separation or retirement payments to eligible PSCs in countries that require payments under local labor laws. The estimate of the current and future costs of the separation and retirement liability is determined quarterly.

- IX. Valuation of Foreign Service National Separation Liability—The Peace Corps is generally liable for separation or retirement payments to eligible FSNs who are employed by the agency in countries that require payments under local labor laws. The estimate of the current and future costs of the separation and retirement liability is determined quarterly.

O. Commitments and Contingencies

The agency is involved in various administrative proceedings, legal actions, and claims arising in the ordinary course of executing the Peace Corps mission. Contingencies are recognized as a liability when a future outflow or other sacrifice of resources is probable and measurable. This liability is recognized whether it's from the agency's appropriations or the Judgment Fund, administered by the Department of Justice. Contingencies are not recognized as a liability when the likelihood of loss is reasonably possible or remote. For reasonably possible cases, an estimated range of loss is disclosed.

P. Funds from Dedicated Collections

Under 22 U.S.C § 2509(a) (4) of the Peace Corps Act, the agency is authorized to accept gifts of voluntary service, money, or property, for use in the furtherance of the purposes of its mission. The donated money received by the agency from non-Federal sources meets the prescribed criteria of Funds from Dedicated Collections.

Q. Use of Estimates

The preparation of financial statements required the agency to make some estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements, and the amount of revenues and costs reported during the period. Actual results could differ from those estimates.

R. Interest on Late Payments

Occasionally, the agency incurs interest penalties on late payments. Such interest penalties are paid to the respective vendor in accordance with the guidelines mandated by the Prompt Payment Act of 1985, P.L. 97-177, as amended.

S. Intragovernmental Net Costs

The Statement of Net Cost is consolidated for the agency using a budget functional classification code. This code is used to classify budget resources presented in the budget of the U.S. Government per OMB. The agency is categorized under budget functional classification code number 150—International Affairs. Gross cost and earned revenues from other intragovernmental agencies (reimbursable agreements) fall under this code.

T. Adjustments to Maintain Inherent Account Relationship Integrity

The agency performs analytical tie-points to maintain inherent accounts relationships between proprietary and budgetary accounts, in compliance with U.S. Standard General Ledger posting logic. Adjustments are made at the appropriation fund code level prior to the submission of the agency's monthly trial balance via Treasury's Government wide Treasury Account Symbol Adjusted Trial Balance System.

U. Allocation Transfer

The Peace Corps is a party to allocation transfers with the DOS as a receiving (child) entity. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. A separate fund account (allocation account) is created in the Treasury as a subset of the parent fund account (DOS) for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the child entity (the Peace Corps) are charged to this allocation account as they execute the delegated activity on behalf of the parent entity. All financial activity related to these allocation transfers (e.g., budget authority, obligations, and outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

V. Fiduciary Activities

Fiduciary activities consist of Host Country Contributions provided to the Peace Corps by the host country government which are accepted under the authority of Section 22 U.S.C. 2509(a)(4) of the Peace Corps Act. These contributions provide host country support for the Peace Corps and help defray expenses, enabling the agency to use its budget more effectively. The host country retains ownership though the funds are deposited in special foreign currency accounts in the Treasury. As such, these funds are not reported on the Balance Sheet. Any funds not used are returned to the host country.

W. Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Note 2 Non-Entity Assets	
Non-Entity Assets	September 30, 2025 <i>(Dollars in Thousands)</i>
Deposit Fund	\$ 14,116
Clearing Accounts	609
Total Non-Entity Assets	<u>14,725</u>
Total Entity Assets	<u>257,962</u>
Total Assets	<u><u>\$ 272,687</u></u>

Non-entity assets consist of a deposit fund and clearing accounts. These assets are not available for the use of the Peace Corps and are not part of agency resources. The Peace Corps monitors collections, status, and distribution. The Treasury fund balances of non-entity assets are other than intragovernmental.

Deposit Fund—The deposit fund comprises the Volunteer readjustment allowance earned by Volunteers for each month of satisfactory service and payable upon their return to the United States.

Clearing Accounts—The proceeds of sales fund represent cash received from the sale of property, primarily vehicles, and are available once transferred to the Peace Corps appropriated funds to be reinvested in a like-kind replacement purchase (e.g., proceeds from vehicle sales used to purchase replacement vehicles).

Note 3 Fund Balance with Treasury

Status of Fund Balance with Treasury	September 30, 2025 (Dollars in Thousands)
Unobligated Balance	\$ 49,198
Obligated Balance not yet Disbursed	118,680
Non-Budgetary Fund Balance with Treasury	14,725
Total Fund Balance with Treasury	\$ 182,603

FBWT is equal to the unobligated balance of funds plus the obligated balance not yet disbursed.

Unobligated Balance—Includes apportionments available for allotment, allotments available for commitment or obligation, unapportioned authority, and prior year's unobligated appropriation authority that is no longer available for new obligations.

Non-Budgetary FBWT—This represents non-entity assets of the agency.

Note 4 Accounts Receivable, Net

Accounts Receivable as of September 30, 2025 (Dollars in Thousands)	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 286	\$ -	\$ 286
Other than Intragovernmental	154	-	154
Total	\$ 440	\$ -	\$ 440

Intragovernmental receivables are due from other Federal agencies for services provided under reimbursable agreements. Other than intragovernmental receivables are due from non-Federal entities, consisting primarily of receivables due from employees. Based upon the agency's policy, it was determined that the establishment of an Allowance for Doubtful Accounts was not necessary as of September 30, 2025.

Note 5 Property, Plant, and Equipment, Net

Components of PP&E as of September 30, 2025 (Dollars in Thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	\$ 44	\$ -	\$ 44
Buildings	10	999	594	405
Construction in Progress	N/A	407	-	407
Equipment and Furniture	5–10	4,110	2,364	1,746
Vehicles	5–6	23,586	8,263	15,323
IT Hardware	3–15	27,369	27,246	123
Leasehold Improvements	2–10	20,746	12,056	8,690
Internal Use Software	3–9	48,728	40,599	8,129
Lessee Right-to-Use Lease Asset	N/A	51,389	13,395	37,994
Total		\$ 177,378	\$ 104,517	\$ 72,861

PP&E as of September 30, 2025, consists of land, buildings, construction in progress, equipment and furniture, vehicles, IT hardware, leasehold improvements, internal use software, and lessee right-to-use lease assets. These assets are located at Washington, D.C.

headquarters, and overseas posts. The asset value includes ancillary costs incurred to bring assets to a form and location suitable for their intended use. Internal use software represents software that was either developed internally or purchased from vendors off-the-shelf.

Note 6 Prepaid Volunteer Living Allowances	
	September 30, 2025 <i>(Dollars in Thousands)</i>
Prepaid Volunteer Living Allowances	\$ 1,330

Payments of Volunteer living allowances are made prior to the entitlement month so the posts can ensure timely payments of the allowances to the Volunteers. These payments are arranged so that Volunteers will not incur a financial burden for their living costs.

Note 7 Other Assets	
	September 30, 2025 <i>(Dollars in Thousands)</i>
Intragovernmental Other Assets	
Other Advances	\$ 9,815
Total Intragovernmental Assets	<u>9,815</u>
Other than Intragovernmental Other Assets	
Travel Advances to Employees	218
Relocation Advances to Employees	915
Prepaid Rent	3,022
Other Advances	1,483
Total Other than Intragovernmental Other Assets	<u>5,638</u>
Total Other Assets	<u>\$ 15,453</u>

Types of other assets are described below.

Other Advances—Prepaid costs to a federal trading partner for shared services.

Travel Advances to Employees—Travel advances are provided to employees when appropriate. Advances remain in the financial records until they are offset against travel entitlements or collected.

Relocation Advances to Employees—Direct-hire employees are provided a relocation advance when appropriate.

Prepaid Rent—Prepaid rent includes the advance payment for some of the residential and commercial office spaces in support of overseas operations.

Other Advances (Other than Intragovernmental)—Other advances include PSC payroll and prepayments of expenses for IT costs.

Note 8 Liabilities Not Covered by Budgetary Resources		September 30, 2025
		<i>(Dollars in Thousands)</i>

Intragovernmental Liabilities		
Unfunded FECA Liability		\$ 23,738
Other Unfunded Employment-Related Liability		152
Total Intragovernmental Liabilities		<u>23,890</u>
Other than Intragovernmental Liabilities		
Federal Employee Salary, Leave and Benefits Payable		14,119
Lease Liabilities		37,994
Liability for Non-Entity Assets		14,725
Total Other than Intragovernmental Liabilities		<u>193,910</u>
Total Liabilities Not Covered by Budgetary Resources		217,800
Total Liabilities Covered by Budgetary Resources		43,266
Total Liabilities		<u>\$ 261,066</u>

Unfunded FECA Liability—A liability for the direct dollar costs of compensation and medical benefits paid on the agency’s behalf by DOL. Since the agency is dependent on annual appropriation, it will include the amount billed for the direct costs in its budget request two years later.

Other Unfunded Employment-Related Liability—A liability for unemployment benefits insurance paid on the agency’s behalf by DOL.

Federal Employee Salary, Leave and Benefits Payable—This liability includes unfunded annual leave, the estimated separation liability for foreign national PSCs, and the actual FECA liability.

- (1) *Unfunded Annual Leave*—A liability for annual leave is accrued as leave is earned and paid when leave is taken or when the individual terminates. The balance represents the estimated value of annual leave earned but not taken as of September 30, 2025, for direct hire employees. The valuation of the accrued annual leave for FSN employees and the foreign national PSCs has been estimated for this financial statement. Annual leave earned is based on local labor law requirements. Annual leave is paid out of current appropriations when taken.
- (2) *Other Unfunded Employment-Related Liabilities*—Represents the estimated separation liability for foreign national PSCs. These lump-sum payments are generally made upon termination, in accordance with local labor laws, and are paid from current appropriations.
- (3) *Actual FECA Liability*—The actuarial value of future worker’s compensation payments as estimated by DOL for the agency.

Lease Liabilities—Refer to Note 10 for additional information.

Liability for Non-Entity Assets—Non-entity assets include deposit funds and clearing accounts. These funds are not available for use by the Peace Corps and are not considered part of its resources. The Peace Corps oversees the collections, status, and distribution of these funds.

Liabilities Covered by Budgetary Resources—Liabilities covered by budgetary resources includes accounts payable for goods and services received by the agency, liability for the separation and retirement payments for eligible foreign service PSCs and FSNs, and other liabilities as shown in Note 9.

Note 9	Other Liabilities	September 30, 2025 <i>(Dollars in Thousands)</i>
	Other than Intragovernmental Other Liabilities	
	Advances from Others and Deferred Revenue	5,794
	Accrued Funded Payroll and Leave	\$ 4,619
	FSN and PSC Separation Liability	24,718
	Total Other than Intragovernmental Other Liabilities	<u>29,337</u>
	Total Other Liabilities	<u>\$ 29,337</u>

Other Liabilities at the Peace Corps consist of accrued funded payroll and leave, liability for advances and prepayments, and FSN and PSC Separation Liability, which are other than intragovernmental.

Advances from Others and Deferred Revenue—This liability contains deferred rent costs to be amortized over the 15-year lease term for the new location of the Peace Corps headquarters.

Accrued Funded Payroll and Leave—This liability contains accrued payroll and leave costs funded by the Peace Corps.

FSN and PSC Separation Liability—The estimated future liability cost to be paid to eligible FSNs and foreign national PSCs upon separation from the agency. FSN and PSC Separation Liability are considered non-current liability.

Note 10 Leases		Future Lease Payments	
Intragovernmental		<i>(Dollars in Thousands)</i>	
FY 2026		\$	10,393
FY 2027			10,539
FY 2028			10,690
FY 2029			10,845
FY 2030			11,005
After FY2030			40,991
Total		\$	94,463

Other than Intragovernmental			
Fiscal Year	Principal	Interest	Total
	<i>(Dollars in Thousands)</i>	<i>(Dollars in Thousands)</i>	<i>(Dollars in Thousands)</i>
FY 2026	\$ 13,130	\$ 1,059	\$ 14,189
FY 2027	11,664	657	12,321
FY 2028	7,693	324	8,017
FY 2029	4,399	120	4,519
FY 2030	1,099	16	1,115
After FY2030	9	-	9
Total	\$ 37,994	\$ 2,176	\$ 40,170

The agency has both intragovernmental and other than intragovernmental leases. Intragovernmental leases are reported differently from other than intragovernmental leases to comply with SFFAS 54.

The agency has one Occupancy Agreements (OA), which is an intragovernmental lease, with GSA for its headquarters in Washington, DC. GSA leases commercial facilities and provides spaces in Federal buildings for occupancy by the agency. This lease has a 15-year term ending in FY 2034; we are in year 5 of the lease term. This leased space is cancellable and can be vacated with a 120-day notice to GSA. Future operating lease payments for this lease are depicted in the Intragovernmental section above. Annual lease expense related to this lease was \$9.6M.

For overseas operations, the Peace Corps rents office space, residences, and training facilities. Leases overseas contain a termination clause, allowing the agency to terminate any lease with a 30–90-day notice. Refer to Note 1M for additional information.

To calculate interest expense in accordance with SFFAS 54, the agency used a 5-year average interest rate for Treasury Bonds as most leases in the agency portfolio are for 5 years. The Treasury rate used was 3.196%.

