Peace Corps

AGENCY FINANCIAL REPORT

FISCAL YEAR 2023

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Fiscal Year 2023

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ABOUT THIS REPORT

The Peace Corps Agency Financial Report (AFR) for fiscal year (FY) 2023 provides fiscal results and performance highlights for the reporting period between October 1, 2022, and September 30, 2023. 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 2023 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 2023 Annual Performance Report, the FY 2025 Annual Performance Plan (to be published with the FY 2025 Congressional Budget Justification in the second quarter of FY 2024), and the FY 2023 AFR are made public and available online at peacecorps.gov/about/open-government/budget-and-performance.

HOW THIS REPORT IS ORGANIZED

The FY 2023 AFR presents the agency's performance highlights and accomplishments, fiscal accountability, and operational achievements and challenges for FY 2023. It begins with a message from the Peace Corps Director, Carol Spahn, followed by three sections and appendices:

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 2023 and its impact 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, 2023, and the independent auditor's report on the Peace Corps financial statements.

Other Information
This section contains the Office of Inspector General's Management and Performance Challenges, along with recommended actions and a summary of financial statement audits and management assurances.

Appendices
This section provides additional information including a report on the status of audit weaknesses and a glossary of abbreviations used in this report.

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MESSAGE FROM THE DIRECTOR OF THE PEACE CORPS

On behalf of our dedicated staff worldwide, I am pleased to present the Agency Financial Report for Fiscal Year (FY) 2023. This report shares the agency's financial information, enabling the President, Congress, and the public to evaluate the fiscal responsibility and performance of the Peace Corps.

The Peace Corps was established in 1961 by President John F. Kennedy. At the invitation of host country governments, 240,000 Peace Corps Volunteers have collaborated with communities on locally prioritized projects in 144 countries since the agency's founding. Through our dedication to friendship and global cooperation, the mission and goals of the agency have remained unchanged for 62 years and, faced with an increasingly dynamic and often volatile global landscape, America's ongoing commitment to service beyond our borders is essential.

As countries around the world recover from development setbacks caused by COVID-19, demand for Peace Corps Volunteers is high – both from new countries and existing partners. As such, the Peace Corps continues to prioritize returning Volunteers to overseas assignments, while also reimagining service, advancing equity and delivering quality.

Throughout this process, we have learned what is required of the Peace Corps of today and adapted to ensure the health, safety, and security of our Volunteers in the field, to respond to rising costs globally, and to inspire a new generation to serve. While this has resulted in strategic trade-offs as we rebuild, I am heartened by our FY 2023 appropriation of $430.5 million and look forward to maximizing investment in the Peace Corps to advance people-to-people diplomacy following an unprecedented period of global isolation.

To inspire a new generation to service, in 2023 Peace Corps launched a multi-faceted *Bold Invitation* marketing campaign designed to recruit skilled individuals who represent the full demographic, geographic, and socio-economic diversity of America to meet host country requests. The agency has also strengthened health, safety and security support services for Volunteers, bolstered training in trauma-informed response and care, and implemented a variety of new systems to align Volunteer competencies, training, and project frameworks. This strong foundation sets the stage for the kind of agility and responsiveness required in an increasingly complex global operating environment.

Peace Corps Volunteers engage in public diplomacy as they partner with community members, living and working side-by side, to make a sustainable impact across the agency's six program sectors: Agriculture, Education, Environment, Health, Community Economic Development, and Youth in Development. Working in tandem with host country counterparts and partners, Volunteers help inspire the next generation of global leaders while carrying out the Peace Corps' mission of promoting world peace and friendship and the three agency goals:

- To help the people of interested countries in meeting their 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.

ANNUAL UPDATES, HIGHLIGHTS, AND AREAS OF FOCUS

Recruiting and Retaining Volunteers: The Peace Corps is ramping up Volunteer recruitment on a scale not seen since the agency's earliest days. Recruiting skilled individuals to meet program needs in a post-pandemic environment is further complicated by a competitive job market. To combat this, the Peace Corps made a historic investment in advertising and marketing to increase overall brand awareness and the opportunities that exist through Peace Corps service. In 2023, the agency kicked off its *Bold Invitation* recruitment campaign to rebuild awareness of the Peace Corps brand and to help attract and retain qualified applicants who represent the full demographic, geographic, and socio-economic diversity of America. This campaign has netted 750 million engagements, well over 5 million clicks to our website, 45,000 people who have shared their information in an effort to learn more, and 16,000 people who started applications to be a Peace Corps Volunteer. While this campaign helped us reach 14,000 new applications by the end of FY 2023, that is still short of what we need to fully rebuild our Volunteer corps over the next few years. The data from our current ad campaign, coupled with sustained investments in marketing and advertising, will best position us to meet future targets.

Returning Volunteers to Service: The agency began returning the first groups of Volunteers to service overseas in March 2022 and by the end of September 2023, more than 2,600 Volunteers have returned to service in 53 Peace Corps posts serving 57 countries. In FY 2023, the Peace Corps re-established operations in El Salvador and swore in the inaugural cohort of Peace Corps Volunteers to serve in Viet Nam. Peace Corps posts in El Salvador, Sri Lanka, and Mozambique are now preparing for Volunteer inputs in FY 2024.

Through the return to service process, we obtained valuable information from applicants, Trainees, and Volunteers on what is required to support them throughout their Peace Corps journey – from candidate to entering on duty. For instance, candidates' health histories are generally more complex today than they were pre-pandemic, often requiring additional medical tests and evaluations that are costly and can create a financial barrier to service. We now provide full reimbursement to applicants for all medical examinations to offset costs incurred during the medical clearance process. Also, as a result of global inflation, the agency adjusted Volunteer living allowances in over 40 posts in 2023. Going into FY 2024, Volunteer living allowances are anticipated to rise an average of 31 percent to meet the increased cost of food and everyday supplies. Additionally, transportation allowances have gone up due to both increased prices of public transportation and the expansion of safer but more costly transport options for Volunteers.

Strengthening and Streamlining Support Systems: As a U.S. Government agency operating overseas, the Peace Corps is responsible for the health, safety and security of Volunteers. The agency invested in strengthening support systems for all phases of the Volunteer lifecycle and is now fully implementing multiple new systems, structures and protocols. Most notable is the agency's investment in emotional and mental health support for Volunteers. Prior to the pandemic, the agency was already tracking an increased Volunteer demand for mental health services, which made promoting and supporting Volunteer well-being throughout their service an agency-wide priority. Post-pandemic, the number of Peace Corps Volunteers who require psychological consults has increased 43 percent over 2019.

As we evolve to meet the needs of today, the Peace Corps has made a significant effort to expand the agency's capacity to offer mental health support and increase access for Volunteers while continuing their service in host communities around the world. The Peace Corps expanded mental health support to include tele-health coaching, which is available to Volunteers 24/7/365. This required a significant investment and is critical to Volunteers who often serve in countries where access to mental health support is limited or non-existent.

Exhibiting Financial Stewardship: We remain dedicated to prudent financial management, maintaining data integrity, and ensuring the reliability of financial reports. For the 17th consecutive year, the external auditors issued an unmodified (clean) audit opinion on our FY 2023 financial statements. During their audit, the audit team identified two significant deficiencies and one instance of nonconformance with laws and regulations. We concur with these findings and we are committed to addressing them with corrective actions in FY 2024. With the exception of the audit findings, the assessment of internal controls and financial management systems meet 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.

Improving Management and Performance: The agency has worked diligently with the Office of Inspector General (OIG) to improve upon operations by addressing OIG recommendations raised through audits, evaluations, and management advisory reports. From January 2021 to September 30, 2023, the agency reduced the number of open OIG recommendations by approximately 75 percent. The agency further demonstrated its commitment to compliance by rolling out new guidance to standardize business practices across the agency. This emphasis on compliance, quality assurance, and proactive improvements will continue in FY 2024.

As we complete the second year of our FY 2022-2026 Strategic Plan implementation with $430.5 million for FY 2023 appropriated funding from Congress, the agency continues to increase the efficiency and effectiveness of operations in support of the President's Management Agenda. We will continue to build on our 62-year foundation of experience and expand impact through our valued network of Volunteers, community members, staff, and partners as we navigate the great needs and opportunities of today, reimagine service, advance equity, and deliver quality.

Carol Spahn
Director
November 14, 2023

Management's Discussion and Analysis

Peace Corps Volunteers around the world work to improve environmental conditions.

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 Peace Corps' mission is to promote world peace and friendship.

Our vision is to be a dynamic, forward-leaning champion for international service; defined by our energy, innovation, and development impact.

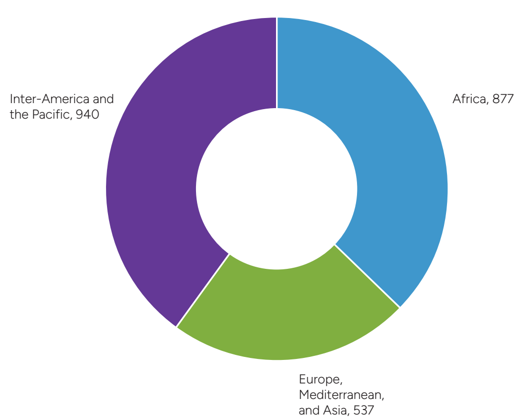
More information about the Peace Corps and its history, global initiatives, and how strategic partnerships strengthen our global impact can be found at peacecorps.gov.

ABOUT THE PEACE CORPS

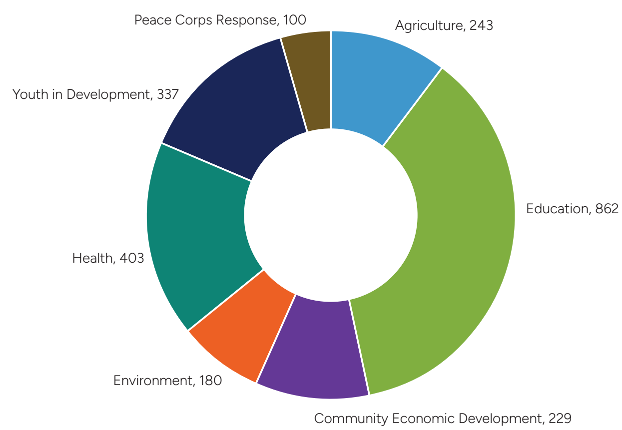
The Peace Corps is a service opportunity for motivated change makers to immerse themselves in grassroots development and work alongside community members to tackle the most pressing challenges of our generation.

Officially Established:	March 1, 1961 via executive order; permanently authorized by Congress on September 22, 1961 via the Peace Corps Act
Americans Who Have Served:	240,000*
Host Countries Served to Date:	144
Active Countries in FY 2023:	57 with in-person Volunteers
Peace Corps Director:	Carol Spahn (RPCV Romania, 1994 – 1996)
FY 2023 Appropriation:	$430.5 Million
Contact:	Toll-Free 855-855-1961
Website:	peacecorps.gov

FY 2023 Volunteers by Region

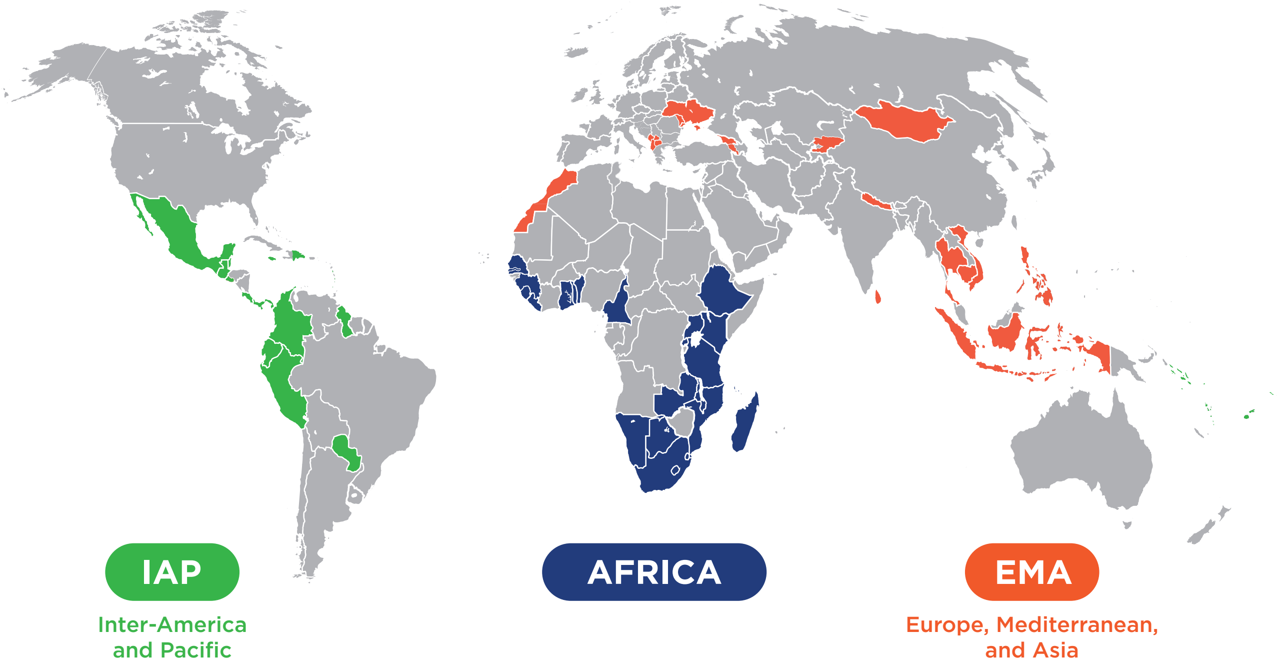


FY 2023 Volunteers by Sector



A person who served in two posts is counted in both posts. The number is rounded to the nearest thousand.