Note 11 Commitments and Contingencies			
September 30, 2025	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
<i>(Dollars in Thousands)</i>			
Legal Contingencies			
Probable	\$ -	\$ -	\$ -
Reasonably Possible	-	150	850

In the opinion of the management and legal counsel, the agency is liable for contingent liabilities related to administrative proceedings, legal actions, or claims associated with employee grievances that are probable and measurable in the amount of \$0 as of September 30, 2025. These contingencies are considered current liabilities.

Disclosure is also required if there is a reasonable possibility that a loss may be incurred. The likelihood of a reasonable possibility of a loss related to administrative proceedings, legal actions, or claims related to employee grievances were estimated to be up to \$850,000 as of September 30, 2025.

For certain administrative and legal matters that are reasonably probably, management and legal counsel are unable to estimate the amount or range of potential loss.

Note 12 Suborganization Program Costs	
	September 30, 2025 <i>(Dollars in Thousands)</i>
Intragovernmental Costs	\$ 125,317
Other than Intragovernmental Costs	358,204
Total Costs	483,521
Intragovernmental Earned Revenue	(1,595)
Other than Intragovernmental Earned Revenue	(623)
Total Earned Revenue	(2,218)
Net Cost of Operations	\$ 481,303

Intragovernmental activity represents the costs of goods and services provided to other Federal agencies. Costs of goods and services and any revenue earned from outside Federal sources are classified as other than intragovernmental costs.

Earned revenue represents revenue from services provided. This includes reimbursable agreements from other Federal agencies such as U.S. Agency for International Development sponsored HIV/AIDS education, prevention, and mitigation activities; and umbrella programs covering environment, health, youth, micro-enterprise, and Small Project Assistance.

Note 13 Inter-Entity Costs	
	September 30, 2025 <i>(Dollars in Thousands)</i>
Federal Employees Health Benefits Program	\$ 11,990
Federal Employees Group Life Insurance Program	28
Civil Service Retirement System	56
Federal Employees Retirement System	15,639
Foreign Service Retirement and Disability System	7
Total Inter-Entity Costs	\$ 27,720

Goods and services are received from other Federal entities at no cost or at a cost less than the full cost to the providing Federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed by the Peace Corps are recognized as imputed costs in the Statement of Changes in Net Position and the Statement of Net Cost. Such imputed costs relate to FEHB, FEGLI, Judgement Fund Payment, and pension benefits paid by other Federal entities.

Note 14 Undelivered Orders at the End of Period		September 30, 2025 <i>(Dollars in Thousands)</i>	
Intragovernmental			
Unpaid Undelivered Orders		\$	3,841
Paid Undelivered Orders			9,815
Total Intragovernmental Undelivered Orders			<u>13,656</u>
Other than Intragovernmental			
Unpaid Undelivered Orders			77,236
Paid Undelivered Orders			6,968
Total Other than Intragovernmental Undelivered Orders			<u>84,204</u>
Undelivered Orders - End of Period		\$	<u>97,860</u>

Undelivered orders are budgetary obligations with and without advances/prepayments placed against Federal budget authority where goods or services have yet to be received.

Note 15 Explanation of Differences between SBR and the Budget of the U.S. Government				
<i>(Dollars in Millions)</i>	Total Budgetary Resources	New		Net Outlays
		Obligations and Upward Adjustments (Total)	Distributed Offsetting Receipts	
	FY 2024	FY 2024	FY 2024	FY 2024
Combined Statement of Budgetary Resources	\$ 524	\$ 476	\$ -	\$ 486
Difference	20	2	-	1
Budget of the U.S. Government	<u>\$ 504</u>	<u>\$ 474</u>	<u>\$ -</u>	<u>\$ 485</u>

The Budget of the United States (also known as the President’s Budget), with actual amounts for FY 2025 was not published at time that these financial statements were issued. The President’s Budget is expected to be published in February 2026, and can be located at the OMB website <https://www.whitehouse.gov/omb/budget> and will be available from the U.S. Government Printing Office. The above chart displays the differences between the Combined SBR in the FY 2024 Agency Financial Report and the actual FY 2024 balances included in the FY 2026 President’s Budget. The differences are attributable to activities associated with expired funds that are excluded from the President’s Budget.

Note 16 Fiduciary Activities

Schedule of Fiduciary Activity As of September 30, 2025 and 2024 <i>(Dollars in Thousands)</i>	HCC		Total	HCC		Total
	Cash	In-Kind	Fiduciary	Cash	In-Kind	Fiduciary
	2025	2025	Funds	2024	2024	Funds
Fiduciary Net Assets, Beginning of Year	\$ 463	(8)	\$ 455	\$ 534	\$ -	\$ 534
Contributions	531	1,095	1,626	310	949	1,259
Disbursements	(411)	(1,095)	(1,506)	(381)	(957)	(1,338)
Increase/(Decrease) in Fiduciary Net Assets	120	-	120	(71)	(8)	(79)
Fiduciary Net Assets, End of Year	\$ 583	\$ (8)	\$ 575	\$ 463	\$ (8)	\$ 455

Fiduciary Net Assets As of September 30, 2025 and 2024 <i>(Dollars in Thousands)</i>	HCC		Total	HCC		Total
	Cash	In-Kind	Fiduciary	Cash	In-Kind	Fiduciary
	2025	2025	Funds	2024	2024	Funds
Fiduciary Net Assets						
Cash and Cash Equivalents	\$ 580	\$ -	\$ 580	\$ 463	\$ -	\$ 463
Other Assets	-	(8)	(8)	-	(8)	(8)
Less: Liabilities	3	-	3	-	-	-
Total Fiduciary Net Assets	\$ 583	\$ (8)	\$ 575	\$ 463	\$ (8)	\$ 455

Host Country Contributions (HCC) are provided to the Peace Corps by the host government and are accepted under the authority of Section 22 U.S.C. 2509(a) (4) of the Peace Corps Act. These contributions indicate host country support for the Peace Corps and help defray expenses, enabling the agency to use its budget more effectively. The host country retains ownership though the funds are deposited into special foreign currency accounts in the Treasury. In the event the funds are not used, funds are returned to the host country. The agency receives cash and in-kind contributions from host countries for services, supplies, equipment, and facilities.

Note 17 Reconciliation of Net Cost to Net Outlays

September 30, 2025 <i>(Dollars in Thousands)</i>	Intragovernmental	Other than Intragovernmental	Total FY 2025
Net Operating Cost (SNC)	\$ 123,722	\$ 357,581	\$ 481,303
Components Of Net Operating Cost Not Part Of The Budgetary Outlays			
Property, Plant & Equipment Depreciation	-	(9,202)	(9,202)
Property, Plant & Equipment Disposal & Reevaluation		(386)	(386)
<i>Increase/(Decrease) In Assets Not Affecting Budget Outlays:</i>			
Accounts Receivable	(1,429)	(304)	(1,733)
Other Assets	(4,550)	696	(3,854)
<i>(Increase)/Decrease In Liabilities Not Affecting Budget Outlays:</i>			
Accounts Payable	620	2,086	2,706
Salaries & Benefits	-	(6,540)	(6,540)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	(1,348)	12,144	10,796
<i>Other Financing Sources</i>			
Federal Employee Retirement Benefit Costs Paid By OPM And Imputed To Agency	(27,720)	-	(27,720)
Components Of Net Operating Cost Not Part Of The Budgetary Outlays Total	\$ (34,427)	\$ (1,506)	\$ (35,933)
Components Of The Budget Outlays That Are Not Part Of Net Operating Cost			
Acquisition Of Capital Assets	-	9,740	9,740
Other Financing Sources			
Donated Revenue	-	(1,102)	(1,102)
Transfers Out (In) Without Reimbursement	(240)	-	(240)
Components Of The Budget Outlays That Are Not Part Of Net Operating Cost Total	\$ (240)	\$ 8,638	\$ 8,398
Misc. Items			
Distributed Offsetting Receipts	-	(34)	(34)
Non-Entity Liability	-	14,725	14,725
Custodial/ Non-Exchange Revenue	-	(1,977)	(1,977)
Appropriated Receipts For Trust/ Special Funds	-	1,196	1,196
Timing Difference	-	43,855	43,855
Other Reconciling Items Total	-	57,765	57,765
Total Net Outlays (Calculated Total)	\$ (34,667)	\$ 64,897	\$ 30,230
Budgetary Agency Outlays, Net			
Agency Outlays, Net			\$ 451,073

The Reconciliation of Net Cost to Net Outlays is a reconciliation of the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period.



The Peace Corps Office of Inspector General contracted accounting and management consulting firm Williams Adley & Company-DC LLP to perform the audit of the Peace Corps' financial statements.



Peace Corps Office of Inspector General

Executive Summary of the Audit of the Peace Corps' Financial Statements

FISCAL YEAR 2025

Results

The audit concluded that the Peace Corps' financial statements were fairly presented, in all material respects, in accordance with Generally Accepted Accounting Principles (GAAP), and noted two significant deficiencies in the agency's internal control over financial reporting, as well as one instance of reportable noncompliance related to provisions of applicable laws, regulations, contracts, and grant agreements.

Williams Adley made seven recommendations to address the significant deficiencies and made two additional recommendations in a management letter to address deficiencies that did not rise to the level of a material weakness or significant deficiency but still warrant management's attention. The Peace Corps concurred with all findings and recommendations and committed to implementing corrective actions in fiscal year 2026.

Findings

The Peace Corps' leaders have demonstrated a longstanding commitment to financial management, as evidenced by nearly 20 consecutive years of clean financial statement audit opinions. However, the two significant deficiencies reported in this year's audit are repeat findings from prior years that have been highlighted for the agency's attention and action but have yet to be fully realized.

- *Inadequate internal controls over Property, Plant, and Equipment.* Williams Adley cited that the Peace Corps does not have effective internal controls in place to ensure Property, Plant, and Equipment (PP&E) is completely and accurately recorded after the new property system was deployed in April 2025. As described in this audit report, challenges encountered during the new system (Maximo) deployment and data conversion process resulted in significant variances between Maximo and Odyssey, the agency's financial system. These discrepancies reflect weaknesses in data accuracy and consistency, data integrity concerns, and the reconciliation process. As a result, the reconciliation process could not be relied upon as a control by the Office of the Chief Financial Officer to record fixed assets at year end. The agency continues to rely on manual processes by staff rather than automated tools or built-in system controls resulting in a variety of challenges, including untimely, inconsistent, and incomplete PP&E data.
- *Lack of effective information technology security.* Williams Adley cited a lack of compliance with requirements, including risk management; establishing formal policies and procedures to develop and maintain a comprehensive inventory of its data; identity, credential, and access management strategy; and the agency-level Business Impact Assessment.

The Peace Corps did strengthen its processes for implementation of requirements for reporting on leases by improving its methodology in fiscal year 2025, reducing the risk of material misstatement. While it remains a repeat finding, it was modified due to other concerns and downgraded from a significant deficiency in fiscal year 2024 to a deficiency in fiscal year 2025 and has been communicated to the Peace Corps in the management letter.

Background

This audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements. In connection with the contract, OIG reviewed Williams Adley's report and related documentation and conducted follow-up meetings with its representatives. The OIG review, as differentiated from an audit in accordance with GAGAS, was not intended to enable OIG to express, and OIG does not express, opinions on the Peace Corps' financial statements or conclusions about the effectiveness of internal control or compliance with laws, regulations, contracts, and grant agreements. Williams Adley is responsible for the attached auditor's report and management letter dated December 15, 2025, and the auditor's conclusions expressed in the report. However, OIG's review disclosed no instances where Williams Adley did not comply in all material respects with GAGAS.



Independent Auditor's Report

Mr. Paul Shea
Chief Executive Officer
United States Peace Corps

Mr. Joaquin Ferrao
Inspector General
United States Peace Corps

In our audit of the fiscal year 2025 financial statements of the Peace Corps, we found:

- the Peace Corps' financial statements as of and for the fiscal year ended September 30, 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP);
- there were no material weaknesses in internal control over financial reporting based on the limited procedures we performed;¹ and
- one reportable instance of noncompliance for fiscal year 2025 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections detail (1) our report on the financial statements, which includes an emphasis-of-matter paragraph related to the single year presentation, a section on required supplementary information (RSI)² and a section on other information included with the financial statements³; (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

Report on the Financial Statements

Opinion

In accordance with the U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS) and the Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements, we have audited the Peace Corps' financial statements. The Peace Corps' financial statements include the balance sheet as of September 30, 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements

¹ A material weakness is a deficiency, or combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

² The RSI consists of "Management's Discussion and Analysis", which is included with the financial statements.

³ Other information includes all information included in the Annual Financial Report (AFR), other than the RSI, financial statements and footnotes, and the auditor's report.

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(hereinafter referred to as the “financial statements”). In our opinion, the Peace Corps’ financial statements present fairly, in all material respects, the Peace Corps’ financial position as of September 30, 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with GAAP.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the U.S. and the U.S. GAGAS. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Peace Corps and meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 1 – Summary of Significant Accounting Policies to the financial statements, the Peace Corps implemented the revised financial reporting framework as required by OMB Circular A-136, Financial Reporting Requirements, for fiscal year 2025. The revised framework required a single year financial statements presentation of current fiscal year financial data, rather than comparative financial statements as presented in the prior fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Peace Corps management is responsible for:

- preparing and fairly presenting these financial statements in accordance with U.S. GAAP;
- preparing, measuring, and presenting the RSI in accordance with U.S. GAAP;
- preparing and presenting other information included in the Peace Corps’ AFR, and ensuring that information is consistent with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives were to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor’s report that includes our opinion.