PEACE CORPS COUNTRIES IN FISCAL YEAR 2023



Caribbean
Dominican Republic
Eastern Caribbean:
- Dominica*
- Grenada and Carriacou*
- St. Lucia*
- St. Vincent and the Grenadines*

Jamaica*

Central and South America
Belize
Colombia*
Costa Rica*
Ecuador*
El Salvador
Guatemala*
Guyana*
Mexico*
Panama*
Paraguay*
Peru*

Africa
Benin*
Botswana*
Cameroon*
Comoros*
Eswatini*
Ethiopia*
Ghana
Guinea*
Kenya*
Lesotho
Liberia*
Madagascar*
Malawi*
Mozambique*
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
Albania/Montenegro:
- Albania*
- Montenegro*

Armenia*
Georgia*
Kosovo*
Kyrgyz Republic*
Moldova*
North Macedonia*
Ukraine*

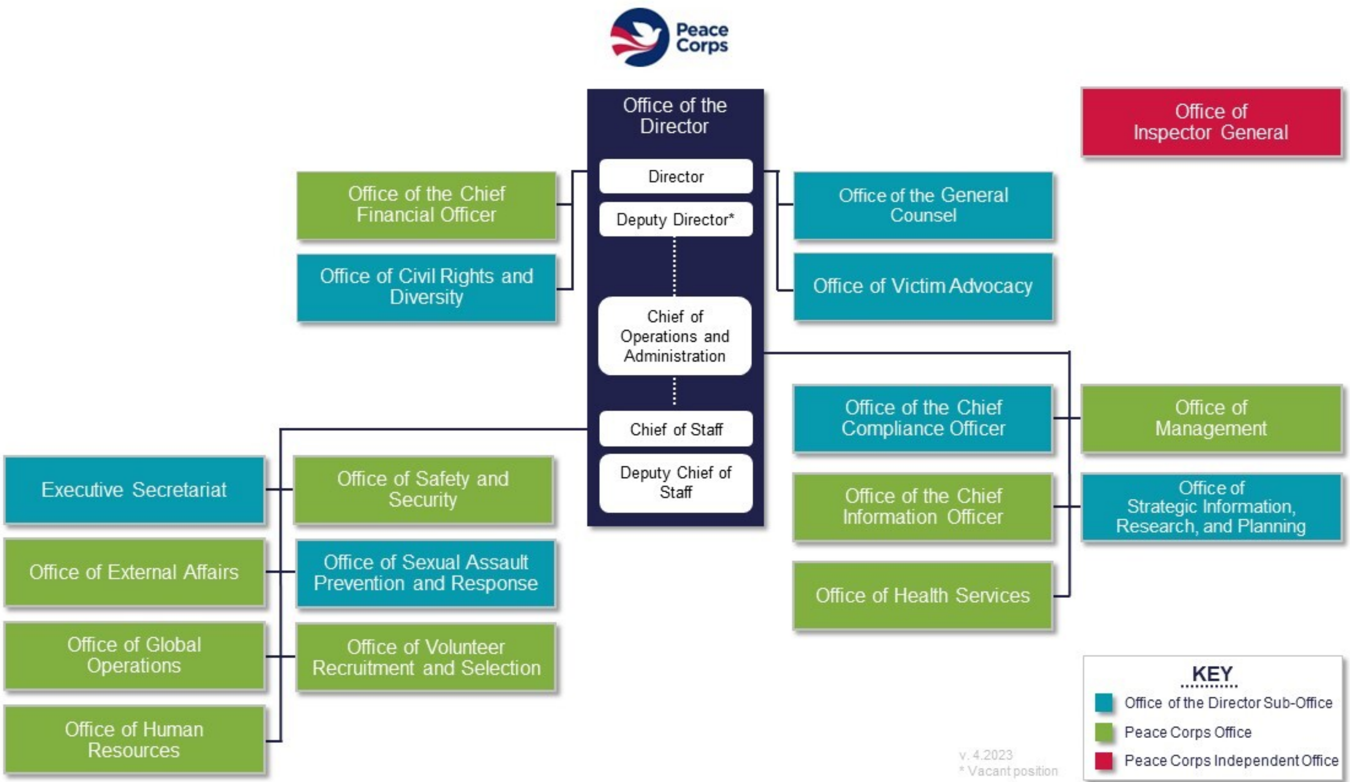
Asia
Cambodia
Indonesia*
Mongolia
Nepal*
Philippines*
Sri Lanka*
Thailand*
Timor-Leste*
Viet Nam

Pacific Islands
Fiji*
Samoa
Solomon Islands**
Tonga
Vanuatu*

Following the global evacuation in March 2020, the Peace Corps is in the process of resuming, or commencing new, Volunteer operations and Virtual Service Pilot opportunities in 65 countries managed by 61 Peace Corps posts.

* Indicates a Peace Corps country participating in the Virtual Service Pilot.
** Indicates that the country was approved to enter into negotiations with the Peace Corps but does not yet have a signed agreement.

OUR ORGANIZATION



The Peace Corps headquarters is in Washington, D.C. The Peace Corps comprises domestic offices and overseas posts. In FY 2023, the Peace Corps maintained active programs, including both traditional Volunteer deployment and Virtual Service Pilot engagements, in 65 countries administered by 61 overseas posts. 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). The Peace Corps' greatest asset is its vibrant workforce, comprising over 940 U.S. Direct Hire (USDH) staff and approximately 2,500 host country staff (including short-term language and cross-cultural training staff).

WORK OF THE VOLUNTEERS

The Peace Corps is an international network of Peace Corps Volunteers, community members, host country partners, and staff who work at the grassroots level to advance the mission and the three core goals of the agency. At the invitation of governments around the world, community members and Peace Corps Volunteers collaborate on locallydefined priorities and, together, achieve measurable impact within these six programmatic sectors:

Agriculture—Agriculture Volunteers work with small-scale farmers and families to increase food security and production and adapt to climate change while promoting environmental conservation. They introduce farmers to techniques that prevent soil erosion, reduce the use of harmful pesticides, and replenish the soil. They work alongside farmers on integrated projects that often combine vegetable gardening, livestock management, agroforestry, and nutrition education.

Community Economic Development—Volunteers work with development banks, nongovernmental organizations, and municipalities to encourage economic opportunities in communities. They frequently teach in classroom settings and work with entrepreneurs and business owners to develop and market their products. Some Volunteers also teach basic computer skills and help communities take advantage of technologies that connect them to the global marketplace.

Education—Education is the Peace Corps' largest program area. Volunteers play an important role in creating links among schools, parents, and communities. They may work in elementary, secondary, or post-secondary schools where they teach subjects like math, science, or conversational English; or they may work in schools as resource teachers or teacher trainers. Volunteers also develop libraries and technology resource centers.

Environment—Volunteers lead grassroots efforts to protect the environment and strengthen understanding of environmental issues. They teach environmental awareness in schools and to local organizations, empowering communities to make their own decisions about how to conserve the local environment. Volunteers also address environmental degradation by promoting sustainable use of natural resources.

Health—Health Volunteers work within their communities to promote important topics such as nutrition, maternal and child health, basic hygiene, and water sanitation. Volunteers also work in HIV/AIDS education and prevention programs, where they train youth as peer educators, provide support to children orphaned by the disease, and create programs that provide emotional and financial support to families and communities affected by the HIV/AIDS epidemic.

Youth in Development—Volunteers work with youth in communities to promote engagement and active citizenship, including gender awareness, employability, health and HIV/AIDS education, environmental awareness, sports and fitness programs, and information technology.

Peace Corps Response was founded as Crisis Corps in 1996 to place experienced professionals into 3-12 month, highly specialized Volunteer assignments. Response Volunteers are either returned Volunteers, individuals with significant technical and professional experience, or both. Response Volunteers serve in some of the same sectors as Peace Corps Volunteers but build local capacity alongside host country institutions or organizations through shorter-term assignments.

Two Volunteers finish what they started four years ago in Madagascar

Benjamin Breen and Kristy Conn met for the first time in September of 2019, not realizing that they were starting a journey that would eventually take them four years to complete. For Ben, Peace Corps was another step in the uncertain journey of a young person finding a way to make a difference in the world. For Kristy, joining the Peace Corps was a lifelong goal put on hold after college but, with an early retirement, was suddenly feasible.

They swore in as Peace Corps Volunteers after three months at the Peace Corps Training Center in idyllic Mantasoa, Madagascar. Kristy was sent to Antsirabe, where she taught English and American Sign Language at two schools, Excelsior Language School and FoFaMa School for the Deaf. Ben was sent to remote Brieville where he taught English at the village's public middle and high school.

The order to evacuate because of the COVID 19 pandemic came suddenly in March 2020. Immediately, the close to 200 trainees and volunteers in Madagascar began their journey—one that turned out to be a mass exodus of Volunteers from all around the world back to the U.S.

In 2022, Peace Corps Madagascar announced that they would be inviting evacuated PCVs back. Both Ben and Kristy answered the call. After a month of re-entry training in Antananarivo, Kristy went back to her previous site in Antsirabe. She said of her homecoming, "It was like coming home after a long vacation. My house and schools were the same, I even had the same students for the most part. Seeing my supervisor, co-teachers, and students again was like one big, joyous reunion." Ben, however, was sent to a new site he had no familiarity with. He had returned in part to see the friends he missed from Brieville, but without the ability to rely on fellow PCVs other than Kristy, he found himself making more Malagasy friends than he ever had before.

Ben visiting Kristy in New York during lockdown 2021

A common saying in Peace Corps is that we plant trees without ever getting to experience their shade, meaning that we don't usually get to see the positive outcomes of our service. One benefit of the interrupted service was it created the opportunity for just that. Kristy met some former students who now work in the tourism and hospitality field. They thanked her for her English classes, which helped their careers. Ben stayed in touch with people from his old site throughout the evacuation, some of whom began to work as English teachers in new villages. He later heard from another previous PCV in Brieville that his former students remembered his time there and that the town was still fighting through many challenges in the hope of a better future.

A year later, in September of 2023, Ben and Kristy met again at the Peace Corps Office in Madagascar for the last time as official Peace Corps Volunteers. This time, they rang out for the second time. "The first time I rang out back in March 2020, it didn't feel real, because in my heart I knew I would be coming back," remarked Kristy, "It is also more meaningful because as I ring this bell I'm ringing it for the other members of Group 55 that wanted to come back but couldn't."

Read the full story at: https://www.peacecorps.gov/madagascar/stories/two-volunteers-finish-what-they-started-four-years-ago-in-madagascar/

PERFORMANCE HIGHLIGHTS AND FORWARD-LOOKING INFORMATION

The Peace Corps Act (1961) articulates three core goals that contribute to the Peace Corps' mission of world peace and friendship:

- To help the people of interested countries in meeting their 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.

These three core goals in the Peace Corps' legislation continue to serve as the foundation for the Peace Corps' approach to development and the three strategic goals that guide the FY 2022-2026 Strategic Plan: Strengthen Local Capacity, Share America with the World, and Bring the World Back Home.

Following the global evacuation in March 2020 due to the COVID-19 pandemic and under the FY 2022-2026 Strategic Plan, the Peace Corps is in the process of returning or commencing Volunteer operations in 65 countries managed by 61 Peace Corps posts. As of September 2023, over 2,600 Volunteers had returned to service in 53 Peace Corps posts serving 57 countries.

During FY 2023, the Peace Corps had 1,902 Volunteers enter on duty (EOD). The total number of Volunteers who served during any part of FY 2023 is 2,651, and the total number of Volunteers who were serving as of September 30, 2023, was 2,354.

The Peace Corps recently signed a country agreement with the government of El Salvador to restart its program, which closed in 2016. The agency continues to engage with partner countries interested in expanding existing Peace Corps programs or opening new programs. As of September 2023, the following 13 countries have formally invited the Peace Corps to open or re-open a post: Bosnia and Herzegovina, Cape Verde, Cote d'Ivoire, Federated States of Micronesia, Honduras, Kiribati, the Republic of Marshall Islands, Mauritania, Palau, Republic of Congo, Solomon Islands, Suriname, and Uzbekistan.

The agency continues to make progress on achieving the objectives and goals set out in its FY 2022-2026 Strategic Plan. With three strategic objectives – Reimagine Service, Advance Equity, Deliver Quality – the Strategic Plan lays out a vision to promote world peace and friendship across the globe and create a Peace Corps that is relevant today.

Reimagine Service

Under this strategic objective, the agency responds to evolving host country priorities and expanding service models. The Peace Corps is expanding its Virtual Service Pilot (VSP) to respond to the evolving needs of host country partners through virtual intercultural and technical exchange with Virtual Service Pilot Participants (VSPPs). The Participants are private citizens who donate 5 to 15 hours per week of their time under the Peace Corps' gift acceptance authority. Since October 2020, over 600 VSPPs engaged with host country partner projects in 48 countries working across all sectors (Agriculture, Community Economic Development, Education, Environment, Health, and Youth in Development). For example, VSPPs helped develop a local podcast series to promote topics of girls' education and empowerment in Benin and collaborated on agricultural extension training in Jamaica.

Host community interest in Virtual Service remains strong even as Peace Corps Volunteers return to traditional service placements. VSP projects enable Peace Corps to meet requests for highly skilled individuals where it is not possible to send Volunteers due to safety and security reasons. Of note is Ukraine, where 46 VSPPs have collaborated with partners to date, and 50 additional engagements are scheduled to begin in the first quarter of FY 2024. Peace Corps plans to expand VSP opportunities in 2024 beyond the Returned Peace Corps Volunteer (RPCV) community to all qualified U.S. Citizens, creating more opportunities for Americans to participate with the Peace Corps and our host country partners, even if unable to serve through in-person Volunteer programs.

In addition to pursuing adaptive service models, the Peace Corps is collaborating with host country partners to respond to evolving needs and priorities. In FY 2023, responding to demand from host countries and communities, the agency made significant progress establishing and implementing a climate strategy to guide global program activities. With regional climate workshops held in FY 2023 and planned for FY 2024, the Peace Corps is focused on the development of post-level climate activities. In 2023, the Peace Corps launched an initiative to engage Pacific youth in climate education and action, the Blue Pacific Youth Initiative. This effort reinforces the role of Pacific youth as stewards of their ocean continent and home. Across the Peace Corps' posts in Fiji, Samoa, Tonga, and Vanuatu, Volunteers and staff are collaborating with youth and partners on activities such as strengthening climate literacy, bolstering community adaptation projects, and tightening disaster mitigation plans.

The initiative includes a coordinated buildout of curriculum and other resources to support climate actors across the Pacific region and a Blue Pacific Youth Champions Exchange program to further the development and networking of young climate leaders. Early success stories include a climate-focused Science, Technology, Engineering, and Mathematics (STEM) and Information and Communications Technology (ICT) camp for girls in Vanuatu, and coastal mangrove tree planting with local and international partners in Tonga.

Advance Equity

The Peace Corps continues to pursue initiatives that incorporate intercultural competence, diversity, equity, inclusion, and accessibility (ICDEIA) into its operations and to recruit and support a diverse cohort of Volunteers and staff who represent the breadth and depth of America to the world. One important component of this is creating an organizational culture around ICDEIA. In 2023, the Peace Corps reached a significant milestone with the implementation of a week-long Intercultural Competence, Diversity, Equity, and Inclusion (ICDEI) Foundations Workshop for all staff at all overseas posts. Interrupted by the pandemic, the workshop was implemented at all of the remaining posts, reaching a total of 569 overseas staff members this year, including short-term staff when possible. The workshop covered core concepts, frameworks, and tools that staff can leverage to contribute to a culture of belonging at their respective posts. This work supports Peace Corps staff in effectively working with diverse groups of Volunteers, host country partners, and community members.

Another important component of advancing equity is having a Volunteer corps that represents the diversity of the United States in race, age, economic, and geographic distribution. To address challenges in recruiting Volunteers during a historically competitive job market, the Peace Corps is strengthening its operations to increase the number of applications and the number of accepted invitations from a diverse pool of qualified Volunteer candidates. The primary focus is deploying effective recruitment strategies that amplify the agency's outreach. The agency's efforts included augmenting recruitment capacity through the establishment and expansion of partnerships with universities and other organizations, increasing opportunities for Peace Corps Volunteers and staff to take an active role in recruitment efforts, and investing in enhanced digital recruitment methods. Notably, the Peace Corps launched the Bold Invitation campaign, which calls on motivated changemakers to advance the agency's mission to spread world peace and friendship through international service.

Deliver Quality

The Peace Corps prioritizes delivering quality by evaluating and investing in the agency's systems and processes to meet Volunteers' health and safety needs. The agency took significant steps to provide additional mental health support to Volunteers. For instance, the Office of Health Services (OHS) Behavioral Health and Outreach (BHO) unit identified increased needs for headquarters to support Volunteer resiliency and developed online resiliency tools as part of an e-learning initiative in addition to a variety of activities in the field that involve training local staff to provide resiliency support to Volunteers. This resulted in the rollout of "My Well Being Hub," an online module designed for Trainees and Volunteers to access self-care mental health support strategies that strengthen resilience for those seeking stress management or active mental health maintenance. Since January 2023, My Well Being Hub logged over 5,800 hits by Trainees and Volunteers in the field.

OHS/BHO also designed, staffed, and is implementing a coaching program for Volunteers. Through referrals by the post's Peace Corps Medical Officer and a review by a licensed clinical social worker at Peace Corps headquarters, overseas case requests will be assigned to a staff psychologist or to a professionally certified coach. A pilot program to receive and respond to Volunteer-initiated requests is planned for certain posts in early FY 2024. Coaches will be available intermittently for individual sessions in all time zones and will schedule with Volunteers accordingly. OHS is also researching suicide prevention training and nonviolent crisis intervention training to further enhance mental health support for Volunteers.

For a more detailed discussion of agency performance measurement and reporting processes for FY 2023, please visit the Open Government page on the Peace Corps website. Tracking and performance efforts are led by the Office of Strategic Information, Research and Planning (OSIRP). The agency will publish its FY 2023 Annual Performance Report concurrent with the FY 2025 President's Budget in the second quarter of FY 2024.