Reasonable assurance is a high level of assurance, however, it is not absolute assurance, and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. GAGAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in aggregate, they would influence a reasonable user based on the financial statements.

In performing this audit in accordance with U.S. GAGAS, we:

- Exercised professional judgment and maintained professional skepticism throughout the audit.
- Identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures listed in the financial statements in order to obtain audit evidence that provided a sufficient and appropriate basis for our opinion.
- Obtained an understanding of internal controls relevant to our audit of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluated the appropriateness of the accounting policies used, the reasonableness of significant accounting estimates made by management, and the overall presentation of the financial statements.
- Performed other procedures we considered necessary under the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the financial statement audit.

Required Supplementary Information

The U.S. GAAP, issued by the Federal Accounting Standards Advisory Board (FASAB), require the RSI to be presented as a supplement to the financial statements. The Peace Corps management is responsible for such information and, although not a part of the financial statements, is required by FASAB, which considers it to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context.

We have applied certain limited procedures to the RSI in accordance with U.S. GAGAS. These procedures consisted of (1) inquiring of the Peace Corps management about their methods for preparing the RSI and (2) comparing the RSI for consistency with the Peace Corps management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit, and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The Peace Corps' other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for the purposes of additional analysis and is not a required part of the financial statements or the RSI. The Peace Corps management is responsible for the other information included in the Peace Corps' Agency Financial Report. The other information consists of information included within the Agency Financial Report that are not RSI, the financial statements and footnotes, and our report. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Internal Control over Financial Reporting

In connection with our audit of the Peace Corps' financial statements, we considered the Peace Corps' internal control over financial reporting, consistent with our auditor's responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in the Peace Corps' internal control that might be material weaknesses or significant deficiencies,⁴ or to express an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. Given these limitations, during our fiscal year 2025 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

As discussed in *Appendix I*, our audit identified two significant deficiencies in the Peace Corps' internal control over financial reporting pertaining to (1) property, plant, and equipment (PP&E) and (2) information security.

Although the significant deficiencies in internal control did not affect our opinion on the Peace Corps' fiscal year 2025 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Peace Corps because of these deficiencies.

Our assessment of the current status of the prior year significant deficiencies and noncompliance matter is presented in *Appendix III*.

In addition to the significant deficiencies, we also identified two deficiencies in the Peace Corps' internal control over financial reporting that we do not consider to be a material weakness or significant deficiency. However, these deficiencies warrant the Peace Corps management's attention. We have communicated these matters to the Peace Corps in a separate management letter.

⁴ A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the Peace Corps' internal control over financial reporting in accordance with U.S. GAGAS and OMB audit guidance⁵.

Responsibilities of Management for Internal Control over Financial Reporting

The Peace Corps management is responsible for designing, implementing, and maintaining effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the Peace Corps' financial statements as of and for the fiscal year ended September 30, 2025, in accordance with U.S. GAGAS, we considered the Peace Corps' internal control relevant to the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. Accordingly, we do not express an opinion on the Peace Corps' internal control over financial reporting. We are required to report all deficiencies that are considered significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and
- transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Peace Corps' internal control over financial reporting and the results of our procedures. This report is not intended to provide an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S.

⁵ OMB Bulletin No. 24-02, Audit Requirements for Federal Financial Statements, issued on July 29, 2024. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

GAGAS in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audit of the Peace Corps' financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibilities discussed below.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for fiscal year 2025 that would be reportable under U.S. GAGAS. As discussed in *Appendix II*, this instance of noncompliance is related to the Federal Information Security Modernization Act of 2014 (FISMA). However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Peace Corps. Accordingly, we do not express such an opinion.

Basis for Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

We performed our tests of compliance in accordance with U.S. GAGAS.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

The Peace Corps management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Peace Corps.

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the Peace Corps that have a direct effect on the determination of material amounts and disclosures in the Peace Corps' financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to the Peace Corps. We caution that noncompliance may have occurred and not be detected by these tests.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. GAGAS in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.

Agency Comments

In commenting on a draft of this report, the Peace Corps' management provided a written response which is presented in *Appendix IV*. We did not audit the Peace Corps' response and, accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP
Washington, District of Columbia
December 15, 2025

A. Improper Internal Controls over Property, Plant, and Equipment (Updated, Repeat Finding)

The Peace Corps management is responsible for the design and operation of its PP&E internal control framework. The PP&E control framework should include policies, procedures, reviews, and approvals to ensure that long-lived assets are properly identified, tracked, and reported. A comprehensive internal control framework is critical for preventing financial statement errors, theft, waste, fraud, abuse, as well as lack of accountability and responsiveness to changing risk and threats.

The Peace Corps Office of Management maintains two inventory tracking systems for various categories of PP&E. For vehicles, the agency maintains a detailed vehicle tracking system (called the Vehicle Management Information System [VMIS]), and information technology (IT) hardware, equipment, and furniture is maintained in the property management software system (PMSS) (called Maximo). Maximo went live in April 2025 following the decommissioning of the prior PMSS, Sunflower. Data from each of these property systems are reconciled with data in the financial management system (Odyssey Fixed Asset module) on a monthly basis, specifically for assets that meet the capitalization threshold⁶. Following the implementation of Maximo, the first reconciliation between Odyssey and Maximo was performed in June 2025. Although the Peace Corps deployed Maximo in April 2025 and initiated steps to strengthen internal controls over PP&E, including a global inventory campaign, the Agency does not yet have effective internal controls in place to ensure PP&E is completely and accurately recorded.

The first reconciliation of Maximo to Odyssey identified significant variances between the two systems. Specifically, 8,696 assets (of the 17,605 in-service assets) were recorded as fixed assets⁷ in Maximo but not included in Odyssey's Fixed Asset Listing, while 1,380 assets were included in Odyssey's Fixed Asset Listing but not recorded at all in Maximo. These variances reflected weaknesses in data accuracy and consistency following the migration to Maximo, which may also indicate challenges encountered during the system deployment and data conversion process.

Because of the nature and volume of data discrepancies between Maximo and Odyssey, many involving non-fixed assets but collectively indicating significant data integrity concerns, the reconciliation process could not be relied upon as a control by the Office of the Chief Financial Officer (OCFO) to record fixed assets at year end, nor could it be relied upon by Williams Adley to determine the accuracy of the FY 2025 additions and disposals. Accordingly, the Peace Corps again relied on the Accounts Payable (AP) PP&E report as a compensating control. The AP PP&E report is a list of payable activity from Odyssey charged to property-related object classes that could represent potential property additions requiring capitalization. We obtained and tested the AP PP&E report as of September 30, 2025, and confirmed that all items meeting capitalization criteria were properly recorded and capitalized in Odyssey's Fixed Asset (F/A) module. Therefore, no unrecorded exposure remained as of year-end. Although our procedures focused on the

⁶ Peace Corps capitalization thresholds are summarized in Note 1K to the financial statements (generally \$100,000 for PP&E and \$10,000 for vehicles).

⁷ A fixed asset, as referenced in this report, refers to property that meets Peace Corps' capitalization criteria. Peace Corps policy defines such items as capital assets (PP&E). Within the agency's financial system (Odyssey), these assets are recorded in the Fixed Asset Module; therefore, the terms *fixed asset* and *capital asset* are used interchangeably.

Appendix I – Significant Deficiencies

reconciliation as of June 30, 2025, management confirmed that similar variances will remain at year-end and that the reconciliation will not be fully remediated until June 2026.

Testing at a Post in the Africa region further identified exceptions that illustrated gaps in the consistent use of Maximo at the post level. Specifically:

- five assets that had been auctioned or disposed of prior to our site visit were still categorized as “in-service” in Maximo;
- four assets observed onsite were assigned inaccurate status designations in Maximo (e.g., marked as “in-service” when they had been “disposed”); and
- nine assets were not recorded in Maximo as of June 30, 2025, even though they should have been. After being notified of our upcoming site visit, the Post updated Maximo to include four of these assets prior to our arrival on September 8, 2025.

None of the missing or misclassified items were determined to be fixed assets, and therefore no financial statement impact was noted.

The Post completed its Annual Inventory Certification in February 2025⁸; however, the certification did not identify the missing or misclassified assets noted during our visit, indicating that the process was performed but not effective in detecting data inaccuracies. No discrepancies were identified at the other three Posts visited.

Limitations in Maximo Configuration and Use

The Peace Corps has not fully leveraged Maximo’s capabilities to support accurate financial reporting of PP&E. Certain key processes, such as identifying fixed assets, are relying on manual selections by staff rather than automated logic or built-in system controls. This reliance on user input increases the risk of inconsistent application across Posts and limits the effectiveness of the system as a reliable control. In addition, data discrepancies identified during the first reconciliation to Odyssey suggest that configuration and data conversion challenges during Maximo’s deployment may also have contributed to current data quality issues. These weaknesses have contributed to reconciliation variances, which management attributed to:

- incorrect or inconsistent application of the capital asset designation;
- inconsistent use of status categories;
- inaccurate in-service dates;
- differences in the level of detail at which assets are tracked between Maximo and Odyssey; and
- inaccurate purchase order numbers.

Limited Resources and Decentralized Oversight

The Peace Corps has limited headquarters resources dedicated to property management, with one

⁸ Because Sunflower had been decommissioned and Maximo had not yet been deployed at the time of the certification, the Post conducted its Annual Inventory Certification using spreadsheets, and the results were later incorporated into Maximo.

Appendix I – Significant Deficiencies

primary individual responsible for coordinating annual inventories and monitoring data quality. At the same time, responsibilities for managing fixed assets remain fragmented: the Office of Management division is responsible for recording and maintaining property data, while the OCFO is responsible for financial reporting. This combination of inadequate staffing and decentralized accountability reduces the Agency's ability to enforce consistent use of Maximo, resolve reconciliation variances, and monitor Post-level compliance, contributing to recurring weaknesses in the completeness and accuracy of PP&E records.

A lack of complete and accurate financial information regarding PP&E could result in the following:

- Loss of asset accountability, which introduces operational risk related to the ability to execute the Peace Corps' mission.
- Decrease in the uniformity and standardization of procedures, resulting in inconsistent treatment of assets and increasing the difficulty in completing consolidated reports.
- Increased risk of misstatement to the financial statements due to weaknesses in the reconciliation between Maximo and Odyssey and the lack of effective controls around recording, capitalizing, and tracking property.
- Inefficient use of staff time and resources, which could be reduced through more effective use of Maximo's functionality and reconciliation processes.

According to the GAO's Standards for Internal Control in the Federal Government (September 2014):

- **Principle 10 – Design of Control Activities (Paragraph 10.02).** Management designs control activities in response to the entity's objectives and risks to achieve an effective internal control system. Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives to achieve the entity's objectives and address related risks.
- **Principle 11 – Design Activities for the Information Systems (Paragraphs 11.04-11.05).** Management designs the entity's information system and the use of information technology by considering the defined information requirements for each of the entity's operational processes. Information technology enables information related to operational processes to become available to the entity on a timelier basis... Management also evaluates information processing objectives to meet the defined information requirements. Information processing objectives may include the following:
 - Completeness – Transactions that occur are recorded and not understated.
 - Accuracy – Transactions are recorded at the correct amount in the right account (and on a timely basis) at each state of processing.
 - Validity – Recorded transactions represent economic events that actually occurred and were executed according to prescribed procedures.

Appendix I – Significant Deficiencies

Manual Section (MS) 511 Personal Property Management policy, section 7.0, published July 30, 2013, states:

- The Property Officer, with the support of an Information Technology Specialist, is responsible for overseeing the maintenance and use of the PMSS and records at Posts and at Regional Recruiting Offices (RRO). The Handbooks provide guidelines for what assets are accountable (tracked in the PMSS) and what associated information is required for each asset. Administrative Services (M/AS), in conjunction with the Office of the Chief Information Officer (OCIO), maintains the master database of PMSS, including the inventories for all Posts and RROs, at the Peace Corps Headquarters.

The Peace Corps' Domestic Financial Management Handbook (DFMH), Chapter 22, published July 27, 2023, sets the following criteria for property management.

Note: Although DFMH Chapter 22 currently references Sunflower as the PMSS, the Peace Corps has since replaced Sunflower with Maximo. An updated policy reflecting this change is in draft form as of fiscal year 2025; however, the underlying requirements for property tracking, accountability, and reconciliation remain applicable under Maximo.

- **22.5.C.3 IT Hardware and General PP&E.** Sunflower is a web-based property management software system used to track all personal property, with the exception of vehicles. All personal property, regardless of whether it meets the capitalization threshold or not, is tracked in Sunflower if it is considered an Accountable Asset or locally tracked. Assets tracked in Sunflower are overseen by the M/AS Facilities Management Division (FMD). The criteria and procedures for asset tracking are found in the Personal Property Management Handbook (PPMH). Sunflower interfaces with Odyssey's F/A module by sending information to F/A for capital assets. While Odyssey's F/A module is the system of record for all categories of capital assets, Sunflower is the system of record for inventoried personal property items.
- **22.5.F Internal Controls.** The management controls for the PP&E process include the following:
 - For items that are interfaced from Sunflower into Odyssey's F/A module, the OCFO/Accounting and Financial Reporting calculates the cost of the assets prior to officially adding the item as a capital asset in the financial system.
 - Periodic reconciliations performed between Sunflower [and the] Odyssey's F/A module.