Moldova clinic focuses on supporting LGBTQIA+ youth

Adrian Blader and Amir Feinberg first met during their pre-service training in Moldova. The two became instant friends and found community with each other through their shared LGBTQIA+ identities. Eventually, the two Health Volunteers went to their separate sites – Adrian to a scenic village close to Romania and Amir to a charming village near Odessa, Ukraine – but the two remained close. The two Volunteers bonded over their love of podcasts and traveling. But they were also supportive allies for each other as they kept their gender identities and sexuality private from most other people.

Since returning from service in 2019, the two have been busy pursuing careers in public health. Amir is in medical school and conducting research for the University of North Carolina School of Medicine's urology department. Adrian is studying for a Master of Public Health degree while working as the assistant director of community affairs at a hospital in Brooklyn, New York. Despite their equally demanding schedules, when they learned of the LGBTQIA+ focused engagement supporting a youth clinic in their former country of service, both RPCVs knew they wanted to donate their time through Peace Corps' Virtual Service.

"The fact that we wanted to make time for this speaks to how perfect this opportunity was for both of us. And the thing about Virtual Service is that it gives you the opportunity to do something that is very tailored and specific to what your skills are," Amir said.

Adrian added, "We couldn't really be ourselves when we were in country for safety reasons, so getting this experience was really special."

If Adrian and Amir had concerns regarding the in-country partner's openness to LGBTQIA+ issues, those quickly dissipated after meeting their passionate and highly motivated counterparts at Youth for Youth, Moldova's national youth-friendly health services network.

"They just were so honest and had a good understanding of what they needed, what they knew, and what they needed to know," Adrian said.

"[Our counterparts] also helped us understand more of the nuances and reasons behind the stigma in Moldova, and that was a beautiful thing," Amir said.

"Supporting LGBTQ youth issues [has been] a challenge for us, because of the stereotypes and negative attitudes in our community regarding sexual orientation," said Cristina Buțanu, one of the youth clinic's psychologists.

Adrian sits on Amir's shoulders to pick fruit.

"This topic is still taboo in our country and [it can be difficult] for some people to differentiate between inclusive communication around LGBTQ and promoting these sexual orientations. One of the clinic's principles is tolerance and nonjudgement. For this reason, medical and non-medical professionals must possess inclusive communication skills with any person regardless of status, gender, cultural background, or sexual orientation."

Adrian and Amir were careful to remain respectful; they didn't want the counterparts to feel like two Americans were barging in to do what they thought was right, not necessarily what was best for the local community.

"Amir and Adrian considered all our requests and responded to the needs of the team in creating materials for the training course. Together, we were able to successfully achieve the goals and objectives set out," said Victoria Rotari, a psychologist and teacher at the youth clinic.

For 12 weeks, Amir and Adrian collaborated with the clinic team to develop two training courses. The first served as an introduction to LGBTQIA+, covering the various gender and sexual orientations. The second discussed how these identities can impact health outcomes, the challenges that LGBTQIA+ individuals face, and the ways in which stigmas lead to health disparities within Moldova. These trainings would ensure that the health specialists felt comfortable and confident in supporting young LGBTQIA+ individuals.

Amir and Adrian incorporated resources in local languages from GenderDoc-M, Moldova's only LGBTQIA+ advocacy organization. It was important to the RPCVs-turned-VSPPs to foster a healthy relationship between the two in-country organizations, so their collaboration could continue long after the virtual engagement ended.

"This was a learning opportunity. We learned about the new partners, a different way to collaborate with their network, and the LGBTQ community," said Elvira Nistreanu, Peace Corps Moldova's Health education program manager and staff coordinator.

Amir and Adrian's biggest tip to new VSPPs? Know your skills and how you can contribute to the partners' goals. They also stressed that it's important to be flexible.

"Remember, it's still Peace Corps. You have to have flexibility, and then you have to work that flexibility into your more regimented American life," Adrian said.

Despite the engagement ending, the project work is far from over. Amir and Adrian's Youth for Youth counterparts have already trained other staff members using the LGBTQIA+ course materials. Based on the staff's positive remarks, the youth clinic plans to facilitate the training again at the clinic's staff retreat this summer.

"The virtual collaboration was successful, because the engagement was developed with the partners based on their organization's needs. Its content combined theory with activities to practice and apply that information," said Hannah Gardi, Peace Corps Moldova's director of programming and training.

Adrian and Amir hope that the LGBTQIA+ trainings will increase local understanding and inclusivity for years to come.

"Hopefully we created even just a little bit more space for someone [in Moldova] to find and fully be themselves," Amir said.

Read the full story at: https://www.peacecorps.gov/stories/moldova-clinic-focuses-on-supporting-lgbtq-youth/

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 achievements carried out during FY 2023.

- **Audited Financial Statements.** For the 17th consecutive year, the Peace Corps received an unmodified (clean) audit opinion on its financial statements. This achievement underscores our commitment to sound financial reporting and ensuring data integrity in all aspects of our financial cycle.

- **CARES Act.** The Peace Corps received $88 million in supplemental funding as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act in FY 2020. The agency spent nearly all funding before expiration at the end of FY 2022. Funding went towards the evacuation of nearly 7,000 Volunteers around the globe, agency COVID mitigation for Volunteers and employees, and the global return of Volunteers to service. The agency had no CARES Act funding available for obligation in FY 2023 but had outlays of $14 million against prior-year obligations.

- **Streamlining and Automating Financial Processes.** The Peace Corps deployed a suite of Microsoft 365 tools across the agency in FY 2023. OCFO leveraged several such tools to automate financial processes, such as the validation of overseas cashier replenishments, and to promote collaboration with reduced reliance on e-mail for projects such as the production of this report or collecting and transmitting response documents for audit requests.

- **Volunteer Living Allowance Survey Application**. The Peace Corps successfully deployed an online survey application for overseas posts to collect, compile, and submit Volunteer subsistence expense data to set Volunteer living allowances. Each overseas post conducts surveys – at least annually – to ensure living allowance rates for Volunteers are appropriate. Global inflationary factors and supply-chain challenges led to significant changes in subsistence expenses from pre-pandemic rates for Volunteers returning to service, and the survey application expedites the review and adjustment of Volunteer living allowance rates to reflect real-world conditions. As of the end of FY 2023, 40 posts had conducted surveys using the new application.

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 (ATDA). The Peace Corps' unmodified (clean) audit opinion on these financial statements and corresponding Independent Auditor's Report are disclosed in the Financial Section. Internal controls, alongside risk management, remains an ongoing focus for the agency for identifying, assessing, and controlling risks that may impact financial management as we execute Peace Corps' mission and goals.

The agency's financial results are presented in principal statements: Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Combined Statements 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.

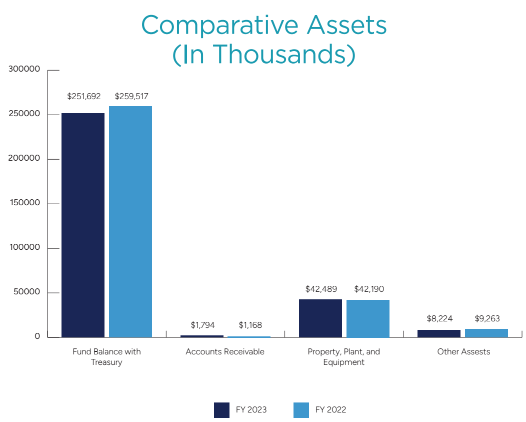
Condensed Balance Sheets	FY 2023 (In Thousands)	FY 2022 (In Thousands)	Variance (In Thousands)	Variance (In Percentage)
Fund Balance with Treasury	$ 251,692	$ 259,517	$ (7,825)	-3%
Accounts Receivable	1,794	1,168	626	54%
Property, Plant, and Equipment	42,489	42,190	299	1%
Other Assets	8,224	9,263	(1,039)	-11%
TOTAL ASSETS	**$ 304,199**	**$ 312,138**	**$ (7,939)**	**-3%**
Accounts Payable	$ 11,345	$ $8,666	$ 2,679	31%
Federal Employee and Veteran Benefits	153,112	156,111	(2,999)	-2%
FSN and PSC Separation Liability	41,393	41,232	161	0%
Non-Entity Funds	6,141	1,676	4,465	266%
Other Liabilities	18,340	17,470	870	5%
TOTAL LIABILITIES	**$ 230,331**	**$ 225,155**	**$ 5,176**	**2%**
TOTAL NET POSITION	**$ 73,868**	**$ 86,983**	**$ (13,115)**	**-15%**
TOTAL LIABILITIES AND NET POSITION	**$ 304,199**	**$ 312,138**	**$ (7,939)**	**-3%**
Net Cost of Operations				
Gross Costs	$ 465,449	$ 372,056	$ 93,393	25%
Less: Earned Revenue	(3,898)	(3,334)	(564)	17%
NET COST OF OPERATIONS	**$ 461,551**	**$ 368,722**	**$ 92,829**	**25%**
Resources and Status of Budgetary Resources				
Unobligated Balance Brought Forward	$ 90,912	$ 158,084	$ (67,172)	-42%
Appropriations	430,500	410,500	20,000	5%
Rescission	-	(70,000)	70,000	100%
Donations Received	151	223	(72)	-32%
Funding for Severance Liability	4,000	4,482	(482)	-11%
Spending Authority from Offsetting Collections	5,356	4,853	503	10%
TOTAL BUDGETARY RESOURCES	**$ 530,919**	**$ 508,142**	**$ 22,777**	**4%**
Obligations Incurred	$ 472,400	$ 438,364	$ 34,036	8%
Unobligated Balance, Unexpired and Expired	58,519	69,778	(11,259)	-16%
STATUS OF BUDGETARY RESOURCES	**$ 530,919**	**$ 508,142**	**$ 22,777**	**4%**

BALANCE SHEETS

The Balance Sheets present 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 We Own and Manage

Assets are the amount of current and future economic benefits owned or managed by the Peace Corps and used to achieve its mission. Total Assets decreased by 3 percent to $304.2 million as of September 30, 2023, compared to $312.1 million as of September 30, 2022.



- *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 83 percent of the overall asset value. As of September 30, 2023, FBwT totaled $251.7 million or 3 percent less than the previous fiscal year's balance of $259.5 million.

- *Accounts Receivable* increased by 54 percent from the September 30, 2022, balance of $1.2 million to $1.8 million as of September 30, 2023. As the number of Volunteers serving overseas increased during FY 2023, a variety of agency activities also increased. The majority of this increase in funds owed to the Peace Corps is due to increased Volunteer activities under reimbursable agreements with the U.S. Agency for International Development (USAID) during FY 2023.

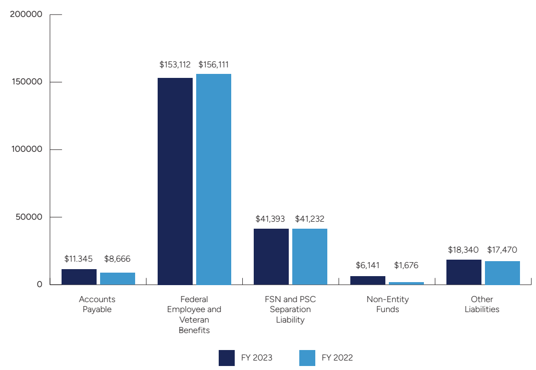
- *Property, Plant, and Equipment (PP&E)* accounts for 14 percent of agency assets in FY 2023. PP&E is comprised of tangible assets like Information Technology (IT) hardware, internal-use software, leasehold improvements for the Peace Corps headquarters and overseas posts, and vehicles owned by the agency. PP&E increased by $300 thousand from $42.2 million in FY 2022 to $42.5 million in FY 2023.

- *Other Assets* decreased by 11 percent to $8.2 million in FY 2023 from $9.3 million in FY 2022. This balance includes prepayments for 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. While the increasing number of Volunteers in service caused a significant increase in Prepaid Volunteer Living Allowances on this year's Balance Sheets, the overall balance decreased. This was due to the clearance of a FY 2022 prepayment to a shared services provider for the procurement of a personnel tracking system that has been awarded and is in development in FY 2023.

Liabilities: What We Owe

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. Total Liabilities increased by 2 percent from $225.2 million in FY 2022 to $230.3 million in FY 2023.

Comparative Liabilities (In Thousands)



- *Federal Employee and Veteran Benefits* decreased by $3.0 million or 2 percent from $156.1 million in FY 2022 to $153.1 million in FY 2023. Included in this balance is the Federal Employees' Compensation Act (FECA) actuarial liability which is calculated by the Department of Labor (DOL).

- *Foreign Service Nationals (FSN) and Personal Service Contractors (PSC) Separation Liability* increased from $41.2 million in FY 2022 to $41.4 million in FY 2023. 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* represent future liability for readjustment allowances earned by Volunteers during their service with the Peace Corps. Non-entity funds also represent funds that the agency received for the sale of its assets or proceeds from sales. As of September 30, 2023, non-entity funds increased by over 266 percent or $4.4 million, from $1.7 million in FY 2022 to $6.1 million in FY 2023. Readjustment allowance earnings account for the majority of this increase. FY 2023 saw increasingly more Volunteers in service and Volunteers with longer time in service compared to FY 2022. Consequently, there is a significantly larger accumulation of readjustment allowances for Volunteers to receive when they return from service.

Net Position: What We Have Done Over Time

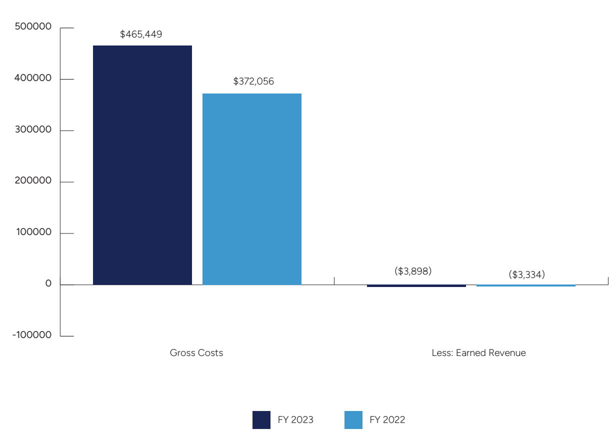
Net Position is comprised of Unexpended Appropriations and Cumulative Results of Operations. The Peace Corps' Net Position decreased by $13.1 million or 15 percent, from $87 million in FY 2022 to $73.9 million in FY 2023.

Statements of Net Cost

The Statements of Net Cost report the agency's net cost of operations for a given fiscal year. Net Cost is the difference between the gross costs incurred and earned revenue.

- *Gross Costs* increased by $93.4 million, from $372 million in FY 2022 to $465.4 million in FY 2023. In March 2022, the Peace Corps began re-entry of Volunteers to service and resumed Volunteer programs overseas. The increasing number of Volunteers in service over FY 2023 resulted in more costs to the agency compared to FY 2022 when fewer Volunteers were in the

Comparative Gross Costs and Earned Revenues (In Thousands)



field. Cost increases were particularly notable for medical expenses, travel expenses, and Volunteer allowances, as well as the agency's expanded marketing efforts. Staff payroll costs also increased in FY 2023 as the result of an increase in the Foreign Personnel (FP) pay table and increased OPM cost factors for imputed benefit costs.

- *Earned Revenue* increased by 17 percent from $3.3 million in FY 2022 to $3.9 million in FY 2023. The agency's earned revenue comes from federal sources when the Peace Corps partners with other federal agencies to assist in their mission. This increase in revenue is due to increased Volunteer activities under reimbursable agreements with USAID during FY 2023.

Statements of Budgetary Resources

The Statements 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 Department of the Treasury (Treasury). The agency has the authority to obligate these funds over a two-year period. In FY 2023, 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).

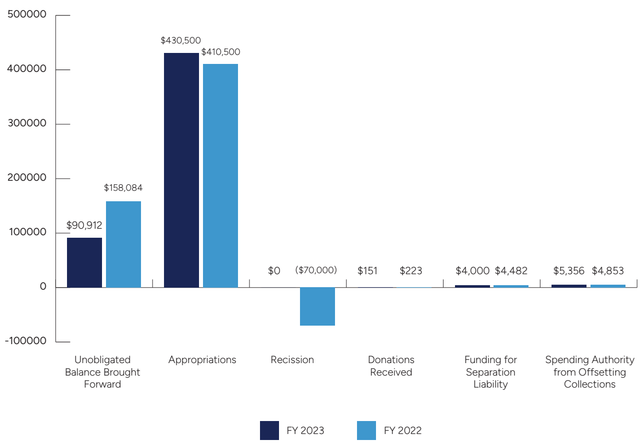
The agency ended FY 2023 with Budgetary Resources of $530.9 million which, compared to $508.1 million in FY 2022, is an increase of $22.8 million or 4 percent.

As presented in the Statements of Budgetary Resources, appropriations are reported at $434.7 million—almost 82 percent of the Peace Corps' budgetary resources in FY 2023. This amount is comprised of appropriations authorized by Congress of $430.5 million, donations to the Peace Corps of $151 thousand, and monies transferred within the agency to fund the PSC and FSN separation funds of $4.0 million. The agency had a recission in FY 2022 for $70 million, which comparatively increased the level of appropriated funds in FY 2023 by $70 million.

Unobligated Balance Brought Forward of $90.9 million comprises unobligated balances from prior fiscal years as well as recoveries from FY 2023. Of this, $43.4 million was FY 2022 funding carried over from September 30, 2022 that remained available for new obligation in FY 2023. Annual Peace Corps appropriations are available to be obligated for a period of two years. This amount brought forward at the beginning of FY 2023 decreased by 42 percent or $67.1 million from the beginning FY 2022 balance of $158 million. The decrease is due, in part, to increased expenditures related to growing numbers of Volunteers returning to service in FY 2022. The FY 2022 balance also included $18.5 million in CARES Act funding, which was no longer available at the beginning of FY 2023. The Peace Corps also had a $70 million rescission in FY 2022, which reduced the balance brought forward at the beginning of FY 2023.

Additional sources of funding came from spending authority from offsetting collections, 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 the U.S. Agency for International Development (USAID) on programs such as Small Project Assistance, Food Security, Global Education, Disaster Risk Reduction, Maternal and Child Health, and Digital Literacy for Women which, in total, amounted to $9.3 million in FY 2023. Upon execution, the remaining balance on these agreements was $5.9 million on September 30, 2023.

Budgetary Resources
(In Thousands)



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 2023, the agency received $14.0 million in funds for the President's Emergency Plan for AIDS Relief (PEPFAR) from the 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 and results of operations of the Peace Corps, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of the 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. The financial statements should be read with the realization that they are for a component of the U.S. Government.

ANALYSIS OF SYSTEMS, CONTROLS, 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 reporting in compliance with the Digital Accountability and Transparency Act of 2014 (DATA Act).

The Peace Corps makes strategic investments to Odyssey to improve business processes and meet federal requirements. In FY 2024, the Peace Corps plans to continue migration of Odyssey to a Federal Risk and Authorization Management Program (FEDRAMP) Authorized Infrastructure as a Service (IaaS) cloud environment providing scalability, increased collaboration, data security, internal-threat detection, and highly automated threat remediation. Additionally, the agency is scheduled to complete migration of its configuration management services "Project and Portfolio Management" (PPM) server to a FEDRAMP Authorized Software as a Service (SaaS) cloud environment.

Controls

Guidance for implementing FMFIA is provided through Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The Peace Corps Manual Section 780—Enterprise Risk Management and Manual Section 784—Internal Control Systems, set out the agency's oversight role and strategic decision-making over enterprise risk management 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 Enterprise Risk Management framework to aid in advancing its mission, 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 Enterprise Risk Management Council Charter and serves as the director's advisory body on matters concerning the agency's risk management and mitigation efforts. The ERMC, comprised 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 the 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 Director Spahn's FY 2023 FMFIA Unmodified Management Assurance Statement.

Accountability of Tax Dollars Act of 2002

The Accountability of Tax Dollars Act (ATDA) expands auditing requirements for financial statements to agencies not covered by the CFO Act, including the Peace Corps. The Peace Corps submits its FY 2023 Agency Financial Report in accordance with this Act.

Anti-Deficiency Act

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 Act of 2014 (P.L. 113-101) (DATA Act), was signed into law in May 2014 to establish government-wide, financial data standards and to increase the availability, accuracy, and usefulness of federal spending information. DATA Act implementation, led by the Department of the Treasury and the Office of Management and Budget, 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, DATA Act Information Model Schema (DAIMS), to submit award-level information for posting on USASpending.gov. The Peace Corps' financial system is updated with the most recent version of the DAIMS to ensure submission of all required financial data elements are complete and accurate. As for contract award data, the agency uses a contract writing system, Procurement Information System for Management (PRISM) for domestic contracts, which automatically updates to Federal Procurement Data System-Next Generation, the central repository of government contracting transactions. Overseas awards are updated manually into the repository monthly.

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 2023, the Peace Corps developed more comprehensive internal standard operating procedures with the goal of improving the timeliness and quality of its DATA Act submissions and closed all remaining audit recommendations related to DATA Act reporting.

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 Agency Financial Report (AFR). See Payment Integrity Information Act (PIIA) Reporting for further information on Peace Corps compliance with PIIA.

Management Assurance Statement

The Federal Managers' Financial Integrity Act Unmodified Management Assurance Statement that follows is consistent with the FY 2023 financial statement audit report.

FY 2023 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). We 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 Office of Management and Budget 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, 2023, with the exception of one significant deficiency over the internal controls for Property, Plant, and Equipment.

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 Federal Managers' Financial Integrity Act Section 4 and Office of Management and Budget Circular A-123 for FY 2023. However, this excepts one significant deficiency and one nonconformance with the Federal Information Security Modernization Act of 2014. In accordance with Office of Management and Budget Bulletin No. 22-01 Audit Requirements for Federal Financial Statements, this is not considered a material weakness. Details of the Federal Information Security Modernization Act nonconformance item are in Appendix 1.

Carol Spahn

Carol Spahn

Director
November 14, 2023

Experiencing connection through language in the Dominican Republic

Briley Lewis is serving as a Youth in Development Volunteer in the Dominican Republic from 2022 to 2024 working as a music and English teacher.

In December, I was invited to church by a Haitian student of mine who lives in a nearby batey, a sugarcane settlement with a majority Haitian population. I walked the 30-minute unshaded walk to his church in a heat I, being from the Midwest, have never experienced.

As a Volunteer in the Dominican Republic (DR), I knew I'd have to learn the fast-paced Dominican Spanish and everything about the culture of my new community, but the idea of learning more than that never crossed my mind. However, after I learned about the Haitian population in the DR, I become infatuated with learning more about their rich culture as well.

I accepted the invitation to church that hot Sunday with no reservations. But as I, an American dressed in his Sunday best, crossed the highway into the Haitian community, I noticed that all eyes were glued to me. Nervously walking up to the first person I saw, a man wearing only a towel, I asked *"Ki kote legliz la?"* (Where is the church?). *"Legliz la?"* He affirmed, before turning around and shouting something to someone in the next house over. Two small children, a boy and a girl, jumped out into the street. Both were dressed in their church clothes, and that immediately made me feel less out of place.

"Walk him to the church," the man said to the kids.

As each child took one of my hands to lead me — a common gesture in the Haitian culture — and I used the Haitian Creole phrases I'd practiced in weeks prior. I asked them for their names and favorite colors. As we walked hand-in-hand through the streets, onlooker's eyes were still watching me, but the company of my two escorts took all my nerves away.

Arriving at the church, I reunited with my student

Volunteer Briley Lewis makes music with his students.

and met the pastor, who again took my hand and led me to a chair placed right next to the pulpit facing the congregation — another Haitian tradition, for guests of honor.

Although I lost myself frequently in the trilingual service — Spanish, Haitian Creole, and French were all spoken — I was able to recognize the pastor's gesture for me to come introduce myself to the congregation. After giving my well-rehearsed Volunteer introduction in Spanish, I decided to give the same introduction in Haitian Creole. To hear the emphatic applause afterwards filled my heart with so much love and enthusiasm; I felt the warmth of a new culture I had not previously known. After the service, members of the congregation called me their brother, and offered to walk me the whole thirty minutes back to my house in the midday sun.

There is a Haitian proverb — *Dèyè mòn gen mòn* — (literally "Behind mountains there are mountains"). Meaning, there is more to this than meets the eye, there are hidden truths yet to be revealed. After experiencing the kind of connections that can be made through language, I realize now how much more there is to my community — and my service — than I saw before. It brings into perspective these goals of the Peace Corps, and why I am here—to help build cultural bridges that did not exist before, and to find commonality amongst differences.

Read the full story at: https://www.peacecorps.gov/stories/experiencing-connection-through-language-in-the-dominican-republic/

Financial Section

Peace Corps Education Volunteers work in local schools, teaching a variety of subjects.

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MESSAGE FROM THE ACTING CHIEF FINANCIAL OFFICER

On behalf of the Peace Corps, I am pleased to present our Agency Financial Report for FY 2023. This fiscal year the independent audit firm Williams Adley issued our 17th consecutive unmodified (clean) audit opinion of our financial statements. We are honored to receive this as it reflects our commitment to strong financial management. We are also pleased to participate in the Association of Government Accountants' Certificate of Excellence in Accountability Reporting program once again with our FY 2023 Agency Financial Report.

We enjoy a positive working relationship with Williams Adley and the Office of the Inspector General and welcome their insights on our financial operations. Demonstrating excellence in financial management and reporting is a cornerstone of our support of the agency's mission. As such, we have taken steps to remediate two significant deficiencies and one nonconformance outlined in the auditor's report.

This year we gained momentum in returning Volunteers to the field after an absence of two years due to the COVID-19 pandemic. As the agency grows Volunteer placements to pre-pandemic levels, the Office of the Chief Financial Officer (OCFO) is working with agency partners to better align resources to remedy challenges encountered in today's world. Volunteer service continues to evolve, and the costs to support Volunteer service models are increasing. The agency's enacted appropriation of $430.5 million in FY 2023 was critical to our success and we take the responsible stewardship of those funds seriously.

Global inflationary pressures and supply-chain challenges are increasing costs and affecting many of our host countries and communities. The agency's global footprint heightens the impact of worldwide fuel, shipping, security, and personnel expenses. OCFO analysis and tools, such as the Volunteer Living Allowance Survey application, allowed us to evaluate the actual costs of living for Volunteers and support them appropriately.

In support of the largest Volunteer ramp-up since the agency's beginning, OCFO facilitated investment in updated outreach and recruiting efforts to build a pipeline of candidates for placement overseas. In collaboration with agency stakeholders, OCFO bolstered resources for the health, safety, and security of already serving Volunteers.

OCFO worked closely with agency partners to address a material weakness identified the FY 2022 financial statement audit. OCFO also closed one Management Advisory Report and five audit reports on topics including the agency's PEPFAR funding allocation and DATA Act reporting procedures. OCFO supported the Office of the Chief Compliance Officer in maturing the agency's Enterprise Risk Management program, an important component of prudent financial management. Notable milestones in FY 2023 included hiring an agency Risk Officer and finalizing a Risk Appetite statement. We will continue to incorporate these efforts into our work in FY 2024.

I am proud to lead a staff dedicated to providing essential support to our Volunteers and mission of world peace and friendship. The Peace Corps' achievements illustrate the remarkable efforts of our employees and partners. OCFO remains committed to providing excellence in financial management, accountability, and transparency as we move forward into FY 2024.

Allison Blotzer
Acting Chief Financial Officer
November 14, 2023

Peace Corps
Balance Sheets
As of September 30, 2023 and 2022
(In Thousands)

	2023	2022
Assets (Note 2)		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	$ 251,692	$ 259,517
Accounts Receivable, Net (Note 4)	1,363	959
Other Assets (Note 7)	375	2,870
Total Intragovernmental Assets	253,430	263,346
Other than Intragovernmental Assets		
Accounts Receivable, Net (Note 4)	431	209
Property, Plant, and Equipment, Net (Note 5)	42,489	42,190
Prepaid Volunteer Living Allowances (Note 6)	703	111
Other Assets (Note 7)	7,146	6,282
Total Other than Intragovernmental Assets	50,769	48,792
Total Assets	$ 304,199	$ 312,138
Liabilities (Note 8)		
Intragovernmental Liabilities		
Accounts Payable	$ 183	$ 43
Unfunded FECA Liability (Note 8)	22,327	24,021
Other Unfunded Employment Related Liability (Note 8)	48	17
Total Intragovernmental Liabilities	22,558	24,081
Other than Intragovernmental Liabilities		
Accounts Payable	11,162	8,623
Federal Employee and Veteran Benefits Payable (Note 8)	130,785	132,090
Advances from Others and Deferred Revenue (Note 8)	7,157	7,838
Liability for Non-Entity Assets (Notes 2 and 8)	6,141	1,676
Commitments and Contingencies (Note 11)	750	-
Accrued Funded Payroll and Leave (Note 9)	10,385	9,615
FSN and PSC Separation Liability (Note 9)	41,393	41,232
Total Other than Intragovernmental Liabilities	207,773	201,074
Total Liabilities	$ 230,331	$ 225,155
Net Position		
Unexpended Appropriations	$ 185,415	$ 201,775
Cumulative Results of Operations	(111,547)	(114,792)
Total Net Position	73,868	86,983
Total Liabilities and Net Position	$ 304,199	$ 312,138

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Net Cost
For the Years Ended September 30, 2023 and 2022
(In Thousands)

		2023		2022
Gross Program Costs (Note 12)				
Gross Costs	$	465,449	$	372,056
Less: Earned Revenue		(3,898)		(3,334)
Net Cost of Operations	$	461,551	$	368,722

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Changes in Net Position
For the Years Ended September 30, 2023 and 2022
(In Thousands)

	2023	2022
Unexpended Appropriations		
Beginning Balance	201,775	231,313
Appropriations Received	430,500	410,500
Appropriations Transferred In/Out		
Other Adjustments	(5,980)	(73,196)
Appropriations Used	(440,880)	(366,842)
Net Change in Unexpended Appropriations	(16,360)	(29,538)
Total Unexpended Appropriations	185,415	201,775
Cumulative Results of Operations		
Beginning Balance	(114,792)	(132,404)
Appropriations Used	440,880	366,842
Donations and Forfeitures of Cash and Cash Equivalents	151	223
Transfers In/Out Without Reimbursement	228	916
Donations and Forfeitures of Property	68	-
Imputed Financing (Note 13)	19,469	13,870
Other	4,000	4,482
Net Cost of Operations	461,551	368,722
Net Change in Cumulative Results of Operations	3,245	17,612
Total Cumulative Results of Operations	(111,547)	(114,792)
Net Position	$ 73,868	$ 86,983

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Budgetary Resources
For the Years Ended September 30, 2023 and 2022
(In Thousands)

		2023		2022
Budgetary Resources				
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)		90,912		158,084
Appropriations (Discretionary and Mandatory)		434,651		345,205
Spending Authority from Offsetting Collections (Discretionary and Mandatory)		5,356		4,853
Total Budgetary Resources	$	530,919	$	508,142
Status of Budgetary Resources				
New Obligations and Upward Adjustments (Total)	$	472,400	$	438,364
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts		35,065		44,816
Exempt from Apportionment, Unexpired Accounts		3,615		3,737
Unapportioned, Unexpired Accounts		5,015		5,010
Unexpired Unobligated Balance, End of Year		43,695		53,563
Expired Unobligated Balance, End of Year		14,824		16,215
Unobligated Balance, End of Year (Total)		58,519		69,778
Total Budgetary Resources	$	530,919	$	508,142
Outlays, Net				
Outlays, Net (Total) (Discretionary and Mandatory)		440,959		362,528
Distributed Offsetting Receipts		(536)		13
Agency Outlays, Net (Discretionary and Mandatory)	$	440,423	$	362,541

The accompanying notes are an integral part of these statements.