Recommendations:

Although the Peace Corps did not remediate recommendations one and three from the prior year finding⁹, given that the Peace Corps deployed Maximo and is no longer relying on tracking spreadsheets, we have closed these recommendations as they are no longer applicable to the current Peace Corps environment.

We recommend the Peace Corps Office of Management:

1. In coordination with OCFO and the OCIO, develop and implement a plan with defined milestones and timelines to resolve data discrepancies between Maximo and Odyssey and ensure property data are complete, accurate, and properly reconciled with the F/A module. As part of this plan, clarify roles, responsibilities, and coordination mechanisms between offices to ensure sustained accountability for property management and reconciliation activities.
2. Assess and, where feasible, enhance Maximo's configuration to automate key property management controls. This assessment should include a cost-benefit analysis to determine viable improvements and identify compensating controls if system enhancements are not practical, to ensure consistent and accurate property data entry and reconciliation.
3. Finalize and issue updates to property management policies and procedures, including the DFMH, MS 511, and related guidance, to reflect the implementation of Maximo as the agency's property management system and ensure alignment with current processes and controls.
4. Ensure all Posts receive and acknowledge updated property management guidance and expectations for the use of Maximo. This could include providing refresher training or written instructions on key processes, such as asset capitalization, status updates, and disposals, and obtaining confirmation from Posts that the information was reviewed and understood.
5. Reinforce the Annual Inventory Certification process as a data-quality control by providing targeted guidance and verification procedures to ensure that certifications accurately reflect property records in Maximo.

We recommend the Peace Corps OCFO:

6. Continue performing monthly reconciliations between Maximo and Odyssey and enhance the reconciliation process, as appropriate, based on the results of the Maximo configuration assessment in Recommendation 2. Coordinate with the Compliance and Risk Office to ensure the reconciliation process is properly designed, consistently executed, and effective in identifying and resolving differences in a timely manner.

⁹ Recommendation one stated: "Establish a process for ensuring all Peace Corps offices record property on tracking spreadsheets and provide those spreadsheets to the Office of Management monthly, until Maximo is fully operational. Follow-up with any offices that are not adequately submitting information." Recommendation three stated: "Perform monthly reconciliations of information entered on the property tracking spreadsheets with payable data in Odyssey and research any discrepancies to ensure the completeness and accuracy of the property tracking spreadsheets."

B. Information Technology Security (Modified, Repeat Finding)

The Peace Corps financial system resides within the Peace Corps IT network and inherits general controls defined at the infrastructure level. Therefore, the confidentiality, availability, and integrity of financial data is dependent on the overall IT security posture at the Peace Corps.

According to the GAO Federal Information System Controls Audit Manual (FISCAM), the following are considered critical elements:

- Security Management (SM).04 Management identifies, analyzes, and responds to risks, including fraud risk, and significant changes related to the entity’s information security management program.
- SM.06 Management establishes and performs monitoring activities to evaluate the effectiveness of the entity’s information security management program.
- Access Controls (AC).05 Management designs and implements detective general controls to appropriately monitor logical and physical access in response to risks.
- Configuration Management (CM).01 Management designs and implements general controls to develop and maintain secure baseline configurations for information systems.
- Contingency Planning (CP).01 Management designs and implements general controls to achieve continuity of operations and prioritize the recovery and reconstitution of information systems that support critical or essential mission and business functions in the event of a system disruption, compromise, or failure.

The Peace Corps was not in compliance with the fiscal year 2025 FISMA requirements to implement an “effective” information security program. All six FISMA functions, inclusive of ten domains did not meet the Department of Homeland Security’s required maturity level, “managed and measurable.” Specifically, design and operational weaknesses within key FISMA domains are summarized below. The Peace Corps has not:

- developed component authenticity policies and procedures;
- defined a process for developing and maintaining its target cybersecurity profile(s);
- implemented processes to ensure that products, system components, systems, and services obtained from external providers meet its cybersecurity and supply chain risk management requirements;
- correctly categorized certain information systems by assigning system types in its security documentation;
- established formal policies and procedures to develop and maintain a comprehensive inventory of its data and corresponding metadata;
- identified and defined requirements for an automated solution that provides a centralized, enterprise-wide view of cybersecurity risks across the organization;
- procured and implemented a Data Loss Prevention solution;
- reviewed and updated baseline configurations and associated deviations on an annual basis;

Appendix I – Significant Deficiencies

- fully finalized an enterprise-wide Identity, Credential, and Access Management (ICAM) strategy to guide the organization’s ICAM program;
- met logging requirements at maturity Event Logging 2 (Intermediate); or
- fully developed an agency-level Business Impact Analysis and did not integrate the results into strategy and other plan development efforts.

The Peace Corps management has not implemented all aspects of an effective information security program throughout the Peace Corps at the organization, business, and information system levels.

Without implementing an effective information security program, the Peace Corps may be unable to adequately manage information security risks, which could affect the financial system and potentially result in system downtime, unauthorized access, data alteration or loss, or operational disruptions. Because the financial system depends on the agency’s IT general controls, any deficiencies or weaknesses in these controls could directly compromise the confidentiality, integrity, and availability of financial data, underscoring the critical importance of maintaining effective control environment.

Recommendation:

We recommend that the Peace Corps:

1. Implement the recommendations outlined in the Peace Corps Office of Inspector General (OIG) fiscal year 2025 FISMA report to further mature and enhance the agency’s information security program.

C. Noncompliance with Laws, Regulations, Contracts, and Grant Agreements – Federal Information Security Modernization Act of 2014 (Updated, Repeat Finding)

FISMA requires agencies to provide the appropriate information security controls corresponding with the risk and potential harm of not having those controls in place. The heads of agencies and OIGs are required to annually report on the effectiveness of the agencies' security programs. As noted in its Assurance Statement included in its Agency Financial Report, the Peace Corps disclosed an instance of noncompliance with FISMA that is required to be reported under U.S. GAGAS and OMB Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. By not complying with FISMA, the Peace Corps has potentially weakened security controls which could adversely affect the confidentiality, integrity, and availability of information and information systems.

The OIG has provided the Peace Corps' management with a separate report that further details the status of compliance with fiscal year 2025 FISMA requirements in the Peace Corps' systems and provides recommendations for improvement. Please refer to Finding B regarding Information Technology Security (Updated, Repeat Finding) for high-level details.

Appendix III - Status of Prior Year Findings and Recommendations

Our assessment of the current status of the prior year findings is presented below.

Prior Year Finding	Current Status
2019-06: Improper Internal Controls over PP&E (Significant Deficiency)	Open. Finding has been updated and repeated as Finding A in <i>Appendix I</i> .
2024-02: The Peace Corps Needs to Strengthen its Process for Implementation of SSFAS 54 (Lease Reporting) (Significant Deficiency)	Open. Due to improvements made the finding has been downgraded to a deficiency and has been communicated to the Peace Corps management separately.
2018-05: Information Technology Security (Significant Deficiency)	Open. Finding has been updated and repeated as Finding B in <i>Appendix I</i> .
FISMA (Non-Compliance)	Open. Finding has been updated and repeated as Finding C in <i>Appendix II</i> .



Appendix IV – Agency Comments

December 15, 2025

Mr. Kola A Isiaq, CPA
Managing Partner
Williams Adley & Company, LLP
1016 16th Street, NW, Unit 400
Washington, DC 20036

Dear Mr. Isiaq:

This letter represents the response of the Peace Corps to your draft *Independent Auditor's Report*, received December 9, 2025. We are pleased with your issuance of an unmodified (clean) audit opinion. Peace Corps management reviewed the *Notice of Findings and Recommendations* for two significant deficiencies issued by Williams Adley, in connection with the audit of our financial statements for Fiscal Year (FY) 2025. We concur with the conditions, criteria, and levels of control deficiency identified. We have established corrective action plans to address the root cause of these audit findings. The agency is dedicated to resolving these issues in FY 2026, as we continuously strive to improve our internal control environment.

Improper Internal Controls over Property, Plant, and Equipment (Modified Repeat Finding)

Response: Concur

In FY 2026, the Peace Corps will continue to improve data quality and enhance the reconciliation process between Maximo and Odyssey. The Peace Corps will update property management policy and procedures to reflect current systems. The Peace Corps will also evaluate opportunities to automate property management controls. Estimated Completion Date: September 2026.

Information Technology Security (Modified Repeat Finding)

Response: Concur

In FY 2026, the Peace Corps will continue to mature and enhance the agency's information security program in alignment with the recommendations in the *Peace Corps Federal Information Security Management Act (FISMA) Report*. Estimated Completion Date: September 2026.

Thank you for the opportunity to respond to the draft *Independent Auditor's Report* pertaining to the *FY 2025 Financial Statements Audit*.

Sincerely,

PAUL SHEA Digitally signed by PAUL
SHEA
Date: 2025.12.15
15:27:17 -05'00'

Paul Shea
Chief Executive Officer

Paul D. Coverdell Peace Corps Headquarters

1275 First Street NE | Washington, DC 20526 | +1 855.855.1961 | peacecorps.gov

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 call or write the Office of Inspector General. Reports or complaints can also be made anonymously.



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For General Information:

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AGENCY MANAGEMENT AND PERFORMANCE CHALLENGES

*Fiscal Year 2026**

Since its creation in 1961, the Peace Corps has adhered to the same valuable mission: to promote world peace and friendship through community-based development and intercultural understanding. The agency has fulfilled this mission by recruiting and placing Volunteers in partner countries worldwide. Currently, the Peace Corps' global operations support nearly 3,322 Volunteers across 57 posts and 61 countries, which is sustained by a \$430.5 million annual budget. The Office of Inspector General (OIG) supports the agency's mission through audits, evaluations, investigations, and reviews that identify ways to improve Peace Corps operations.

In accordance with the Reports Consolidation Act of 2000, OIG is submitting a statement on what it considers to be the most significant management and performance challenges facing the Peace Corps. At Peace Corps OIG, we base this statement on the following: our audit, evaluation, and investigative work; our knowledge of the Peace Corps' activities and operations; and the insights of agency senior leaders who provide their perspectives and expertise. For fiscal year (FY) 2026, we identified the following challenge areas:

- Volunteer Delivery System
- Volunteer Health and Safety
- Human Capital Management
- Information Technology Security Management

Addressing the issues related to these challenge and performance areas will enhance the agency's operational efficiencies, minimize potential fraud, waste, and abuse, and improve mission effectiveness.

* The Inspector General's statement on the agency's Management and Performance Challenges is intended to be forward looking; therefore, OIG has drafted this document to reflect FY 2026 rather than the previous fiscal year.

In-Focus for FY 2026

The Peace Corps faces the task of addressing its management and performance challenges listed in this report while navigating in a dynamic environment.

In August 2025, the Peace Corps Chief Executive Officer (CEO) announced that the agency had set a goal of placing 8,000 Volunteers in service by 2030. Setting this goal is an important step in addressing recent years' Volunteer shortages. However, the success of this goal will depend on the agency's ability to efficiently apply its finite resources to where they are needed most. Meeting a targeted number will require the agency to effectively address the persistent challenge areas highlighted in this report.

Additionally, Peace Corps senior leadership announced that in the upcoming fiscal year, the agency will undergo significant restructuring and reorganization to help achieve its goals. The agency decided to initiate these efforts after a series of Executive Orders related to operational efficiency, consultation with the Office of Personnel Management (OPM) and the Office of Management and Budget (OMB), and an April 2025 review by the Department of Government Efficiency. The CEO said that the agency will create a more efficient Peace Corps by streamlining operations, lowering staff-to-Volunteer ratios, and focusing resources on Volunteer recruitment and service

RESOURCE AVAILABILITY AND ALLOCATION

In the coming year, all the Peace Corps' top management and performance challenges should be viewed through the broader lens of resource availability and allocation. In mid-September 2025, the CEO announced that the agency intends to have Peace Corps staff at headquarters—in Washington, DC—working in a reorganized state by January 2026.¹

The restructuring and reorganization will have the agency operate with at least 375 fewer U.S. Direct Hire and expert staff (approximately a 40 percent reduction) and at least 275 less Host Country National Personal Services Contractors (approximately a 16 percent reduction) by the end of the 2025 calendar year. To achieve staffing reductions, US direct hire staff (USDH) were offered the option to participate in the Office of Personnel Management's (OPM) Deferred Resignation Program (DRP)² twice and were encouraged to seriously consider that option. The CEO has reiterated to all staff the need to protect the health and safety of Volunteers, indicating that restructuring, reorganization, and streamlining efforts must continue to support this core agency function.

¹ The agency reported that a continuing resolution passed on November 12, 2025 (Public Law No. 119-37) impacted the anticipated timing of the agency's restructuring due to language that broadly prohibited agencies from using funds to "initiate, carry out, implement, or otherwise notice a reduction in force" through January 30, 2026.

² The DRP permits staff to transfer their workload, leave their job, and go on administrative leave through a certain end date before resigning. The DRP was offered to staff in January 2025 and April 2025.

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Historically, the Peace Corps has never experienced such a significant level of staff reductions and agency restructuring in such a short period of time. Maintaining core functions while increasing the number of Volunteers in service—and protecting their health and safety—will be a significant undertaking for the agency. Moreover, the Peace Corps continues to adhere to the five-year rule (FYR),³ which is unique to the Peace Corps, and the Federal hiring freeze that was enacted in January 2025.⁴ While the agency has increased its number of exempted positions,⁵ the FYR will impose workforce turnover, which, without the ability to backfill most positions, has caused some senior leaders to express concern about its potential impact on agency operations. Several senior leaders also cited the potential loss of institutional knowledge as a major weakness in a time when the agency needs to be creative and agile.