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 statements are presented 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 May 19, 2023. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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 the 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 federal governmental 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 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 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 agency 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 write-off 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)**

Beginning in FY 2021, the agency capitalizes PP&E that has an individual acquisition cost or aggregate purchases of $100,000 or greater, has a useful life of two years or more, is not intended for sale in the ordinary course of business, and is intended to be used or available for use by the entity. Prior to FY 2021, PP&E costs incurred were capitalized for individual acquisition costs of $25,000 or greater and costs incurred were capitalized for aggregate purchases of $100,000 or greater.

Beginning in FY 2019, costs incurred for major building renovations of $100,000 or greater are initially recorded as Construction in Progress (CIP), then after project completion are capitalized, transferred to Leasehold Improvements, and amortized over the remaining life of the lease. Prior to FY 2019, costs incurred and recorded in CIP were capitalized for major building renovations of $25,000 or greater.

Beginning in FY 2021, software purchased for $100,000 or developed for internal use at a cost of $100,000 or greater is capitalized and amortized over its expected life (currently three to nine years). Prior to FY 2021, software purchased for $25,000 or developed for internal use at a cost of $25,000 were capitalized.

IT hardware is capitalized and amortized over its expected life of three to fifteen years. Vehicles in the amount of $10,000 and over are capitalized over their useful life of five years for assets acquired in FY 2013 and prior and six years for assets acquired in or after FY 2014. The agency uses an estimated salvage value of 40 percent for vehicles. Land and anything attached to it, such as buildings located overseas, are capitalized at their fair market value at the time of transfer, regardless of their acquisition cost. Buildings are depreciated with a ten year useful asset life. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method.

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. **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 Peace Corps.

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 is 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.

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.

VII. *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.

VIII. *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.

N. 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 Peace Corps' 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, as estimated range of loss is disclosed.

O. 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 monies received by the agency from non-federal sources meet the prescribed criteria of Funds from Dedicated Collections.

P. 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.

Q. 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.

R. **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.

S. **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.

T. **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.

U. **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.

V. **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.

W. **CARES Act of 2020**

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law on March 27, 2020. The economic relief package delivered on providing fast and direct economic assistance for American workers and families, small businesses, and preserved jobs for American industries impacted by COVID-19. The package also delivered on providing supplemental funding to federal agencies impacted by COVID-19.

In March 2020, the OMB apportioned the Peace Corps $88 million in supplemental funding. A significant portion of this funding were used to safely evacuate 6,893 Volunteers from 62 posts around the world for return to the United States.

The COVID-19 supplemental funding significantly impacted FY 2022 and FY 2023 financial reporting for the Peace Corps including: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources and various footnotes. FY 2023 had significant outlays ($14 million) related to FY 2022 obligations.

X. Permanent Reduction – Prior-Year Balances

In May 2022, the Peace Corps processed a request for rescission warrant for budget FY 2021 unobligated balances in the amount of $70 million (pursuant to PL 117-103; 136 STAT 683).

Note 2 Non-Entity Assets				
Non-Entity Assets		September 30, 2023 *(In Thousands)*		September 30, 2022 *(In Thousands)*
Deposit Fund	$	5,592	$	637
Clearing Accounts		549		1,039
Total Non-Entity Assets		6,141		1,676
Total Entity Assets		298,058		310,462
Total Assets	$	304,199	$	312,138

Non-entity assets comprise a deposit fund and clearing accounts. These assets are not available for the use of the Peace Corps and are not part of the Peace Corps' 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. The balance in this fund depleted in FY 2020 as a result of the temporary suspension of overseas programs, with the complete evacuation of all Volunteers and Trainees from the field, in response to the COVID-19 pandemic. With the re-entry of Volunteers in FY 2022, this fund resumed activity.

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, 2023 *(In Thousands)*		September 30, 2022 *(In Thousands)*
Unobligated Balance				
Available	$	38,680	$	48,553
Unavailable		19,839		21,225
Obligated Balance not yet Disbursed		187,032		188,063
Non-Budgetary FBWT		6,141		1,676
Total	$	251,692	$	259,517

FBWT is equal to the unobligated balance of funds plus the obligated balance not yet disbursed. As of September 30, 2023 and September 30, 2022, FBWT include CARES Act available unobligated balances and unavailable unobligated balances.

Available Unobligated Balance – Comprise apportionments available for allotment plus allotments available for commitment or obligation. In FY 2020, the Peace Corps received COVID-19 supplemental funding of $88 million, $367,000 and $320,000 of which remained in this balance as of September 30, 2023 and September 30, 2022, respectively.

Unavailable Unobligated Balance – Comprise unapportioned authority plus unobligated appropriation authority from prior years that is no longer available for new obligations. This latter authority is only available for adjustments to existing obligations.

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

Note 4 Accounts Receivable, Net

Accounts Receivable as of September 30, 2023 *(In Thousands)*	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	$ 1,363	$ -	$ 1,363
Other than Intragovernmental	431	-	431
Total	$ 1,794	$ -	$ 1,794

Accounts Receivable as of September 30, 2022 *(In Thousands)*	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	$ 959	$ -	$ 959
Other than Intragovernmental	209	-	209
Total	$ 1,168	$ -	$ 1,168

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, 2023.

Note 5 Property, Plant, and Equipment, Net

Components of PP&E as of September 30, 2023 *(In Thousands)*	Useful Life in Years	Cost	Acccumulated Depreciation	Net Book Value
Land	N/A	$ 43	$ -	$ 43
Buildings	10	999	487	512
Construction in Progress	N/A	2,372	-	2,372
Equipment and Furniture	5–10	3,440	1,709	1,731
Vehicles	5-6	22,581	8,239	14,342
IT Hardware	3–15	31,366	21,638	9,728
Leasehold Improvements	2–10	16,438	7,540	8,898
Internal Use Software	3–9	49,157	44,294	4,863
Total		$ 126,396	$ 83,907	$ 42,489

Components of PP&E as of September 30, 2022 *(In Thousands)*	Useful Life in Years	Cost	Acccumulated Depreciation	Net Book Value
Land	N/A	$ 43	$ -	$ 43
Buildings	10	463	463	-
Construction in Progress	N/A	2,139	-	2,139
Equipment and Furniture	5–10	3,441	1,406	2,035
Vehicles	5-6	23,206	8,504	14,702
IT Hardware	3–15	32,611	19,310	13,301
Leasehold Improvements	2–10	15,819	6,021	9,798
Internal Use Software	3–9	44,368	44,196	172
Total		$ 122,090	$ 79,900	$ 42,190

PP&E as of September 30, 2023 consists of land, buildings, construction in progress, equipment and furniture, vehicles, IT hardware, leasehold improvements, and internal use software. These assets are located at Washington, D.C. headquarters, regional recruiting offices, and overseas posts. The asset value includes ancillary costs incurred to bring assets to a form and location suitable for their intended use. The vehicles category reflects new vehicles added and retired in FY 2023. Internal use software represents software that was either developed internally or purchased from vendors off-the-shelf.

The agency capitalizes PP&E by the following major classes:

Land and attached assets, such as buildings located overseas, are capitalized at their fair market value at the time of transfer, regardless of their acquisition cost. Buildings are depreciated with a ten-year useful asset life. Acquisitions that do not meet these criteria are recorded as operating expenses.

Beginning in FY 2019, costs incurred for major building renovations of $100,000 or greater are initially recorded as Construction in Progress (CIP). Upon project completion, costs are transferred to Leasehold Improvements and amortized over the remaining life of the lease. Prior to FY 2019, costs incurred and recorded in CIP were capitalized at a lower threshold value of $25,000 or greater.

Note 6 Prepaid Volunteer Living Allowance

	September 30, 2023 *(In Thousands)*	September 30, 2022 *(In Thousands)*
Prepaid Volunteer Living Allowance	$ 703	$ 111

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. Prepaid Volunteer living allowances have resumed with the re-entry of Volunteers during FY 2022.

Note 7 Other Assets

	September 30, 2023 *(In Thousands)*	September 30, 2022 *(In Thousands)*
Intragovernmental		
Prepaid PP&E	$ -	$ 2,870
Other Advances	375	-
Total Intragovernmental	375	2,870
Other than Intragovernmental		
Travel Advances to Employees	622	376
Relocation Advances to Employees	306	261
Prepaid Rent	3,691	4,247
Other Advances	2,527	1,398
Total Other than Intragovernmental	7,146	6,282
Total Other Assets	$ 7,521	$ 9,152

Types of other assets are described below.

Prepaid PP&E – Prepaid PP&E includes an advance payment to a federal trading partner to procure an IT system for the agency.

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 includes PSC payroll and prepayments of expenses for IT costs.

Note 8 Liabilities Not Covered by Budgetary Resources		
	September 30, 2023 *(In Thousands)*	September 30, 2022 *(In Thousands)*
Intragovernmental		
Unfunded FECA Liability	$ 22,327	$ 24,021
Other Unfunded Employment-Related Liability	48	17
Total Intragovernmental	$ 22,375	$ 24,038
Other than Intragovernmental		
Unfunded Annual Leave	14,968	14,323
Other Unfunded Employment-Related Liability	2,329	(186)
Federal Employee and Veteran Benefits Payable	113,488	117,953
Liability for Non-Entity Assets	6,141	1,676
Total Other than Intragovernmental	$ 136,926	$ 133,766
Total Liabilities Not Covered by Budgetary Resources	$ 159,301	$ 157,804
Total Liabilities Covered by Budgetary Resources	$ 71,030	$ 67,351
Total Liabilities	$ 230,331	$ 225,155

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.

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, 2023 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.

Other Unfunded Employment-Related Liability (Other than Intragovernmental) – A liability for the unfunded estimated separation of foreign national PSCs. Lump-sum payments are generally made to eligible international long-term PSCs based on local labor law requirements for separation. These payments are made when the individual terminates and are paid out of current appropriations.

Federal Employee and Veteran Benefits Payable – A liability for the actuarial value of future payments for FECA as estimated by DOL for the agency.

Liability for Non-Entity Assets – Non-entity assets comprise a deposit fund and clearing accounts. These funds are not available for the use of the Peace Corps and are not part of the Peace Corps' resources. The Peace Corps monitors collections, status, and distribution.

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 Liabilties				
		September 30, 2023 (In Thousands)		September 30, 2022 (In Thousands)
Other than Intragovernmental				
Accrued Funded Payroll and Leave	$	10,385	$	9,615
Commitments and Contingencies (Note 11)		750		-
Liability for Advances and Prepayments		7,157		7,838
FSN and PSC Separation Liability		41,393		41,232
Total Other than Intragovernmental	$	59,685	$	58,685
Total Other Liabilities	$	59,685	$	58,685

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

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

Commitments and Contingencies – It is determined by measuring the probability for pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur against the Peace Corps.

Liability for Advances and Prepayments – This liability contains deferred rent costs to be amortized over the 15-year lease term for the new location of the Peace Corps headquarters.

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 is considered a non-current liability.

Note 10 Leases		
		Future Lease Payments (In Thousands)
FY24	$	10,114
FY25		10,252
FY26		10,393
FY27		10,539
FY28		10,690
After FY28		62,841
Total Future Lease Payments	$	114,829

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. The Peace Corps' overseas leases are all considered cancellable operating leases, which do not require disclosure.

The agency enters into Occupancy Agreements (OA) with the General Services Administration (GSA) for its building in Washington, DC, and its regional recruiting offices throughout the continental United States. GSA leases commercial facilities and provides spaces in federal buildings for occupancy by the agency. OA range from five to ten-year terms, however, leased spaces are cancellable and can be vacated with a 120-day notice to GSA. Future operating lease payments for domestic leases, which are all intragovernmental, are depicted above.

Note 11 Commitments and Contingencies

September 30, 2023 (In Thousands)	Accrued Liabilities	Estimated Range of Loss Lower End	Estimated Range of Loss Upper End
Legal Contingencies			
Probable	$ 750		
Reasonably Possible		$ 50	$ 300

September 30, 2022 (In Thousands)	Accrued Liabilities	Estimated Range of Loss Lower End	Estimated Range of Loss Upper End
Legal Contingencies	$ -		
Reasonably Possible		$ 25	$ 4,725

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 $750,000 as of September 30, 2023 and $0 as of September 30, 2022. Settlement occurred during FY 2024 and this contingent liability will be paid out of the Judgment Fund. These contingencies are considered current liabilities.

Disclosure is required for subsequent events which occur after the balance sheet date, September 30, 2023. In October 2023, new legal actions were identified, management and legal counsel estimated a reasonable possibility of loss for up to $450,000.

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 $300,000 as of September 30, 2023 and $4.7 million as of September 30, 2022.

Note 12 Suborganization Program Costs

	September 30, 2023 (In Thousands)	September 30, 2022 (In Thousands)
Intragovernmental Costs	$ 110,365	$ 99,660
Other than Intragovernmental Costs	355,084	272,396
Total Costs	$ 465,449	$ 372,056
Intragovernmental Earned Revenue	$ (3,185)	$ (2,525)
Other than Intragovernmental Earned Revenue	(713)	(809)
Total Earned Revenue	$ (3,898)	$ (3,334)
Net Cost of Operations	$ 461,551	$ 368,722

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. As of September 30, 2023, other than intragovernmental costs includes spending related to the CARES Act.

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, 2023 (In Thousands)	September 30, 2022 (In Thousands)
Federal Employees Health Benefits Program	$ 9,900	$ 8,819
Federal Employees Group Life Insurance Program	26	24
Civil Service Retirement System	18	60
Federal Employees Retirement System	9,463	4,944
Foreign Service Retirement and Disability System	62	23
Total Inter-Entity Costs	$ 19,469	$ 13,870

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, and pension benefits paid by other federal entities.

Note 14 Undelivered Orders at End of Period	September 30, 2023 (In Thousands)	September 30, 2022 (In Thousands)
Intragovernmental		
Unpaid Undelivered Orders	$ 504	$ 313
Paid Undelivered Orders	16	4
Total Intragovernmental Undelivered Orders	$ 520	$ 317
Other than Intragovernmental		
Unpaid Undelivered Orders	$ 125,091	$ 129,321
Paid Undelivered Orders	8,208	9,905
Total Other than Intragovernmental Undelivered Orders	133,299	139,226
Undelivered Orders - End of Period	$ 133,819	$ 139,543

Undelivered orders are budgetary obligations with and without advances/prepayments placed against federal budget authority where goods or services have yet to be received. Undelivered orders as of September 30, 2023 and September 30, 2022, include orders related to the CARES Act.