The President's proposed FY 2026 budget reduces the overall foreign operations budget by nearly 80 percent while maintaining the Peace Corps' FY 2026 annual appropriation level at \$430.5 million. Agency leadership has communicated to staff that the Administration recognizes the Peace Corps' critical work in people-to-people diplomacy. However, inflation and higher operating costs abroad have reduced the agency's purchasing power. The agency's annual appropriation has largely been flatlined for almost a decade.⁶ Nonetheless, the agency has indicated that it does not plan to reduce the Peace Corps' geographic reach through post closures.⁷

PRIORITIZE CORE AND CRITICAL FUNCTIONS

To meet its aim of reducing staffing numbers, the agency will need to delineate and communicate with its stakeholders which critical functions should be prioritized, and which will no longer be supported. In the short term, rapid staffing changes may adversely affect existing management and performance challenges. To mitigate this risk, the agency will need to fast track its efforts to develop the necessary efficiencies and processes that will support the reduced number of staff. In addition, staff will likely be asked to perform functions outside of their regular occupational responsibilities. As one senior leader said, "We can't do everything that we've been doing with less people." The agency will need to invest in its staff and technology solutions to make staff reorganization sustainable and effective; this includes

³ Under the Peace Corps Act, appointments of United States citizens to the Foreign Service by the Peace Corps are generally for a term of 5 years.

⁴ The Federal hiring freeze was extended twice and lifted in October 2025; however, the potential impact of this measure is unclear given continued hiring limitations; see Executive Order 14356, Ensuring Continued Accountability in Federal Hiring, (October 20, 2025).

⁵ Under the Peace Corps Act, the Director of the Peace Corps may designate Peace Corps positions as critical management or management support positions that require specialized technical or professional skills and knowledge of Peace Corps operations, as exempt from the FYR.

⁶ From 2016–2022 Congress annually appropriated \$410 million for the Peace Corps. Beginning in FY 2023 Congress increased funding for the agency by \$20 million, or less than 5%.

⁷ In October 2025, agency leadership announced that the closure of South Africa would be completed by 2027 but also stated it had no intention to close additional posts.

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providing staff with the tools, training, and time required to help them be successful in both their assigned roles along with any additional responsibilities.

For the Peace Corps to effectively address its future resource availability and allocation decisions, the agency will need to define its new baseline for core operations, to include both its staffing and budget. For example, the agency should adopt and apply a consistent framework that identifies the minimum staffing needs. The framework should account for the resources necessary to execute the core functions of a Federal agency, including statutory obligations, as well as a basic level of service.

Additionally, if the Peace Corps intends to use a Volunteer-to-staff ratio as an annual workforce planning tool, it should delineate its fixed costs which are generally not impacted by fluctuations in Volunteer numbers. As the agency considers how to best support the health, safety, and security of Volunteers, it should remain committed to a continuous implementation of lessons learned.

CONTINUOUSLY MONITOR, ASSESS RISK, WEIGH OPPORTUNITIES

While the agency begins implementing a reorganized business model at headquarters, it should place equal emphasis and focus on the needs of its global operations. The Peace Corps' international presence is expansive; however, the agency must assess if its goal—to reduce staffing levels based on its current global footprint of 57 posts across 61 different countries—may impact the health, safety and security of Volunteers. The Peace Corps should closely monitor and assess how it implements the new staffing model and be ready to take data-driven decisions to address staffing gaps, if they exist. Moreover, the agency should consider whether its reorganization allows for potential growth in the Pacific, a strategic region of interest to Congress and the Administration, and in other countries prioritized for Volunteer service.

Since 1961, the Peace Corps' mission and the impact of Volunteer service has held significant value for the United States and its partner countries. As one senior leader articulated, "Our mission still resonates... what we do is unique and powerful, advantageous to Americans as well as host country nationals." For the Peace Corps' dedicated staff and Volunteers to continue their mission, the agency must continue to make progress in addressing its top management challenges, and, in FY 2026, do so amid a challenging resource environment.

Volunteer Delivery System

SUMMARY

The Peace Corps’ mission success depends significantly on the agency’s ability to effectively recruit and place individuals abroad to meet host countries’ Volunteer requests. The CEO recently announced an agency goal to have 8,000 Volunteers serving by 2030. However, the Peace Corps will need to overcome multiple hurdles to reach this goal as the agency has struggled to meet its own Volunteer number goals since Volunteers returned to service following the 2020 pandemic-related global evacuation.

From FYs 2022-2025, the number of active Volunteers consistently fell short of the projections the agency submitted in its Congressional Budget Justifications (CBJ). A review of the agency’s CBJ reports from FYs 2022-2026 revealed that original projected Trainee and Volunteer on-board strength compared to actual on-board strength were overstated by more than 30 percent.

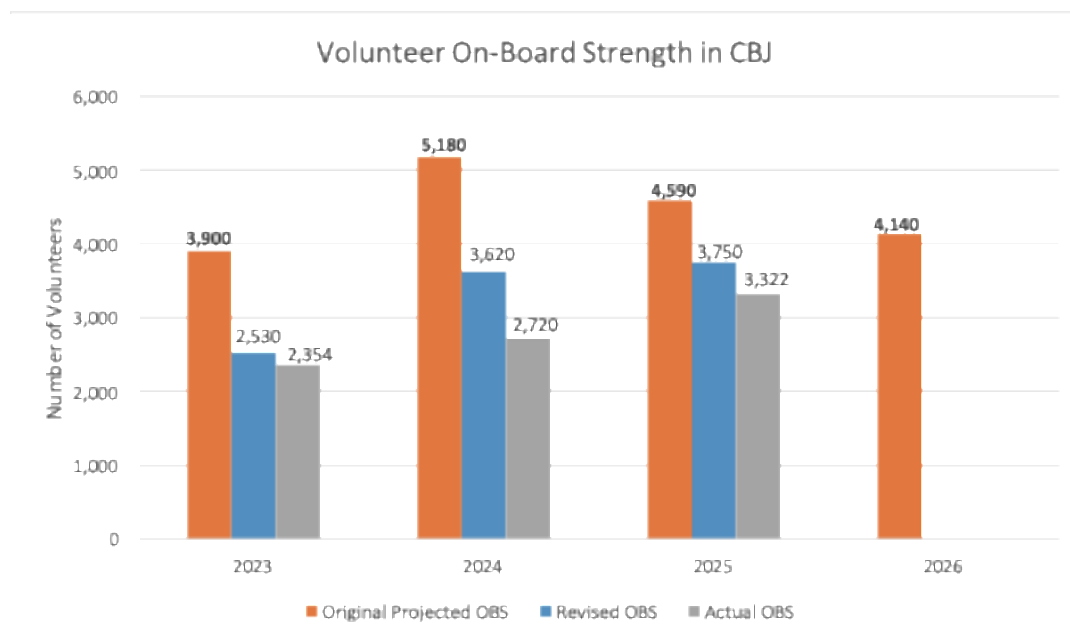


Figure 1. Projected versus actual on-board strength

The Peace Corps uses the Volunteer Delivery System (VDS) to fill overseas requests for qualified Volunteers. The VDS is comprised of a cycle of activities—to include the medical review process and background investigations—related to Volunteer recruitment, placement, and delivery. When a post requests Volunteers, the cycle of activities can take between 6 to 12 months, until they are placed in-country.

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The agency needs to improve the VDS in the following areas:

- Volunteer recruitment and placement strategies.
- Systems, processes, and personnel
- Recruitment approaches

WHY IS THIS A CHALLENGE?

Prior to the global pandemic, more than 7,000 Volunteers were serving abroad. Since then, the Peace Corps has experienced substantial challenges in recruiting Volunteers to serve. A variety of cultural and socioeconomic factors have contributed to these challenges, such as increases in student loan debt and a more insular American public that may view a two-year overseas commitment as less attractive.

In addition to these external factors, which are beyond the agency's control, a variety of agency planning and resource issues have compounded Volunteer recruitment and placement challenges. In September 2025, OIG issued an evaluation focused on VDS challenges and recommended improvements.

Collectively, these challenges have hampered the Peace Corps' ability to meet participating host country requests for Volunteers. In two recently published OIG country program evaluations—Peace Corps/Guyana and Peace Corps/Madagascar—both posts reported experiencing significant underfill rates. In a 2024 OIG survey of the agency's USDH abroad, 79 percent of the respondents said that underfilled Volunteer positions have caused damage to their relationships with community partners.

Volunteer Recruitment and Placement Strategy

THE AGENCY LACKS A COMPREHENSIVE RECRUITMENT STRATEGY AND PLAN TO ADDRESS VOLUNTEER SHORTAGES.

Through a VDS evaluation launched in early 2024, OIG found that while the Office of Volunteer Recruitment and Selection (VRS) had established goals for the total number of Volunteer applications, the Peace Corps lacked an agencywide strategy to address Volunteer shortages. For example, in the Peace Corps FY 2022-2026 Strategic Plan, only 1 of the 22 listed performance goals focused on Volunteer recruitment. The strategic plan also did not provide specific target numbers for Volunteer recruitment and placement, making it difficult for the various offices involved to have defined goals and a measure of success.

VRS notified agency leadership in August 2022 that Volunteer application numbers were insufficient to fill posts' Volunteer requests. A memorandum from VRS Leadership warned that, "[VRS's] ability to fill posts' requests for years to come could be adversely impacted."

Inadequate Systems, Processes, and Personnel

AGENCY SYSTEMS, PERSONNEL, AND PROCESSES SUPPORTING THE VDS ARE NOT INTEGRATED, UNDERSTAFFED, AND LACK EFFECTIVE OVERSIGHT TO ADDRESS POST-PANDEMIC CHALLENGES.

OIG found that the agency's multiple information management systems, which are used across numerous offices to support the VDS, were ineffective. For example, the information systems that the agency used for recruitment and marketing did not interconnect with its system for managing Volunteer applications. As a result, staff were unable to determine which applicants were recruited by which recruiters; and therefore, could not evaluate the recruiters' performance. Moreover, the agency lacked effective information systems for critical functions such as tracking time-to-hire which impacted recruiter onboarding. The Peace Corps also experienced long-term vacancies for positions that support and maintain these systems.

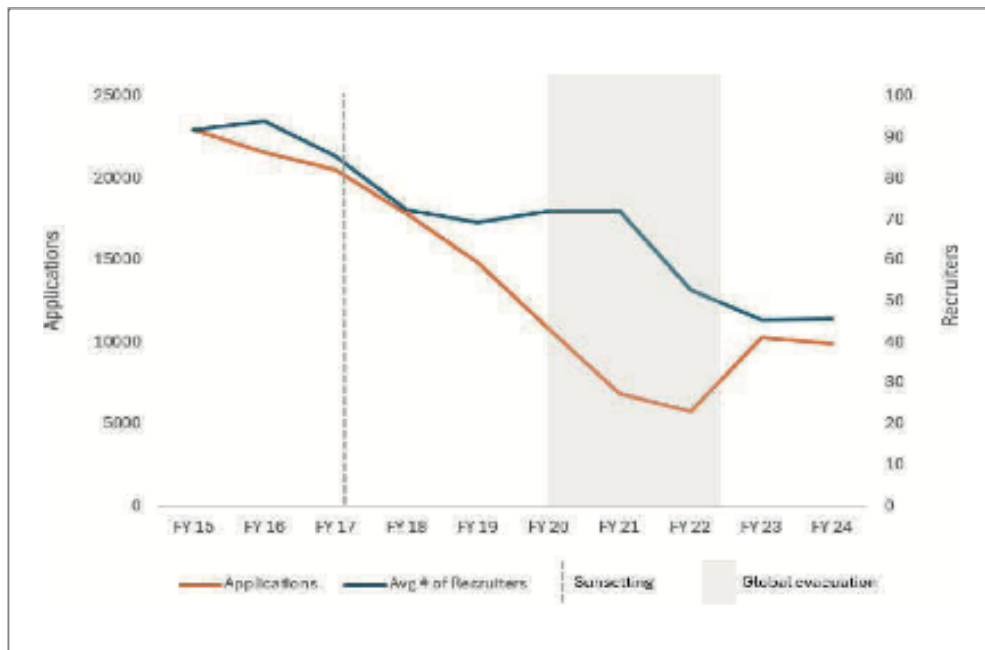


Figure 2. Correlation between Volunteer applications and number of recruiters

OIG found that the agency has struggled to fill its recruiter vacancies in the VDS for various reasons, including inadequate staffing in the Office of Human Resource Management (OHR), along with high turnover. The agency has faced a steady decline in its number of recruiters, who are tasked with promoting the Peace Corps' mission at universities, job fairs, speaking engagements, and other outlets. OIG determined that the Peace Corps did not have enough recruiters to achieve its onboard strength projections. OIG found that in recent years' data, the number of recruiters positively correlated with the number of Volunteer applicants. The agency has historically relied on Returned Peace Corps Volunteers (RPCV) with non-competitive eligibility to fill these positions. However, due in part to the global evacuation,

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the Peace Corps experienced a limited pipeline of RPCVs, a significant contributing factor in the underfill of open recruiter positions.

OIG found that the Peace Corps lacked processes to address its post-pandemic recruitment challenges. OIG reviewed records from and interviewed members of the VDS Steering Committee, a multi-office entity that monitors VDS activities and oversees its quality improvement. However, the Steering Committee did not provide effective oversight of the VDS and struggled to address numerous internal and external challenges.

Recruitment Approaches

VARIED AGENCY RECRUITMENT APPROACHES HAVE PRODUCED MIXED RESULTS

To address Volunteer shortages, the Peace Corps implemented multiple recruitment and selection approaches with varied success. For example, in March 2023, the agency invested \$14 million dollars in its Bold Invitation Marketing and Communications Campaign to increase brand awareness, generate leads, and drive Volunteer applications.

While the agency reported that the campaign effectively increased brand awareness, its impact on recruitment remains unclear. The agency did not track the number of applications that were attributed to the campaign. Moreover, OIG found that the number of applications decreased, from 10,523 in FY 2023 to 9,902 in FY 2024.

The Peace Corps used another recruitment approach called STRATs (Strategic Campus Recruiters), in which the agency contracted with colleges and universities to hire campus-based recruiters. Staff reported that the STRATs were exceedingly helpful for recruiting applicants, stating that campuses with STRATs produced a high proportion of Volunteer applications. Since 2017, the Peace Corps significantly reduced the number of STRATs from 52 to 32 because of budget constraints. As a result, the agency had significantly less recruitment presence at colleges and universities.

RECENT PROGRESS REPORTED BY THE AGENCY

In September 2025, the CEO announced that the agency's goal was to have 8,000 Volunteers by 2030, and that its FY 2026-2030 Strategic Plan would provide a series of performance goals to help meet this overarching goal. The agency's FY 2026 Agency Performance Plan also included a strategic objective to "bolster Volunteer opportunities." Additionally, the Peace Corps submitted a draft list of strategic objectives to the Office of Management and Budget (OMB), to include its goal of reaching 8,000 Peace Corps Volunteers in service by September 30, 2030.

The Peace Corps launched three new pilot programs in 2024 that incorporated changes to the agency's existing service model. The pilots were developed to address service barriers while continuing to support the agency's ability to meet host country requests for Volunteers.

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The pilots included a one-year length of service, a mid-service home leave, and an increased readjustment allowance. Most staff reported that the pilots were likely to have a positive impact on Volunteer recruitment, but the pilots' effectiveness had not yet been evaluated by the agency.

WHAT DOES THE AGENCY NEED TO DO?

- The recruitment, selection, and overseas deployment of Volunteers is critical to the Peace Corps' mission fulfillment. Without a comprehensive recruiting strategy or the necessary integrated systems and personnel to manage the VDS, the agency's mission is at risk. The agency should continue to set an agencywide goal for total number of Volunteers in service. As a part of this important step, the agency should ensure its upcoming FY 2026-2030 Strategic Plan prioritizes the recruitment of a predetermined number of applicants, to include performance goals that would help meet this predetermined number.
- Along with developing recruitment goals and metrics to measure the agency's progress, it must clearly outline its implementation plan for how to address recruitment challenges and attract more Volunteers to Peace Corps service.
- The implementation plan must efficiently allocate resources, staffing levels, and tools to meet the agency's goal to deploy 8,000 Volunteer. Onboarding traditional recruiters will also remain in the agency's recruitment plan, however, as of September 2025, only 16 recruiters have been onboarded—down from an average of more than 40 in 2023. The agency shared that it plans to prioritize other forms of recruiting in the future, including online outreach and marketing.
- In developing and implementing its plan for meeting its Volunteer strength goal, the Peace Corps must assess and act on the successes and weaknesses of previously employed recruitment methods, some of which were highlighted in OIG's VDS evaluation, such as a marketing campaigns and STRATs. It should also assess the impact of the three service model pilots that were launched beginning in 2024 and identify potential successes and which areas are not worth pursuing in its recruitment strategy.
- The agency needs to use the most recent data from its 2025 All Volunteer survey (AVS) to understand what motivated them to apply for and engage in Peace Corps service. The AVS is one of several ways the agency can gain insights on effective recruitment approaches.
- The Peace Corps needs to work on the VDS's foundational issues by addressing the OIG VDS evaluation report's recommendations. Recommendations include: upgrading and integrating information management and data systems used to support the Volunteer Delivery System; equipping OHR with the resources it requires to hire all

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necessary agency personnel, including recruiters, and, establishing an effective oversight over the VDS with clear decision-making authority and the ability to ensure coordination and communication across the many different Peace Corps offices that contribute to Volunteer recruitment and placement.

KEY OIG RESOURCES

[Evaluation of the Peace Corps' Volunteer Delivery System \(2025\)](#)

7 recommendations (5 open)

[Follow Up Evaluation of Volunteer Delivery System \(2010\)](#)

23 recommendations (0 open)

[Evaluation of the Peace Corps/Medical Clearance System \(2008\)](#)

55 recommendations (0 open)

[Evaluation of the Volunteer Delivery System \(2003\)](#)

24 recommendations (0 open)

Volunteer Health and Safety

SUMMARY

The health, safety, and overall well-being of Volunteers are top priorities for the agency and OIG. Through audits, evaluations, and investigative work, OIG has identified various issues related to the health and safety of Volunteers. The Peace Corps needs to continue to address this challenge in four areas:

- Volunteer healthcare
- Peace Corps Medical Officer (PCMO) staffing
- Medical inventory at post
- Volunteer safety and security

WHY IS THIS A CHALLENGE?

The Peace Corps strategically works in lesser-resourced countries around the world to fulfill its mission in accordance with the Peace Corps Act. The Peace Corps is responsible for providing the necessary healthcare to Volunteers during service and training. The agency also provides Volunteers with guidance, support, and information to minimize security risks and take proper safety measures.

The variability between Peace Corps countries' medical infrastructure, housing conditions, and availability of local medical professionals presents significant challenges for the agency. Subsequently, health and safety conditions that could be easily managed in the U.S. may present serious risks in the countries Peace Corps Volunteers serve. Poor health and safety outcomes for Volunteers does not only impact the Volunteers and their families but possess substantial programmatic risks.

Volunteer Healthcare

PCMO Assessments of Volunteer Sites, Medical Facilities, Referral Facilities, Referral Consultants and OHS Reviews of the Medical Technical Guidelines are Not Being Performed Timely

The OHS issues Technical Guidelines (TG) on how to operate the Volunteer health system. OIG found that a significant number of TGs were out of date, PCMOs rarely report to OHS staff if they are experiencing challenges with using the TGs, and at the time of OIG's review PCMOs did not have a clear process for reporting TGs that need to be reviewed. Further, OHS staff reported facing challenges in updating TGs every 3 years, as required by agency policy.

In a country program evaluation of Peace Corps/Madagascar, OIG found that the PCMOs did not regularly conduct medical site assessments or Volunteer site visits, as required. OIG reviewed the documentation from October 2021 to May 2024 for 20 Volunteer sites and

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found that only one Volunteer received a PCMO visit since Volunteers returned to the post in August 2022.

OIG also found that the PCMOs in Peace Corps/Madagascar had only completed medical assessments for 5 of 12 referral facilities and 2 of 32 referral consultants. The Peace Corps requires that these assessments are conducted every 3 years to ensure Volunteer medical facilities and consultants have been fully vetted to ensure that the quality and safety of Volunteer care meet Peace Corps standards.

Peace Corps Medical Officer Staffing

Insufficient PCMO Staffing Coverage, Workload and Morale are Recurring Issues Across Posts

The agency has difficulty maintaining adequate PCMO coverage at all posts. Peace Corps Manual Section (MS) 261 requires each post to have two PCMO positions. At one post in the Africa region, during a two-year period, the Medical Unit had 1 full-time PCMO, and a vacancy filled by 14 PCMO temporary duty assignments.

During an evaluation of Peace Corps/North Macedonia, OIG found that PCMOs maintained a regional medical unit (RMU) to support Volunteers in both Peace Corps/North Macedonia and Peace Corps/Kosovo for more than 10 years. The agency did not follow the policies outlined in the plan for the RMU, which resulted in recurring difficulties for the PCMOs, such as managing border crossings, differing languages and currencies, and overlapping trainings. These conditions contributed to PCMO burnout, low morale, and significantly increased the risk of a Volunteer adverse health event. Despite these factors, Volunteers report high levels of satisfaction with the medical unit staff.

Medical Inventory at Post

OIG Found Issues with the Storage, Inventory Control, and Management Oversight of Controlled Substances

During a medical inventory review of two posts, OIG found that one post did not maintain effective medical inventory controls. Specifically, the post needs to improve its management of controlled substances. OIG found that a shipment of controlled substances was left outside the safe and had not been recorded in the U.S. Drug Enforcement Administration logbook or the inventory workbook—both of which were violations of Peace Corps policy. During the review, OIG determined that post management did not provide adequate oversight of the medical inventory process, the staff were not adequately trained in their roles and responsibilities, and post and regional management did not ensure that the issues noted in prior agency reviews were clearly identified and addressed.

Serious consequences can result from the improper management of controlled substances, including potential theft and misuse. Noncompliance with Peace Corps policies, guidelines,

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and critical controls for safeguarding the inventory of controlled substances could result in waste and abuse of medical supplies, potentially placing Volunteers' health and safety at risk.

Volunteer Safety and Security

Propane Tank Safety and Volunteer Mistrust or Failure to Follow Post Safety and Security Response Processes Puts Volunteer Safety at Risk

In Peace Corps/Guyana, OIG found that several Volunteers had propane tanks placed in closed cabinets in their homes. Propane tanks cannot be placed in cabinets near the stove because there is insufficient ventilation to avoid gas buildup.

In Peace Corps/Madagascar, OIG observed that 50 percent of the Volunteer houses that the evaluators visited had propane tanks that were placed too close to their stoves; the Peace Corps safety requirement for placement must be a minimum of 1.5 meters from the stove. In addition, OIG found noncompliance with post standards concerning rodents and roof leaks. Multiple Volunteers reported "infestations" of rats in their homes and that leaks or cracks in their roof were causing mold in their homes. Both Volunteers and PCMOs reported concerns related to health risks from mold and rats in Volunteer homes.

In Peace Corps/Madagascar, inadequate Volunteer training exposed Volunteers to unnecessary safety, security, and sexual assault risks. For example, 40 percent of the Volunteers OIG surveyed said they never or only sometimes report safety and security incidents due to negative interactions and distrust of (now former) staff and the post's response process. In addition, Volunteers reported that the post did not provide sexual assault and harassment training that was sufficiently tailored to Madagascar-specific risks and threats.

RELATED INVESTIGATIVE WORK

A PCMO in the Africa region was inaccessible to perform scheduled medical duties. OIG found that the PCMO was working at a private practice during assigned Peace Corps duty hours instead of attending to the healthcare needs of Volunteers. As result, the Peace Corps terminated the PCMO's contract. PCMOs are a critical aspect for the agency to ensure adequate health of volunteers and if they are not focused on performing their duties, it presents an increased risk to the agency and volunteers.

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RECENT PROGRESS REPORTED BY THE AGENCY

Throughout FY 2025, the Peace Corps closed multiple recommendations related to Volunteer health and safety. For example, as a follow-up to an OIG evaluation, Peace Corps/Guyana post staff have visited and ensured that each Volunteer's home met the minimum housing standards, including the post's gas stove standards, which have been updated with the post's newest housing criteria.

The agency management has stated that they will conduct a review of their strategy around Volunteer medical care, PCMOs, relevant policies and procedures, and the application of those policies and procedures.

The agency updated TG 385 to include details of the annual Medical Action Plan review; updated TG 204 to include a uniform tracking system that documents facility and consultant assessments; created a standard operating procedure (SOP) and review tool to assess referral facilities and consultants; and conducted an agency-wide webinar for all PCMOs on the new guidelines.

Peace Corps published the Tri-Regional Site Management Standards and Guidelines in 2024 and provided an updated version in 2025. This guidance applies to all Volunteer sites and its implementation is one of the most critical features of a safe and successful Volunteer service.

The agency has taken action to close six of the eight recommendations in the OIG Management Advisory Report on medical inventory. These actions should help the Peace Corps improve controls over the management of controlled substances at the posts where OIG identified medical inventory issues, as well as use documented best practices to improve management of medical inventory at other locations.

The agency closed both recommendations related to tracking and reporting Medical Technical Guidelines that are outdated or required review issued in our Evaluation of the Office of Health Services' Technical Guidelines' Revision and Implementation Process.

The agency also recently (in August and September 2025) hired two PCMOs for a post in the Africa region (mentioned above) who had previously experienced PCMO staffing challenges during a two-year period.

WHAT DOES THE AGENCY NEED TO DO?

OIG will continue to work with the Peace Corps to monitor its progress and maintain an oversight focus on critical Volunteer health and safety matters at all posts during future work. In 2026, the agency will need to continue to prioritize Volunteer health and safety, to include the following areas:

- Ensure PCMO staff are not assigned to support Volunteers in multiple posts without substantial and continuing oversight and periodic workload assessments.