Note 15 Explanation of Differences between SBR and the Budget of the U.S. Government (In Millions)	Budgetary Resources FY 2022	New Obligations and Upward Adjustments FY 2022	Distributed Offsetting Receipts FY 2022	Net FY 2022
Combined Statement of Budgetary	$ 508	$ 438	$ 13	$ 363
Difference	19	3	13	1
Budget of the U.S. Government	$ 489	$ 435	$ -	$ 362

The Budget of the United States (also known as the President's Budget), with actual amounts for FY 2023 was not published at time that these financial statements were issued. The President's Budget is expected to be published in February 2024, 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 2022 Agency Financial Report and the actual FY 2022 balances includes in the FY 2024 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 For the Years Ended September 30, 2023 and 2022 *(In Thousands)*	HCC Cash 2023	HCC In-Kind 2023	Total Fiduciary Funds 2023	HCC Cash 2022	HCC In-Kind 2022	Total Fiduciary Funds 2022
Fiduciary Net Assets, Beginning of year	$ 528	$ -	$ 528	$ 465	$ -	$ 465
Contributions	240	687	927	187	756	943
Disbursements	(234)	(687)	(921)	(120)	(756)	(876)
Increase/(Decrease) in Fiduciary Net Assets	6	-	6	67	-	67
Fiduciary Net Assets, End of Year	$ 534	$ -	$ 534	$ 532	$ -	$ 532

Fiduciary Net Assets For the Years Ended September 30, 2023 and 2022 *(In Thousands)*	HCC Cash 2023	HCC In-Kind 2023	Total Fiduciary Funds 2023	HCC Cash 2022	HCC In-Kind 2022	Total Fiduciary Funds 2022
Fiduciary Net Assets						
Cash and Cash Equivalents	$ 531	$ -	$ 531	$ 533	$ -	$ 533
Other Assets	-	-	-	-	-	-
Less: Liabilities	3	-	3	(1)	-	(1)
Total Fiduciary Net Assets	$ 534	$ -	$ 534	$ 532	$ -	$ 532

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, 2023 *(In Thousands)*	Intragovernmental	Other than Intragovernmental	Total FY 2023
Net Operating Cost (SNC)	$ 107,180	$ 354,371	$ 461,551
Components Of Net Operating Cost Not Part Of The Budgetary Outlays			
Property, Plant & Equipment Depreciation	-	(9,476)	(9,476)
Property, Plant & Equipment Disposal & Reevaluation		(1,187)	(1,187)
Other	-	-	-
Increase/(Decrease) In Assets Not Affecting Budget Outlays:			
Accounts Receivable	404	222	626
Other Assets	(2,495)	1,457	(1,038)
(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:			
Accounts Payable	(140)	(2,584)	(2,724)
Salaries & Benefits	-	1,304	1,304
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	1,663	(5,956)	(4,293)
Other Financing Sources			
Federal Employee Retirement Benefit Costs Paid By OPM And Imputed to Agency	(19,469)	-	(19,469)
Components Of Net Operating Cost Not Part Of The Budgetary Outlays Total	$ (20,037)	$ (16,220)	$ (36,257)
Components Of The Budget Outlays That Are Not Part Of Net Operating Cost			
Acquistion of Capital Assets	-	11,046	11,046
Other	-	-	-
Other Financing Sources			
Donated Revenue	-	(148)	(148)
Transfers Out (In) Without Reimbursement	(228)	-	(228)
Components Of The Budget Outlays That Are Not Part Of Net Operating Cost Total	$ (228)	$ 10,898	$ 10,670
Misc Items			
Distributed Offsetting Receipts	-	(536)	(536)
Non-Entity Liability	-	6,141	6,141
Custodial/Non-exchange revenue	(4,000)	(1,415)	(5,415)
Appropriated Receipts for Trust/Special Funds	-	4,706	4,706
Timing Difference	-	117	117
Other Reconciling Items Total	(4,000)	4,190	5,013
Total Net Outlays (Calculated Total)	$ (24,265)	$ (1,132)	$ (20,574)
Budgetary Agency Outlays, net			
Agency Outlays, Net			$ 440,423

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. As of September 30, 2023, the reconciliation includes activity related to the CARES Act.

Note 18 COVID-19 Activity		
	September 30, 2023 *(In Thousands)*	September 30, 2022 *(In Thousands)*
Budgetary Resources: Unobligated (and unexpired) Balance Carried Forward from PY	$ 691	$ 18,772
Budgetary Resources Obligated	(324)	(18,452)
Budgetary Resources: Ending Unobligated (and expired) Balance to be Carried Forward	367	320
Outlays, Net	$ 14,243	$ 877

COVID-19 activity impacted assets, liabilities, costs, net position, and budgetary resources for the Peace Corps. For the purpose of this financial statement footnote, COVID-19 activity appeared in budgetary resources and status of budgetary resources relative to the following:

Budgetary Resources: Unobligated Balance Carried Forward from Prior Year – Unobligated Balance from Prior Year Budget Authority, Net includes budgetary resources remaining available as of prior-year FY 2022.

Budgetary Resources Obligated – Budgetary resources obligated includes obligations incurred as a result of COVID-19.

Budgetary Resources: Ending Unobligated – Ending unobligated includes unobligated/unused COVID-19 supplemental funding that can be used in future fiscal years beyond current fiscal year.

Outlays, Net – Outlays, Net is a measure of spending related to COVID-19. It consists of payments to liquidate obligations.

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To: Carol Spahn, Peace Corps Director

From: Joaquin Ferrao, Inspector General

Date: November 14, 2023

Subject: Audit of the Peace Corps' Fiscal Year 2023 Financial Statements

This letter transmits the Williams, Adley & Company – DC, LLP (Williams Adley) audit report of the Peace Corps' Fiscal Year (FY) 2023 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared its financial statements and subjected them to audit in accordance with the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements.

Independent Auditor's Reports on the Financial Statements, Internal Control over Financial Reporting, and Compliance with Laws, Regulations, Contracts, and Grant Agreements

OIG contracted with Williams Adley, an independent certified public accounting firm, to audit the Peace Corps' financial statements for the fiscal years ending on September 30, 2023, and September 30, 2022. This audit was conducted in accordance with the U.S. generally accepted government auditing standards (GAGAS); the applicable financial audit standards in the Generally Accepted Accounting Principles (GAAP), as issued by the Comptroller General of the United States; and OMB Bulletin No. 24-01, Audit Requirements for Federal Financial Statements.

Williams Adley's report for fiscal year 2023 includes an opinion on the financial statements, conclusions on internal controls over financial reporting, and a review of the agency's compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements. In this audit, Williams Adley found the following:

- The financial statement was fairly presented, in all material respects, in accordance with GAAP
- One significant deficiency related to improper internal controls over financial reporting[1]
  - *Inadequate internal controls over property, plant, and equipment.* Williams Adley cited gaps in the internal control framework for recording, capitalizing, and tracking property.
- One significant deficiency related to information technology as it pertains to internal controls over financial reporting

[1] A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with its governance.

    - *Lack of effective information technology security*. Williams Adley cited a lack of a comprehensive risk management program and a fully defined continuous monitoring strategy.

- One instance of reportable noncompliance related to provisions of applicable laws, regulations, contracts, and grant agreements, which are required to be reported under GAGAS or OMB guidance
    - Williams Adley found that the Peace Crops did not fully comply with the Federal Information Security Modernization Act of 2014 by not meeting the Department of Homeland Security's required maturity level of Managed and Measurable.

<u>OIG Evaluation of Williams Adley's Audit Performance</u>

In connection with the contract, OIG reviewed Williams Adley's report and related documentation and conducted follow up meetings with its representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on the Peace Corps' financial statements or conclusions about the effectiveness of internal controls or compliance with laws, regulations, contracts, and grant agreements. Williams Adley is responsible for the attached auditor's report dated November 14, 2023, and the auditor's conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply in all material respects with GAGAS.

If you or a member of the Peace Corps staff has any questions about Williams Adley's audit or our oversight of it, please contact Acting Assistant Inspector General for Audit Renita Davis at 202-692-2937.

Attachment

cc: Thomas Peng, Chief of Operations and Administration
Lauren Stephens, Chief of Staff
Allison Blotzer, Acting Chief Financial Officer
Michael Terry, Acting Chief Information Officer
Emily Haimowitz, Chief Compliance Officer
Greg Yeich, Compliance Officer
Ruchi Jain, General Counsel

PEACE CORPS
Office of INSPECTOR GENERAL

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.

WILLIAMS ADLEY

Summary of Internal Control Issues Over the Peace Corps' Financial Reporting

FISCAL YEAR 2023

Background

We contracted with Williams, Adley & Company-DC LLP (Williams Adley), an independent certified public accounting firm, to audit the Peace Corps' financial statements as of September 30, 2023. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Generally Accepted Accounting Principles, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-01, Audit Requirements for Federal Financial Statements.

As part of their review, Williams Adley considered the Peace Corps' internal control over financial reporting and compliance with provisions of applicable laws, regulations, contracts, and grant agreements in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements. However, Williams Adley does not provide assurance on internal control over financial reporting or on compliance. Accordingly, they do not express an opinion on the effectiveness of the Peace Corps' internal control over financial reporting or on its compliance.

Results

The results of Williams Adley's review of internal controls identified two significant deficiencies and one instance of reportable non-compliance. Furthermore, Williams Adley noted two additional concerns regarding internal controls that do not rise to the level of material weakness or significant deficiency. These concerns are reported in the following attached reports.

Summary of Recommendations

The 13 recommendations made in Williams Adley's reports are intended to assist in improving the Peace Corps' internal control or other operating efficiencies.

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WILLIAMS ADLEY

Independent Auditor's Report

Ms. Carol Spahn
Director
United States Peace Corps

Mr. Joaquin Ferrao
Inspector General
United States Peace Corps

In our audits of the fiscal years 2023 and 2022 financial statements of Peace Corps, we found:

- Peace Corps' financial statements as of and for the fiscal years ended September 30, 2023, and 2022, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed[1]; and
- one reportable noncompliance for fiscal year 2023 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[2] and other information included with the financial statements[3]; (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 *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, we have audited Peace Corps' financial statements. Peace Corps' financial statements comprise the balance sheets as of September 30, 2023, and 2022; the related statements of net cost,

[1] A material weakness is a deficiency, or combination of deficiencies, in internal control 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 are included with the financial statements.

[3] Other information consists of information included with the financial statements, other than the RSI and the auditor's report.

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changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements. In our opinion, Peace Corps' financial statements present fairly, in all material respects, Peace Corps' financial position as of September 30, 2023, and 2022, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. generally accepted government auditing standards. 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 Peace Corps and to 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.

Responsibilities of Management for the Financial Statements

Peace Corps' management is responsible for:

- the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles;
- preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles;
- preparing and presenting other information included in Peace Corps' Agency Financial Report, and ensuring the consistency of that information with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal control 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 are 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 but is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance with U.S. generally accepted government auditing standards 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 for 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 the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. generally accepted government auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements in order to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain an understanding of internal control 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 Peace Corps' internal control over financial reporting. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Perform other procedures we consider necessary in 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
U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Such information is the responsibility of management 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. generally accepted government auditing standards. These procedures consisted of (1) inquiring of management about the methods of preparing the RSI and (2) comparing the information for consistency with 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
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. Management is responsible for the other information included in Peace Corps' Agency Financial Report**.** The other information comprises the Inspector General's Statement on Peace Corps' Management and Performance Challenges, the Summary of Financial Statement Audit and Management Assurances, and the Payment Integrity Information Act of 2019, but does not include the financial statements and our auditor's report thereon. 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 audits of Peace Corps' financial statements, we considered 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 internal control that might be material weaknesses or significant deficiencies[4] or to express an opinion on the effectiveness of Peace Corps' internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

As discussed in *Appendix 1*, our audit identified two significant deficiencies in Peace Corps' internal controls over financial reporting: one deficiency pertaining to property, plant, and equipment and one deficiency pertaining to information security.

Although the significant deficiencies in internal control did not affect our opinion on Peace Corps' fiscal year 2023 financial statements, misstatements may occur in unaudited financial information reported internally and externally by Peace Corps because of these deficiencies.

Our assessment of the current status of the prior material weakness, significant deficiency and noncompliance matter is presented in *Appendix III*.

In addition to the current year significant deficiencies, we also identified deficiencies in Peace Corps' internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant Peace Corps management's attention. We have communicated these matters to Peace Corps management, separately in a management letter.

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

We performed our procedures related to Peace Corps' internal control over financial reporting in accordance with U.S. generally accepted government auditing standards and Office of Management and Budget audit guidance[5].

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[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.

[5] Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*, issued on October 19, 2023. 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.

Responsibilities of Management for Internal Control over Financial Reporting
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 Peace Corps' financial statements as of and for the fiscal year ended September 30, 2023, in accordance with U.S. generally accepted government auditing standards, we considered 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 Peace Corps' internal control over financial reporting. Accordingly, we do not express an opinion on Peace Corps' internal control over financial reporting. We are required to report all deficiencies that are considered to be 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. generally accepted accounting principles, 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 Peace Corps' internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of Peace Corps' internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards 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 audits of 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 2023 that would be

reportable under U.S. generally accepted government auditing standards. As discussed in *Appendix II*, this instance of noncompliance is related to the Federal Information Security Modernization Act. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to 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. generally accepted government auditing standards.

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

Peace Corps management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to 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 applicable laws, regulations, contracts, and grant agreements applicable to Peace Corps that have a direct effect on the determination of material amounts and disclosures in Peace Corps' financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to Peace Corps. We caution that noncompliance may occur 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. generally accepted government auditing standards 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, Peace Corps management provided a written response which is presented in *Appendix IV*. We did not audit Peace Corps' response and, accordingly, we express no opinion on the response.

Williams, Adley & Company-DC, LLP

Washington, District of Columbia
November 14, 2023

Appendix I – Significant Deficiencies

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

Peace Corps' management is responsible for the design and operation of its Property, Plant, and Equipment (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, and all acquisition costs are accurately captured. A comprehensive internal control framework is critical for preventing errors in the financial statements, theft, lack of accountability, waste, fraud, abuse, and lack of responsiveness to changing risk and threats.

Peace Corps maintains several inventory tracking systems for various categories of PP&E. For vehicles, the agency maintains a detailed vehicle tracking system (Vehicle Management Information System [VMIS]), and IT hardware, equipment, and furniture is maintained in the Property Management Software System, also called Sunflower. Data from each of these property systems are reconciled with data in the asset management system (Odyssey Fixed Asset Module) on a monthly basis, specifically for assets that meet the capitalization threshold. Although Peace Corps has improved its internal controls over PP&E related to recording, capitalizing, and tracking property, improvements are still needed.

Peace Corps has a de-centralized process over capitalized assets and did not comply with existing policies and procedures which has led to a repeat significant deficiency from FY 2019 through 2021 and a material weakness in FY 2022. There are many offices involved with managing property. The Offices of Management, Administrative Services and the Chief Information Officer (OCIO) are responsible for recording and managing the physical property, including vehicles, while the Office of the Chief Financial Officer (OCFO) is responsible for the financial implications of these assets.

<u>Inaccurate Reporting of Information in VMIS</u>
Peace Corps does not have adequate controls in place to ensure the information entered into VMIS by the Posts is accurate and timely. We identified four instances in which the Morocco Post inaccurately recorded placed in-service dates for vehicles in VMIS. Specifically, the Post entered a placed in-service date of January 25, 2022 (the date the four vehicles were received) instead of November 1, 2022 (the date the four vehicles were registered).

Personnel at the Posts are responsible for entering information related to vehicles, including the placed in-service date, into VMIS. Upon populating the placed in-service date field, the vehicle appears in VMIS. OCFO relies on the placed in-service date in VMIS when entering purchases of new vehicles in the Odyssey Fixed Asset Module. However, the instructions within VMIS regarding the placed in-service date contradicts the language in Peace Corps OMB Circular A-123 PP&E Cycle Memo. Specifically, the VMIS instructions indicate the placed-in service date represents the date the Post received the vehicle. The PP&E Cycle Memo states the "vehicle is not yet considered active until registration has been completed." Peace Corps does not have a policy that clearly defines and documents what constitutes a vehicle's placed in-service date.

Additionally, Peace Corps policy does not identify the timing of when a vehicle should be entered into VMIS (e.g., the received date or the 'active' date). This has resulted in inconsistencies when the Posts record vehicles in VMIS.

Appendix I – Significant Deficiencies

Assets recorded in Odyssey but not in Sunflower

Monthly reconciliations are conducted by the OCFO between the fixed asset listing from Odyssey Fixed Asset Module and Sunflower. However, we identified situations in which the monthly reconciliation conducted by the OCFO did not identify all discrepancies. Specifically, our reconciliation as of June 30, 2023 of the fixed asset listing and Sunflower resulted in three assets, which met the capitalization threshold, reported in the Odyssey Fixed Asset Module, but were not reported in Sunflower. For these three assets we noted the following:

- Two assets, valued at $652,687 related to IT hardware, were placed into service in July 2020 and accurately recorded in Odyssey in September 2020 but were not in Sunflower.
- One asset, valued at $141,020 related to furniture, was placed into service in December 2021 and was accurately recorded in Odyssey in February 2022 but was not in Sunflower.

Since the assets were accurately recorded in Odyssey, there is no impact on the Financial Statements.

Monthly reconciliations between Sunflower and the Odyssey Fixed Asset Module identified two IT Hardware assets and one furniture asset with reconciliation issues due to being a part of bulk purchases. OCFO did not adequately follow-up on the issues identified and no corrective actions were taken to ensure the Fixed Asset Module and Sunflower were in alignment.

Untimely Recording of Assets in Odyssey

Our reconciliation between Odyssey and Sunflower identified seven assets retired in FY 2022 and 2023 that met the capitalization threshold and were recorded in Sunflower but were not recorded in Odyssey, as shown below:

Fiscal Year (FY) of the Retirement	Number of Assets Retired	Acquisition Cost	Net Book Value at time of Retirement
FY 2022	5	$253,347	$37,894
FY 2023	2	$80,140	$0
Total	**7**	**$333,487**	**$37,894**

Peace Corps was unable to locate the obligating documents (i.e., contract, purchase order, invoice, etc.) for the above-mentioned assets. Therefore, we are unable to determine if these assets should have been capitalized and reported in the PP&E line of the FY 2022 Balance Sheet.

OCFO is responsible for recording capitalized assets in Odyssey. Peace Corps' policies and procedures require OCFO ensure the information recorded in Odyssey agrees to acceptable supporting documentation (e.g., contract, purchase order, approved invoice, etc.). Although OCFO is the official record keeper of all capital asset transactions, the Property Officer responsible for the assets is required to maintain supporting documentation for asset purchases, transfers, and disposals. OCFO did not obtain the supporting documentation from the Property Officer and therefore, did not record the capital assets in Odyssey.

Prior to FY 2023, the reconciliation between Odyssey and Sunflower was not designed to identify instances of assets not having a purchase order number in Sunflower. In October 2022, as part of the corrective actions related to the reconciliation, OCFO updated the process to identify instances in which capitalized assets in Sunflower do not have an associated purchase order number. Specifically, a pivot table was created to allow the reviewer to identify these discrepancies more easily. However, we noted there were flaws in the design of the pivot table and it did not accurately identify all active capitalized assets in Sunflower without a purchase order number. Additionally, there is no formal internal review process conducted by the OCFO to analyze the pivot tables, to ensure that they are operating as designed.

Further, prior to FY 2023, Sunflower did not require a Purchase Order number for assets to be entered. However, in March 2023, we determined Peace Corps implemented a new automated control in which Sunflower prevents the addition of a new asset without an associated purchase order number. As the implementation of this control sufficiently addresses the cause of untimely recording of assets in Odyssey issues identified above, Williams Adley will not issue a recommendation related to this issue.

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

- Loss of asset accountability, which introduces operational risk related to the ability to execute 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 Peace Corps' lack of controls around Sunflower, Odyssey and VMIS not recording assets in a timely manner or correctly.

The Domestic Financial Management Handbook, Chapter 22, July 27, 2023 version states:

- 22.5.C Tracking and Reporting of Capital Assets
  The corresponding office that has custody of the capital assets must track the PP&E in all phases of its useful life, from the time the asset is delivered and accepted, until disposal when the asset is finally retired from service. All actions associated with capital assets must be monitored, tracked and recorded (including transfer between offices and Post/HQ).
- 22.5.E Retention of Supporting Documentation
  Although OCFO/AFR shall be the official record keeper of all PP&E or capital asset transactions, the Property Officer responsible for the asset should maintain supporting documentation for asset purchases, transfers, and disposals. All supporting documentation must be filed and organized for any possible future audits or verification purposes.
- 22.5.F Internal Controls
  The management controls for the PP&E process include the following:
  - Recordation of capital asset and changes to capital assets are verified by OCFO/AFR against acceptable backup documentation, such as copy of approved invoice, proceed of sales information, Leasehold Tracking Spreadsheet, Labor Hours Tracking Spreadsheet, or disposal record**.**

Recommendations: We recommend that Peace Corps:

1. Enhance the reconciliations of Sunflower and the Odyssey Fixed Asset module to ensure the reconciliations take into consideration the asset status in the source system (retired assets and assets with no purchase order number should be removed from Sunflower).

When differences are identified, they should be investigated and resolved within a timely manner.

2. Update policies and procedures to clarify that bulk assets are to be recorded as separate assets to make them easily identifiable in Sunflower.

3. Update policies and procedures to clearly define the placed in-service date for vehicles and the timing of when a vehicle and the associated placed in-service date should be entered into VMIS. Ensure the policies are communicated to the director of management and operations and the general services officer at the Posts.

B. Information Technology Security (Updated, Repeat Finding)

Peace Corps was not in compliance with the Federal Information Security Modernization Act of 2014 (FISMA) during FY 2023. All five FISMA functions, inclusive of nine domains did not meet the Department of Homeland Security's required maturity level, managed and measurable. Specifically, design and operational weaknesses associated with key FISMA domains are summarized below for FY 2023:

- Peace Corps has defined the agency's risk appetite, however, there are no defined requirements for automated solutions to provide a centralized, enterprise-wide view of cybersecurity risks. Cybersecurity risk is not yet incorporated into the Enterprise Risk Management program.
- Peace Corps has not fully defined the Information Security Continuous Monitoring Strategy to incorporate risk management goals and organizational risk tolerance.
- Peace Corps has not finalized an Identity, Credential, and Access Management (ICAM) strategy to guide the organization's ICAM program. In addition, Peace Corps is not fully compliant with Homeland Security Presidential Directive 12: *Policy for a Common Identification Standard for Federal Employees and Contractors*. As of July 2023, the agency still had not fully implemented Personal Identity Verification authentication at regional recruiting offices and overseas posts for both physical and logical access.
- There is no up-to-date, accurate, and complete inventory information systems, including hardware and software assets.
- Peace Corps has not fully implemented supply chain risk management policies and procedures.
- There is inconsistent implementation of vulnerability management, patch management, and baseline management.

Peace Corps' Management has not implemented an Enterprise Risk Management (ERM) process throughout Peace Corps at the organization, business, and information system level. Additionally, OCIO did not prioritize nor have the resources required to complete the ERM strategy and supporting documentation needed to transition to a defined information security continuous monitoring process.

Without effectively implementing a comprehensive ERM process at the agency level, Peace Corps may be unable to address the root causes associated with existing information security risks.

Appendix I – Significant Deficiencies

Also, without a fully implemented Continuous Monitoring Program, agency systems could incur potential damage, including system downtime, unauthorized access, changes to data, data loss, or operational failure.

Government Accounting Office (GAO) Federal Information System Controls Audit Manual (FISCAM) 1.2 states: "Without effective general controls, business process application controls can generally be rendered ineffective by circumvention or modification."

GAO FISCAM 2.3 states: "If one or more of the nine control categories are not effectively achieved, Information Systems (IS) controls are ineffective, unless other factors sufficiently reduce the risk."

GAO FISCAM SM-2 states: "According to FISMA, federal agencies must periodically assess the risk and magnitude of the harm that could result from the unauthorized access, use, disclosure, disruption, modification, or destruction of information and information systems that support their operations and assets. Policies and procedures are based on risk, and the rigor of management testing and evaluation of information security should also be based on risk."

GAO FISCAM SM-5 states: "An important element of risk management is ensuring that policies and controls intended to reduce risk are effective on an ongoing basis. Effective monitoring involves the entity performing tests of IS controls to evaluate or determine whether they are appropriately designed and operating effectively to achieve the entity's control objectives."

S.2521 – FISMA directs agency heads to ensure that: (1) information security management processes are integrated with budgetary planning; (2) senior agency officials, including chief information officers, carry out their information security responsibilities; and (3) all personnel are held accountable for complying with the agency-wide information security program.

Recommendations: We recommend:

1. The OCIO fully implement an Information Security Continuous Monitoring strategy that includes policies and procedures, defined roles and responsibilities, and security metrics to measure effectiveness;
2. Peace Corps' Director and Agency Risk Executive, in coordination with Peace Corps senior leadership, identify the agency's information security risk profile and define the agency's risk appetite and risk tolerance;
3. The Agency Risk Executive, in coordination with Peace Corps' senior leadership, develop and implement an enterprise-wide risk management strategy to address how to identify, assess, respond to, and monitor information security related risks in a holistic approach across the organization, business process, and information system levels;
4. The OCIO perform all components of the security assessment and authorization on all FISMA-reportable systems in accordance with the risk management strategy; and
5. The OCIO develop an information security architecture that is integrated with the risk management strategy.

C. Noncompliance with Laws, Regulations, Contracts, and Grant Agreements – FISMA (Updated, Repeat Finding)

Federal Information Security Modernization Act of 2014 (FISMA) requires agencies to provide information security controls commensurate with the risk and potential harm of not having those controls in place. The heads of agencies and Office of Inspector General 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, Peace Corps disclosed an instance of noncompliance with FISMA that is required to be reported under Government Auditing Standards and Office of Management and Budget (OMB) Bulletin No. 24-01, *Audit Requirements for Federal Financial Statements*.

By not complying with FISMA, Peace Corps has potentially weakened security controls which could adversely affect the confidentiality, integrity, and availability of information and information systems.

The Office of Inspector General has provided Peace Corps' management with a separate limited distribution report that further details the vulnerabilities in 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 Property, Plan, and Equipment (Material Weakness)	**Open**. Finding has been downgraded to a significant deficiency and repeated as Finding A in *Appendix I*.
2018-05: Information Technology Security (Significant Deficiency)	**Open**. Finding has been updated and repeated as Finding B in *Appendix I*.
FISMA (Non-Compliance)	**Open**. Finding has been updated and repeated as Finding C in *Appendix II*.

Appendix IV – Agency Comments

Peace Corps

November 14, 2023

Mr. Kola A Isiaq, CPA
Managing Partner
Williams Adley & Company, LLP
1030 15th Street, NW, Suite 350 West
Washington, DC 20005

Dear Mr. Isiaq,

This letter represents the response of the Peace Corps to your draft Independent Auditor's Report, received November 7, 2023. We are pleased with your issuance of an unmodified (clean) audit opinion. The 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) 2023. 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. We are dedicated to resolving these issues in FY 2024, 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 2023, the Peace Corps updated and strengthened policies and procedures over personal property, including timely and proper recordation of capitalized assets. Roles and responsibilities over personal property are now clearly defined between Office of the Chief Financial Officer (OCFO), Office of Management (M), and Office of the Chief Information Officer (OCIO). OCFO oversaw monthly meetings between these offices to communicate purchase plans and other PP&E activities. The Peace Corps enhanced its reconciliation process to better identify and resolve differences between source systems and the financial system. The agency also increased collaboration between OCFO and the custodians of personal property to ensure bulk assets were recorded in the property inventory system correctly. The Peace Corps updated its property inventory system to require the purchase order field in order to enter an asset and reviewed monthly purchases over the capitalization threshold that could have been miscategorized. In FY 2024, the Peace Corps will further enhance the reconciliations of the property inventory system and Fixed Asset module to ensure the reconciliations take into consideration the asset status in the source system. When differences are identified, they will be investigated and resolved in a timely manner. The Peace Corps will update policies and procedures over Bulk Assets. The Peace Corps will update the policies to clearly define the placed-in-service date for vehicles and the timing of when a vehicle and the associated placed-in-service date should be recorded in VMIS. The updated policies will be communicated to the necessary personnel at Posts.

Estimated Completion Date: September 2024

Information Technology Security (Modified Repeat Finding)
Agency Response: Concur

Appendix IV – Agency Comments

In FY 2023, the OCIO documented the integration of Information Security Information Continuous Monitoring (ISCM) into the risk management strategy and updated policies and procedures for managing IT security and strategies for risk management. The agency also committed resources to the Enterprise Risk Management (ERM) program, leading to the completion of the agency's Risk Appetite Statement and the annual review of the office-level risk registers, which codifies the OCIO risks and the accepted tolerance. In FY 2024, the OCIO will continue its efforts to fully implement its ISCM strategy and perform the required Security Assessment and Authorization on FISMA-reportable systems in accordance with the agency's risk management strategy, in addition to developing an IT security architecture that is integrated into the risk management strategy. The Peace Corps will continue to develop and implement a more comprehensive ERM strategy for IT security.

Estimated Completion Date: September 2024

Thank you and we appreciate the opportunity to respond to the draft Independent Auditor's Report pertaining to the FY 2023 Financial Statements Audit.

Sincerely,

Carol Spahn
Director

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Other Information

Peace Corps Response Health Volunteers work alongside local professionals on topics such as health equity.

Peace Corps Office of Inspector General

Management and Performance Challenges

Fiscal Year 2023

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) is submitting what it has determined to be the most significant management and performance challenges facing the Peace Corps.

The Inspector General's (IG) management challenges are observations of the IG based on the work performed by OIG, as well as information uncovered during the performance of our oversight responsibilities.

Developments Impacting the Peace Corps in 2023

In March 2022, Volunteers began to return to the posts following the Peace Corps' evacuation of all Volunteers in March 2020. As of September 30, 2023, 53 posts have received Volunteers, with 2,354 Volunteers currently serving in the field, and 55 posts are issuing invitations for Volunteers to serve. OIG reviewed the agency's re-entry process at three posts in fiscal year 2023 and found the posts were in compliance with the procedures outlined in the Peace Corps' Country Re-Entry Guide (CREG). These results also reflected the findings of two previous re-entry reviews conducted in fiscal year 2022. Based on the results of all five reviews, OIG determined that the CREG, which provides comprehensive guidance for returning

Volunteers to service, has been effectively implemented.

Despite having an effective process for returning Volunteers to service, the post-pandemic environment has significantly challenged the Peace Corps in meeting its recruitment goals.. The agency's challenges in recruiting and delivering additional

Volunteers to the posts have a significant impact on overseas operations.

Significant Management and Performance Challenges Facing the Peace Corps

OIG identified the Peace Corps' most significant challenges based on the results and findings of its audit, evaluation, and investigation work, as well as the information uncovered from OIG's oversight responsibilities:

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

This year OIG removed "Planning and Implementation" as a separate challenge area because the most significant issues for FY 2023 are already incorporated into the challenges above.

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.

Challenge: Volunteer Health and Safety

OIG has repeatedly observed agency challenges related to site development, such as incomplete site history files, poor site selection criteria, and noncompliance with site development procedures. In fiscal years 2022 and 2023, OIG completed five post re-entry health and safety reviews that included limited assessments of site history files and site development. OIG found no instances of recurring or significant non-compliance with agency and post requirements.

Further, OIG reviewed the impact of the agency's transition between its crime incident tracking systems, from the Coordinated Incident Reporting System (CIRS) to the Security Incident Management System (SIMS). While CIRS required staff to manually add crime incident information into the Volunteer Information Database Application (VIDA), which resulted in errors and missing information, OIG found that SIMS effectively linked crime incidents to VIDA automatically. OIG is encouraged by these improvements to site history file management and does not consider Volunteer site development to be a management and performance challenge for fiscal year 2023.

In fiscal year 2023, the Peace Corps closed two longstanding recommendations from a 2018 management advisory report (MAR) on Volunteer drug use by improving its data collection policies and systems. By closing these recommendations, the agency can now analyze data on Volunteer and trainee involvement with drugs and misconduct. The Peace Corps' progress has led the OIG to determine that, while any instance of Volunteer involvement with drugs is concerning, the topic does not rise to the level of a management and performance challenge for fiscal year 2023[1].

Why This Is a Challenge

Volunteer Healthcare

Since the Peace Corps' establishment in 1961, Volunteer healthcare has been a critical component of agency operations. The variability in health conditions and medical infrastructure between the 57 countries where Volunteers currently serve presents significant challenges for the agency. Post-pandemic mental health issues, and what the Surgeon General of the United States has called an epidemic of loneliness and isolation, further strains the agency's capacity to support Volunteers.