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- As staffing positions across Peace Corps continue to be re-evaluated, the agency should comply with its own policies to ensure each post has adequate PCMO coverage that provides continuity of healthcare and medical services.
- Continue to deliver and revise post-specific safety, security, and sexual assault risk reduction trainings for Volunteers.
- Ensure that safety guidance and mitigation strategies, particularly related to propane tank storage in Volunteer homes, is communicated and monitored via site visits or other monitoring methods.
- The agency needs to ensure all posts have implemented the Tri-Regional Site Management Standards and Guidelines to include adhering with the minimum requirements and documenting a post-specific site management manual. By adopting these guidelines, posts will be able to assist in mitigating Volunteers' risk of safety, security, and medical concerns.
- To continue to improve medical inventory management, the agency needs to address the two outstanding recommendations in OIG's medical inventory report to ensure that the specific controls are in place at the post, are understood by personnel who manage the medical inventory at the post, and that the staff are following and implementing those controls.
- The agency should continue its efforts to address any outstanding OIG recommendations related to Volunteer health and safety.

KEY OIG RESOURCES

[Evaluation of the Office of Health Services' Technical Guidelines' Revision and Implementation Process](#) (2024)

2 recommendations (0 open)

[Evaluation of Peace Corps/Guyana](#) (2025)

9 recommendations (1 open)

[Evaluation of Peace Corps/Madagascar](#) (2025)

13 recommendations (3 open)

[Post Medical Inventory: Promising Practices in Peace Corps/The Gambia Can Inform Needed Improvements in Peace Corps/Namibia](#) (2025)

8 recommendations (2 open)

Human Capital Management

SUMMARY

Personnel turnover and human capital management (HCM) at the Peace Corps have been identified as a significant challenge by OIG for the last 13 years. Moreover, strategic human capital management has been listed as one of the U.S. Government Accountability Office's highest-risk areas facing the Federal Government since 2001. HCM is a foundational activity in all Government operations, and its efficiency and effectiveness directly impacts an agency's ability to deliver on its mission. Without addressing its HCM challenges, the agency's ability to meet its recruitment goals and sustain effective, safe operations will be hampered. To make progress in this area, the Peace Corps should focus its attention on the following areas:

- Staffing
- Morale
- HR Systems Integration and Modernization

WHY IS THIS A CHALLENGE?

The Peace Corps is a relatively small agency that manages diverse staffing systems both domestically and abroad. The agency meets its staffing needs by hiring USDH employees, including experts; foreign service national (FSNs); and locally hired personal service contractors (PSCs). There are different requirements and hiring processes for each staff category and different Peace Corps offices are responsible for the staff selected through each method. These differing hiring methods lack centralized staffing support, oversight, and the absence of a coordinated approach between the offices makes the agency's human capital resources difficult to manage, adjust, and assess their effectiveness.

During FY 2025, there were significant changes to the Federal Government HCM landscape. Numerous executive orders and implementing guidance memos initiated a Government-wide HCM transformation focused on achieving greater HCM efficiencies, merit hiring, reducing the size of the federal workforce, and improving workforce performance culture. Notable HCM changes that impacted the Peace Corps include substantial staff reductions, requirement for in-person full-time work, a hiring freeze and restrictions, and a planned organizational restructuring.

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The impact of these changes on HCM activities remains unclear, however, a proactive approach using strategic foresight⁹ to address any gaps or problems is vital. As agencies implement reorganization-related initiatives, they must anticipate trends and disruptions while developing resilient workforce strategies that are not only reactive but also strategic and designed to accomplish the same functions with fewer people. Without a continued focus on reforms and improvements to HCM, the agency risks undermining its mission.

Staffing

Vacancies Across the Agency Have Impacted Mission Effectiveness.

From September 2022 to September 2024, the Peace Corps' headquarters overall vacancy rate fluctuated between 19 and 25 percent. During that period, the OHR USDH vacancy rate was between 20 and 30 percent.

Historically, the Peace Corps has relied on hiring RPCVs to fill many staff positions. Additionally, RPCVs' non-competitive eligibility streamlined the agency's hiring process and eased the workload requirements on OHR. When the COVID-19 global pandemic halted Volunteer recruitment, the RPCV hiring pool was quickly depleted, which strained recruitment and forced OHR staff to follow more extensive recruitment and hiring processes to fill staff vacancies.

Timely hiring and strategic workforce planning are essential for sustaining productivity and ensuring business continuity. OPM has long promoted the 80-day hiring, as the standard for Government agencies to effectively manage their human resource needs. In January 2025, the President issued Executive Order 14170, *Reforming the Federal Hiring Process and Restoring Merit to Government Service*, which directs that government-wide time-to-hire be reduced to under 80 days. Based on OPM guidance, the standard is measured from a request to fill (RTF) to a tentative job offer. Further, to reduce time to hire, the OPM guidance also seeks to reduce delays associated with personnel vetting requirements. It remains to be seen if moving forward, the Peace Corps' OHR has the capacity to manage competitive hiring processes, as it has not been able to meet the 80-day benchmark in the past. The agency has also lacked systems to effectively track its performance against this timetable.

⁹ The most recent OPM Federal Workplace Priorities Report identified strategic foresight as a Government-wide priority with the following definition: "Strategic foresight is a process for systematically considering a longer time horizon and broader scope of issues. Integrating strategic foresight in the planning process also facilitates a human-centered systems approach to problem solving and helps agencies better prepare for future threats and take early advantage of emerging opportunities." OPM, [2022 Federal Workforce Priorities Report](#), page 27, (last accessed Nov. 24, 2025).

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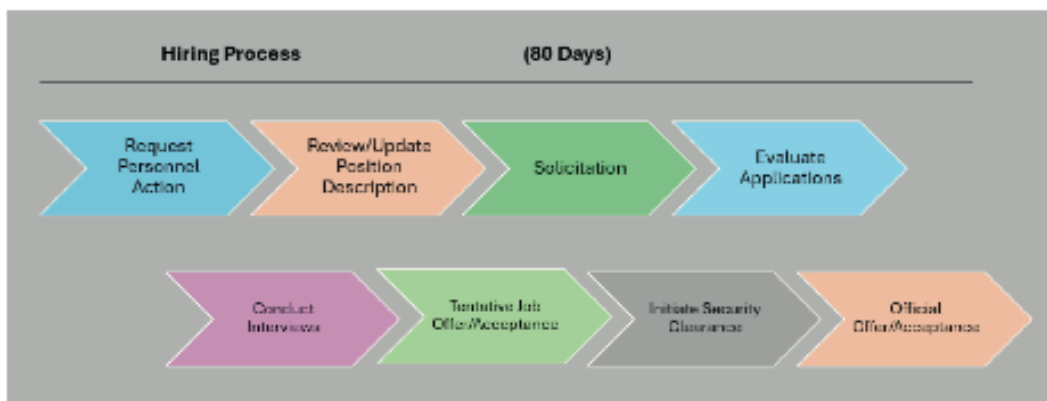


Figure 3. Steps in the OPM hiring cycle

The Peace Corps faces unique HCM challenges due to the FYR, which enforces frequent staff turnover. OIG has extensive reporting on this issue documenting the impact of excessive personnel turnover on effective staffing and knowledge management. Exemptions to the FYR have been authorized in recent years to mitigate staff turnover. The offices with the highest number of exempted positions when the FYR project ended included: Office of Safety and Security (OSS), Office of Health Services (OHS), Office of Chief Financial Officer (OCFO), Office of Chief Information Officer (OCIO), Office of Human Resources (OHR), and Office of the Director. Substantial staff reductions and the hiring freeze are likely to further exacerbate this challenge.

Overseas posts rely heavily on PSCs, and, to a lesser extent, FSNs. However, staffing support and coordination between posts and headquarters is lacking. A 2023 OIG evaluation of human resources management for overseas contract staff found that the agency needed to improve its management coordination to hire, train, and retain quality overseas PSCs more effectively.

Morale

Staff Continue to Experience Significant Changes and Uncertainty.

Throughout 2025, Federal agencies have worked to address a series of sweeping workforce overhauls. Administration reforms have included requiring all Federal employees to return to office, a months-long hiring freeze, and staff reductions-in-force that included the option to apply to the DRP. Finally, agencies faced an extended furlough in early FY 2026 due to a lapse in appropriations.

Prior to these changes, the Peace Corps was already experiencing lower scores in employee satisfaction and employee experience. In the 2024 Federal Employee

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viewpoint Survey (FEVS),¹⁰ both the global satisfaction index and the employee experience index decreased since 2023.

Returning to in-person work on a full-time basis after an extended period of remote work has promoted greater in-person collaboration and teamwork. However, the requirement has also resulted in employee disruptions and resignations. The Peace Corps must now navigate these changes while ensuring alignment with evolving guidance from OMB and OPM.

Regardless of the ultimate impact of the agency restructuring announced in September 2025, the significant reduction of USDHs coupled with overseas staffing cuts are, in the short run, likely to further impact staff morale and stress levels.

More broadly, a recent Gallup poll found that Federal employees are experiencing workplace disruptions at a rate far higher than the national average—resulting in increased stress and loneliness, as well as a decline in employee engagement.

HR Systems Integration and Modernization

Lack of Integrated HR Systems Makes Effective Human Capital Management and Oversight Challenging

The Peace Corp's human capital knowledge and systems are dispersed across several offices at headquarters and geographically diverse posts with varying infrastructures, legal systems, and workforce cultures, which further complicates the agency's human capital access and coordination. Each human capital management system operates with different reporting structures and separate tools and processes, preventing Peace Corps personnel at headquarters and abroad from establishing a system of unified knowledge sharing. There is no single Peace Corps office responsible for the human capital resource management of all agency staff (USDH, PSC, and FSN) and no single integrated system for staff to use and refer to. A recent OIG management implication report (MIR) cited 10 open human capital information technology related recommendations, from an agency assessment, to modernize the Peace Corps OHR systems.

OHR is also responsible for ensuring that all USDH employee payroll amounts, and benefit deductions are established properly, and accurately within the National Finance Center's integrated payroll and personnel system. A 2022 OIG audit highlighted systemic weaknesses in overseas payroll and benefits and recommended stronger monitoring structures to reduce risk and improve accountability in the agency's headquarters payroll processing. The audit found that OHR and OCFO did not establish effective oversight procedures to reconcile payroll transactions and remediate

¹⁰ Annual Federal Employee Viewpoint Survey managed by OPM. OPM suspended then cancelled the 2025 FEVS in August 2025 for the first time in over twenty years.

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deficiencies. Further, the agency has not implemented the necessary policies, procedures, or monitoring systems to prevent, detect, or correct salary and benefit inaccuracies. Without targeted improvements, payroll mismanagement could undermine employee trust, the agency's financial integrity, and operational efficiency.

RECENT PROGRESS REPORTED BY THE AGENCY

The Peace Corps exempted an additional 27 positions from the FYR in FY 2025 to improve retention in critical areas like the Office of Global Operations (OGO) and the regions, as well as the Office of Safety and Security (OSS).

During FY 2025, the agency closed four recommendations that OIG issued in the report on the Evaluation of Human Resources Management for Overseas Contract Staff. Those recommendations related to data collection tools, timelines for hiring, updating post staff handbooks, and establishing a clear awards program.

New OHR IT tools such as PEEPS launched in 2024 and an electronic SF 52 tracker launched in 2023 have streamlined headquarters payroll processing and personnel actions. The SF 52 tracker helped the agency to close a management letter recommendation from the FY 2024 financial statement audit. The agency also implemented an electronic time and attendance payroll system for overseas staff across Peace Corps posts.

OIG's 2025 MIR identified 174 human capital-related recommendations¹¹ requiring OHR action. Of those recommendations, the Peace Corps reported that 96 (55 percent) have been addressed and 49 (28 percent) were partially addressed.

During FY 2024, the Peace Corps established an OHR and CFO working group to coordinate responses to specific open recommendations related to OIG's audit of the agency's management of payroll and benefits. The working group developed SOPs related to retirement plan determinations, published an updated waiver policy, and worked with the Office of General Counsel to resolve prior unauthorized payroll waivers.

WHAT DOES THE AGENCY NEED TO DO?

- While the Peace Corps' staff reductions and reorganization will likely diminish the pressure on the agency's staffing and hiring services in FY 2026, continued progress in addressing HCM challenges remains important. For example, forced turnover caused by the Peace Corps' FYR will necessitate staffing for core agency functions. Additionally, any expansion or reshuffling of country program portfolios will continue to require efficient HR services.
- The Peace Corps should develop and implement a data-driven plan that identifies

¹¹ Recommendations originated from OPM, agency assessments and OIG reports

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short-and medium-term steps to improve overall hiring processes, to include:¹²

- ensuring that new career appointment hires are in the highest-need areas.
 - taking steps that reduce time-to-hire to 80 days and actions addressing OPM guidance on reducing timelines for personnel vetting and security clearances.
 - integrating modern technology solutions to improve effective staffing, including the using data analytics to identify trends, gaps, and opportunities in hiring.
 - leveraging digital platforms to improve candidate engagement.
- The Peace Corps should optimize its staffing, as outlined in the agency's FY 2026 Performance Plan's goals: 1.2. to adjust staffing levels in line with Volunteer numbers and programming needs and 2.2. to conduct workload analysis and efficiency benchmarks to guide staffing reorganization or areas marked for digital automation to minimize disruptions and ensure success.
 - The agency should continue to look for opportunities to exempt positions from the FYR requirements for critical management and core support functions. In addition, the agency should continue to develop goals and plans on how to manage its workload with a reduced workforce. The agency also needs to develop a data-informed strategy to address the diminished pipeline of RPCVs eligible for streamlined appointments to Peace Corps positions and its impact on OHR operations.
 - The Peace Corps should sufficiently integrate its HR systems to allow for better oversight and coordination. The agency should implement human capital-related OIG recommendations, including the training recommendations from the 2022 OIG payroll audit, open recommendations from the 2023 Evaluation of Human Resources Management for Overseas Contract Staff, and address the prioritized recommendations cited in the 2025 MIR.
 - Concrete actions should be taken to improve overall employee morale, engagement and satisfaction—critical factors in retention and turnover reduction.

KEY OIG RESOURCES

Executive Order 14356, [Ensuring Continued Accountability in Federal Hiring – The White House](#)

[OPM Guidance on Executive Order 14356, Ensuring Continued Accountability in](#)

¹² See also E.O. 14170, *Reforming the Federal Hiring Process and Restoring Merit to Government Service*.

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[Federal Hiring](#)

[Executive Order 14170, Reforming the Federal Hiring Process and Restoring Merit to Government Service](#)

[Merit Hiring Plan](#)

Presidential Memorandum, [Hiring Freeze](#)

[Management Implication Report: Recommendations Issued to the Peace Corps Regarding Human Capital Management \(2025\)](#)

[Evaluation of Human Resources Management for Overseas Contract Staff \(2023\)](#)
9 recommendations (5 open)

[Final Audit Report: The Peace Corps Management of Payroll and Benefits for U.S. Direct Hires \(2022\)](#)
30 recommendations (19 open)

[Recurring Issues Report: Common Challenges Facing Peace Corps Posts \(2020\)](#)

[Management Implication Report: Challenges Associated with Staff Turnover \(2017\)](#)

[Final Report on the Program Evaluation of the Peace Corps' Training of Overseas Staff \(2014\)](#)
25 recommendations (0 open)

[Final Audit Report: Peace Corps Overseas Staffing \(2013\)](#)
13 recommendations (0 open)

[Evaluation of Impacts of the Five-Year Rule on Operations of the Peace Corps \(2012\)](#)
5 recommendations (0 open)

Information Technology Security Management

SUMMARY

As the role of information technology continues to evolve, managing diverse technologies while protecting agency data and the security of information systems is critical. OIG's review of Peace Corps' information security status indicates that additional efforts to address information technology security management are needed in the following areas:

- Federal Information Security Modernization Act of 2014 (FISMA) maturity model results
- Information technology (IT) vulnerabilities and misconfigurations
- Cybersecurity breach response

WHY IS THIS A CHALLENGE?

The Peace Corps' IT network and systems contain extensive data and information essential to agency operations, including staff and Volunteer personally identifiable information as well as Volunteer health and crime incident information. System outages, data loss, cyber threats, and the increasing sophistication of attacks can have a catastrophic impact on the agency, compromise Volunteer safety, staff productivity, and affect the Peace Corps' reputation. Accordingly, effective controls must exist to prevent unauthorized access to agency systems and sensitive information. Further, while cyber incidents are increasing in frequency and complexity, so are the requirements to prevent and mitigate threats.

FISMA Results

Peace Corps' Overall Compliance with FISMA Demonstrated Improvements While Maintaining Its Level 2 Status

FISMA is designed to ensure agencies develop, document, and implement agencywide programs that provide comprehensive security for the information and systems that support their operations and assets.¹³ OIG's annual review of the agency's compliance with FISMA results in a score that is used as a consistent and comparable metric across Government agencies.¹⁴

¹³ [Federal Information Security Modernization Act](#) description

¹⁴ The five-level maturity model scale ranges from Level 1 – Ad hoc, to Level 5 – Optimized. [The FY 2025 IG FISMA Reporting Metrics v2.0](#), were issued by OMB and CIGIE on April 3, 2025.

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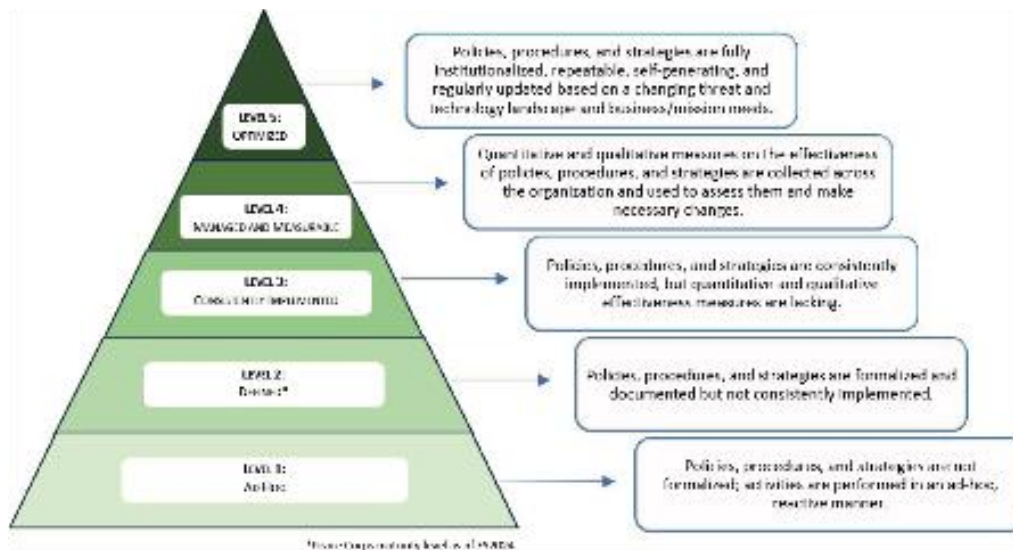


Figure 4: FISMA maturity model

In FY 2025, the agency maintained its FY 2024 status at Level 2 – Defined, as measured against the set of core FISMA and supplemental OIG metrics. Although the agency’s overall FISMA score falls short of Level 4 – Managed and Measurable, which OMB determined to be the necessary level for an effective information security program, it has made sustained progress in enhancing its security posture by addressing recommendations and improving several individual metric scores.

Despite the improvements, OIG identified several issues in the FY 2025 FISMA review that need to be resolved, including the following:

- Lack of a fully defined process for developing and maintaining its target cybersecurity profiles
- Undeveloped implementation of its cybersecurity Supply Chain Risk Management (SCRM) program.
- Lack of policies and procedures to develop and maintain an inventory of its data and corresponding metadata.
- Lack of an enterprise-wide strategy to guide the implementation of its Identity, Credential, and Access Management (ICAM) policy and program.
- Lack of a Data Loss Prevention (DLP) solution.

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- Insufficient progress in reviewing and updating baseline configuration settings for Peace Corps General Support System and Peace Corps Medical Electronic Documentation & Inventory Control System.
- Underdeveloped agency-level Business Impact Analysis (BIA)

IT Vulnerabilities and Misconfigurations

Penetration Testing of the Agency's IT Network Identified Multiple Risks Ranging from Informational to Critical-Severe.

In FY 2025, OIG issued a Special Report assessing the Peace Corps' IT environment and the effectiveness of its controls. OIG contracted with an independent entity to conduct both external and internal penetration testing of the agency's IT environment, a simulated phishing campaign, and a review of the agency's vulnerability management. The penetration testing involved using known hacker attack methods to identify network vulnerabilities.

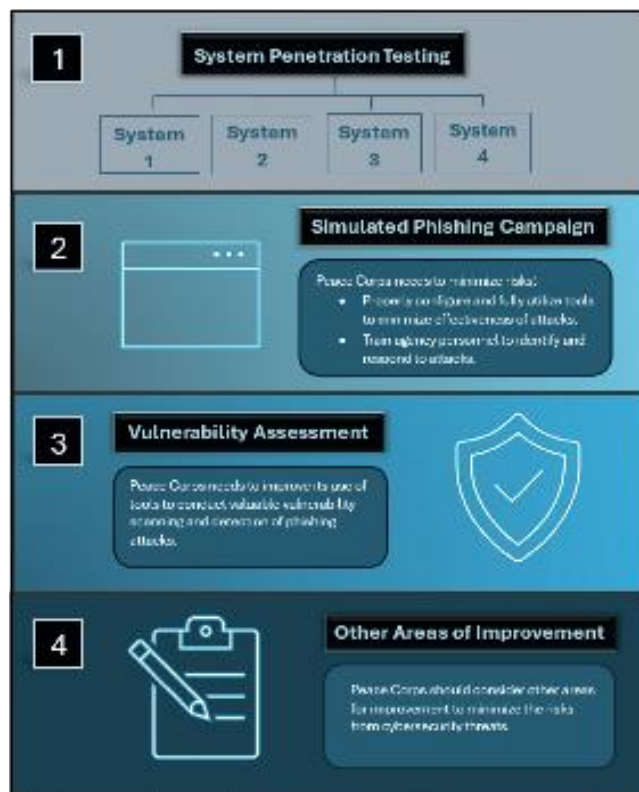


Figure 5. Penetration Testing Assessment Overview

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The review found that the Peace Corps' monitoring capabilities identified the testing activities and demonstrated its incident response procedures. However, the cybersecurity tests also revealed multiple vulnerabilities and misconfigurations ranging from informational issues to critical-severity risks. Specifically, the review identified a critical-severity risk during the phishing campaign.

Cybersecurity Breach Response

Insufficient Cybersecurity Incident Response, Federal Compliance and Network Monitoring Need Improvement.

In FY 2024, OIG issued a MAR assessing Peace Corps' response to three security incidents that occurred from 2022 through 2023. While the report concluded that since the initial incident, the agency had improved its cybersecurity incident response capabilities, it found that the Peace Corps:

- Lacked a sufficient incident response plan to detect threat activity, respond to a threat incident, or contain it.
- Was non-compliant with Federal requirements or Peace Corps policy for timely notification of cyber breaches
- Networking monitoring software was not effective in detecting malicious activity within the Peace Corps IT environment.

RECENT PROGRESS REPORTED BY THE AGENCY

The five prior FISMA recommendations related to the establishment of an Enterprise Risk Management Council, information security continuous monitoring (ISCM), and incident response were closed in FY 2025. Specifically, since FY 2024, the Peace Corps implemented ISCM policies and strategies, maintained continuous monitoring of its information, and has made progress in strengthening its ability to detect and respond to potential threats.

The Peace Corps is already making progress on the issues identified in the OIG Penetration Testing and Vulnerability Assessment Special Report and has implemented and closed four of the seven recommendations made in the report. These corrective actions should allow the Peace Corps to realize the intended benefits of the review and to continue to make progress on enhancing its cybersecurity environment.

Since the cybersecurity breaches occurred, the agency has strengthened its incident response program by implementing and closing six of the seven OIG recommendations from the FY 2024 MAR.

WHAT DOES THE AGENCY NEED TO DO?

- The agency needs to address OIG’s FY 2025 FISMA report recommendations to move towards a Level 3 – Consistently Implemented, maturity level for its information security program. The report recommends that the agency:
 - integrate its cybersecurity governance program
 - fully develop and implement its SCRM program
 - develop and maintain an inventory of data and metadata,
 - develop a strategy to implement its ICAM policy and program
 - procure a DLP solution
 - allocate necessary configuration management resources
 - develop its BIA

If implemented, these recommendations would allow the Peace Corps to proactively mitigate vulnerabilities and address weaknesses before they are exploited. Putting these enhancements in place would foster an agency culture that fully integrates information security into its business operations.

- The Peace Corps needs to review the detailed technical reports provided on the results of the penetration testing and vulnerability assessment. It must prioritize the critical and high vulnerabilities and ensure that its planned actions to address the vulnerabilities are actually implemented. The vulnerabilities identified during the phishing campaign should be resolved as quickly as possible to minimize those risks. The agency should work to implement and close the remaining three open OIG recommendations.
- The agency needs to address the one remaining recommendation from the Cybersecurity Breach Response MAR that the Peace Corps network is continuously monitored to mitigate the risk of cyberthreats. The lack of continuous monitoring directly affects the agency’s ability to identify, detect, protect, and respond to a cybersecurity threat in the event of an attack. Closing this recommendation will further strengthen its ability to respond to cybersecurity incidents.

KEY OIG RESOURCES

[Review of the Peace Corps’ Information Security Program for FY25 \(2025\)](#)

FY 2025 *5 recommendations (5 open)*

Prior Years *8 recommendations (3 open)*

[Special Report on our Review of the Peace Corps’ Information Technology Environment \(2025\)](#)

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7 recommendations (3 open)

[Management Advisory Report: Cybersecurity Breaches Highlight a Need for Improvement in Peace Corps' Incident Response](#) (2024)

7 recommendations related to information technology (1 open)

[Audit of the Peace Corps' Fiscal Year 2024 Financial Statements](#), (2024)

1 recommendation related to information technology (1 open)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Table 2. Summary of Financial Statement Audit

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Table 3. Summary of Management Assurances

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems conform, except for instances of non-conformance, to financial management system requirements.					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
FISMA	1	0	0	0	0	1
Total Non-Conformances	1	0	0	0	0	1

DEFINITION OF TERMS

Beginning Balance: The beginning balance must agree with the ending balance from the prior fiscal year.

New: The total number of material weaknesses/non-conformance identified during the current year.

Resolved: The total number of material weaknesses/non-conformance that dropped below the level of materiality in the current year.

Consolidated: The combining of two or more findings.

Reassessed: The removal of any finding not attributed to corrective actions (e.g., management has re-evaluated and determined that a finding does not meet the criteria for materiality or is redefined as more correctly classified under another heading).

Ending Balance: The year-end balance that will be the beginning balance next year.