One area of Volunteer healthcare that has been the focus of OIG findings is the posts' preparations for medical emergencies. OIG's 2021 review of the death of a Volunteer from Ghana found that the emergency response actions of agency and post staff did not fully comply with agency procedures due to unclear guidelines on emergency staff roles and responsibilities. In addition, OIG found that the post's emergency preparedness drill was not effective because it did not include the steps for an international evacuation or identify the key responders. In two of the five post re-entry health and safety reviews

1 Two recommendations in the 2018 MAR remain open, which are more closely related to the evidentiary standard and support needed to resolve allegations of drug involvement.

completed in fiscal years 2022 and 2023, OIG found that the posts' Medical Action Plans, their primary mechanisms for medical emergency planning, did not fully comply with agency policies.

OIG also found that the agency struggles to implement its policy to assess, at least once every 3 years, all healthcare providers and facilities that the posts intend to use. This is a longstanding issue that OIG identified in a 2010 evaluation of the organizational structure and provision of medical care for Volunteers in Morocco, and again in a 2020 recurring issues report. In 2022, OIG reviewed a medical case from 2018 in which a Volunteer had surgery at a facility that the Peace Corps had not assessed and found that the post's medical unit had not implemented the related recommendations from an Office of Health Services (OHS) review. During fiscal year 2023, OIG completed three post re-entry health and safety reviews and found that posts' medical provider facility assessments did not meet agency requirements.

Along with OIG's finding in our 2010 evaluation of medical care, a 2021 OIG report on a Volunteer's death found that the agency's analysis of the incident did not comply with industry standards for patient safety or detect critical emergency response vulnerabilities. Similarly, the OIG's 2022 medical case review found that the patient safety reporting process was not effectively implemented.

Sexual Assault Prevention and Response

In April 2021, a news outlet published a story asserting that the Peace Corps failed to support Volunteers who reported being sexual assaulted. From fiscal year 2021 through fiscal year 2023, OIG issued eight Management Implication Reports (MIR) that assessed the agency's compliance with its requirements for supporting sexual assault victims, as established by the Kate Puzey Peace Corps Volunteer Protection Act of 2011 (Kate Puzey Act). OIG found evidence that disputed some of the news story's reported claims, but also found instances of Kate Puzey Act noncompliance. For example, some services that the victims requested were not provided, or were provided poorly or untimely. In three separate MIRs, OIG reported that it was unable to determine whether all the services that Volunteers requested had been provided due to a lack of agency documentation.

Progress in Addressing the Challenge

Volunteer Healthcare

In fiscal year 2023, the Peace Corps made substantial progress in closing OIG recommendations impacting Volunteer healthcare. OIG's recommendation to improve the agency's patient safety event review and reporting process was closed after the agency collaborated with an external Patient Safety Organization to review and update its process for identifying patient safety events. The Peace Corps has one outstanding recommendation related to patient safety, which will remain open until an actual serious patient safety event occurs and OIG assesses the Peace Corps' response.

OIG closed three recommendations for the agency to strengthen its medical emergency preparedness. One recommendation focused on improving institutional memory in OHS. Another recommendation called for developing guidance and training for non-clinical staff that addressed medical emergency preparedness when conducting site visits, including providing its emergency contact number to community contacts and visiting local medical facilities. The third recommendation was for emergency drills to include international evacuations and involve all relevant staff.

Additionally, OIG closed the recommendations for Peace Corps/Colombia and Peace Corps/Dominican Republic to improve their Medical Action Plans and their healthcare provider and facility assessments. OIG closed two additional recommendations after OHS developed a process to ensure the agency sufficiently reviews and addresses its recommendations from the periodic OHS health unit assessments; one from the 2021 review of the death of a Volunteer from Ghana, and the other from the 2022 medical case review.

OIG is encouraged to learn that the agency has taken additional steps to improve Volunteer healthcare. For example, OHS is deploying new software that will support its quality improvement unit by automating updates to the Peace Corps medical technical guidelines. As outlined in last year's Management and Performance Challenges report, the agency is developing a system to integrate quality assurance functions at the posts and headquarters. In addition to placing quality assurance experts in each region, the agency has begun hiring quality assurance specialists at the posts to help manage and track their Volunteer health-related processes and procedures, as well as address OIG recommendations.

Sexual Assault Prevention and Response

The agency issued a response to the MIRs regarding the agency's support of Volunteers who reported sexual assaults, which detailed the actions taken at the posts where the cases occurred. The agency also described other improvements, such as conducting periodic case reviews to improve its overall response to Volunteer victims, providing Return to Service training for designated staff, and building compliance dashboards to identify when a requirement for supporting a sexual assault victim is not being met. In September 2023, the agency provided training to Sexual Assault Response Liaisons on trauma-informed facilitation techniques.

What Needs to Be Done

Volunteer Healthcare

To further improve Volunteer healthcare, the agency should continue to ensure that the posts meet the agency's requirement to assess all healthcare providers and facilities at least once every 3 years. When needed, the agency should collaborate with their external patient safety organizations to identify patient safety events and submit documentation of root cause analyses that includes key components, such as a system focus, an explanation of the cause and effect, an action plan, and measures.

Sexual Assault Prevention and Response

The Peace Corps should continue its efforts to ensure its compliance with the Kate Puzey Act requirements and provide compassionate and supportive responses to all Volunteers who have been sexually assaulted. It is important that the Peace Corps ensures that all sexual assault cases are accurately documented (including the agency's response to such cases), that support services are timely offered and effectively provided, and that staff are properly trained.

Key OIG Resources:

Post Re-Entry Health and Safety Review of Peace Corps/Morocco (2023)

Semiannual Report to Congress, October 1, 2022, to March 31, 2023

Post Re-Entry Health and Safety Review of Peace Corps/Dominican Republic (2023)

Post Re-Entry Health and Safety Review of Peace Corps/Colombia (2022)

Semiannual Report to Congress, April 1, 2022, to September 30, 2022

Post Re-Entry Health and Safety Review of Peace Corps/Zambia (2022)

Post Re-Entry Health and Safety Review of Peace Corps/Ecuador (2022)

Management Advisory Report: Peace Corps Medical Case Review (2022)

Semiannual Report to Congress, October 1, 2021, to March 31, 2022

Review of the Facts and Circumstances Surrounding the Death of a Peace Corps/ Ghana Volunteer (2021)

Semiannual Report to Congress, April 1, 2021, to September 30, 2021

Recurring Issues Report: Common Challenges Facing Peace Corps Posts (2020)

Management Advisory Report: Review of the Circumstances Surrounding the Death of a Volunteer in Peace Corps/ Comoros (2019)

Management Advisory Report Volunteer Drug Use (2018)

Follow-Up Evaluation of Issues Identified in the 2010 Peace Corps/Morocco Assessment of Medical Care (2016)

Challenge: Human Capital Management

Why This Is a Challenge

Since 2001, strategic human capital management has been listed in the U.S. Government Accountability Office's (GAO) annual report [2] as one of the highest risk areas facing the Federal Government. Additionally, the Council of Inspectors General on Integrity and Efficiency (CIGIE) highlighted human capital management in its 2023 Top Management and Performance Challenges Facing Multiple Federal Agencies (herein CIGIE's Top Challenges Report). The report cites that the Federal Government's lack of timeliness in filling vacancies is a detriment to workforce growth, noting that, "The inability to hire required staff directly impacts agency operations, often leading to heavy workloads and burnout, further exacerbating attrition, and the need to fill vacancies. In addition, high turnover compromises an agency's ability to retain qualified personnel."

For years, OIG has underscored the impact of excessive turnover in the Peace Corps' programs and operations. The 2012 OIG Statement on the Peace Corps' Management and Performance Challenges identified excessive personnel turnover as a significant management and performance challenge facing the Peace Corps. This report concluded that staff turnover resulting from Peace Corps' Five-Year Rule (FYR) "...made it very difficult for the Peace Corps to manage its personnel system in keeping with Federal standards for human capital management...undermined the agency's ability or weakened its incentives to: retain employees on the basis of their performance; plan for their eventual succession; ensure continuity of needed skills and abilities; provide training and education to improve performance; and deploy its workforce efficiently."

In July 2017, OIG issued a MIR that outlined the negative effects the agency's high staff turnover rate had on its ability to maintain high quality Volunteer support and improve core business functions. The Office of Personnel Management's (OPM) 2019 Human Capital Framework (HCF) assessment of the agency's organizational design and performance found that the FYR contributed to increased turnover and extended vacancies that resulted in a lack of continuity and curtailed the agency's productivity. The Peace Corps' progress to mitigate the FYR's negative impacts has been slow.

Hiring and Retaining Qualified Staff

Traditionally, the Peace Corps has relied on Returned Peace Corps Volunteers (RPCVs), who earn noncompetitive eligibility (NCE) after serving as Volunteers, to help meet their hiring needs. NCE appointments streamline the Office of Human Resources' (OHR) hiring process by bypassing competitive-based personnel actions, providing the agency with talented mission driven workers.

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2 GAO-23-106203 High-Risk Series: Efforts Made to Achieve Progress Need to Be Maintained and Expanded to Fully Address All Areas.

However, because of the March 2020 evacuation of all Volunteers, the RPCV pipeline has become virtually empty. OHR previously struggled to keep up with the agency's excessive turnover and was not adequately staffed to process the rising agency vacancies through competitive based personnel actions. Moreover, as discussed in CIGIE's Top Challenges Report, Federal agencies are challenged by a "… competitive labor market wherein multiple organizations are contending for the same limited pool of highly skilled candidates."

The agency reports that its staff vacancy rate (excluding Personnel Service Contractors (PSC)) is at 19.6 percent as of August 2023, compared to 15.8 percent in August 2022 and 12.9 percent in August 2021. Two offices that have key roles in supporting the Volunteer Delivery System (VDS)[3] reported experiencing significant staffing gaps. The agency reported staff vacancy rates of 27.5 percent for Volunteer Recruitment and Selection (VRS) and 19.2 percent for OHS in August 2023. OIG notes that OHR faces a vacancy rate of 26.7 percent as of August 2023, an increase from last year's rate of 22 percent. OPM's 2020 Strategic Human Resources Solutions Findings and Results report (OPM 2020 report) cited that 36 percent of agency overtime was logged by OHR employees.

GAO reports that agencies often experience skills gaps due to shortfalls in talent management activities, such as workforce planning and training. For example, the agency's fiscal year 2022 Annual Performance Report stated skills gaps resulted in delays to the agency's implementation of its strategic plan. As a result, nearly one third of its performance goals were not achieved as planned (7 of 22 performance goals).

According to agency leadership's strategic plan reporting, goal lead and project management staffing gaps, as well as general understaffing, have impacted the agency's ability to support the VDS. In addition, an OIG review of recurring issues at Peace Corps posts found that from fiscal year 2016 to fiscal year 2019 staff turnover and staffing gaps impaired emergency medical preparedness, led to ineffective Volunteer technical training, and resulted in heavy staff workloads that, in some cases, left required tasks incomplete.

Knowledge Management

Other facets of human capital management, such as knowledge and performance management, are also impacted by excessive turnover and high vacancies. CIGIE's Top Challenges Report notes how "Small agencies face a greater impact when an employee departs the agency. The loss of one employee can be critical, highlighting the need to plan to avoid disruption in agency operations and increasing the need for strong policies, complete records, and standard operating procedures. Succession planning ensures that institutional knowledge and experiences are passed on to new employees."

While the agency has implemented domestic quarterly staffing reviews, which address workforce requirements and ensure the alignment of workforce composition with the agency's strategic goals and priorities, there are few formal processes for succession planning in place for either domestic or overseas

3 The Volunteer Delivery System is the cycle of activities that the agency employs to recruit and place Volunteers at overseas posts.

staffing. OPM's 2020 report stated that most focus group participants mentioned that mission critical work is being accomplished, but the quality of work is suffering because there is no time for strategic planning, monitoring and evaluation of program success, or improving processes and systems.

The Peace Corps operations are spread across approximately 60 overseas posts, with approximately 92 percent of all overseas Peace Corps staff working as PSCs. As a result, the overseas human capital management for PSCs is framed by approximately 60 unique operating environments, each with separate and distinct laws, regulations, cultures, resources, and other host-country considerations. Consequently, the overwhelming majority of the Peace Corps' overseas staff cannot rely on the resources and centralized support that Federal organizations, such as OPM and the National Finance Center, provide for the human capital management of U.S. Government direct hires. This makes it difficult to organize and share information that could help the agency leverage resources, expertise, and information for staff in unique posts across the world. 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 staff more effectively.

Payroll and Benefits

In November 2022, OIG issued The Peace Corps Management of Payroll and Benefits for U.S. Direct Hires audit report (payroll audit). The audit found that OHR and the Office of the Chief Financial Officer (OCFO) did not establish effective oversight procedures to reconcile payroll transactions or remediate deficiencies related to ensuring the accuracy of payroll adjustments. This report outlined that OHR lacked a process to detect erroneous payroll submissions reported from the National Finance Center. After completing a risk assessment, management has not established the necessary policies, procedures, or monitoring systems that would effectively identify any inaccuracies related to employee salary and benefits. OIG's payroll audit recommended that OCFO establishes adequate monitoring structures over USDH payroll transactions to mitigate the effect of these risks.

Progress in Addressing the Challenge

Hiring and Retaining Qualified Staff

The 2018 Sam Farr and Nick Castle Peace Corps Reform Act authorized the agency to extend the appointments of certain ("exempt")positions designated by the Director as "critical management" or "management support" that require specialized technical or professional skills, as well as knowledge of agency operations. The authority allows for additional 5-year terms beyond the term limits provided in the Peace Corps Act. . About 76 percent of exempted positions are in OHS, Office of Safety and Security, the Office of Victim Advocacy, and at the regional offices where staff are responsible for the safety and security of Volunteers. During fiscal year 2023, the agency exempted an additional 11 positions, including key roles in the Office of General Counsel.

As of August 2023, the agency identified 91 positions as exempt from the FYR, including 55 positions that have been exempt since 2019.

In May 2023, the OHR Office of Quality Control and Compliance issued an internal assessment of the agency's Human Capital Framework (herein 2023 OQC/OHR HCF). The assessment looked at four areas in human resources: strategic planning and alignment; talent management; performance culture; and evaluation. The assessment recommended 70 actions for OHR to take to strengthen its human capital framework.

OHR reports that activities strengthen its human capital framework have commenced, to include: a refresh of the questions asked on the agency staff exit survey to assess how the FYR to may impact staff departures, a review to identify and exempt from the FYR appropriate positions in OHR, and a review and revision of OHR SOPs to minimize skill gaps, transfer knowledge, and ensure new hires experience smooth transitions.

In July 2023, OIG closed the last two recommendations (recommendations 10 and 11) from a 2013 audit report entitled Peace Corps Overseas Staffing, which addressed the need for post rating officials to be trained on their role in conducting performance reviews, providing adequate feedback, and developing improved guidance on senior staff performance appraisals and performance elements.

While there were adjustments in the scope or timing for some of the agency's Strategic Plan 2022-2026 performance goals, OHR made incremental progress, albeit at a slower pace and through alternative methods.

The agency reports that it is conducting a staffing review to address gaps and delays in achieving its performance goals. OIG is also encouraged to learn that the agency has entered into an interagency agreement with OPM to obtain recruitment and staffing support services. In addition, OHR has procured contractors to help OHR address the VRS staffing gaps.

Knowledge Management

The agency has taken steps to help capture and apply knowledge that will contribute to more effective and efficient operations. The agency has exempted critical OHS positions from employment term limits with the intention to improve knowledge management issues that impact Peace Corps Volunteers' health overseas. Additionally, all posts have been encouraged to complete the Administrative Management Control Survey, a standardized management tool that the posts use to assess operations and risks.

The agency has also developed detailed, standardized, and easy-to-follow guidance in the Personal Services Contractor chapter of the Overseas Contracting Handbook, which directly impacts over 70 percent of all agency staff.

Finally, the agency has documented multiple performance goals in its 2022-26 strategic plan that, if met, should help the agency collect, organize, and apply institutional knowledge to improve processes and maximize impact for host countries, Volunteers, and staff.

Payroll and Benefits

At the end of fiscal year 2022, the Peace Corps developed risk registers for Office Human Resources functions, such as staffing, recruitment, workforce management and policy, and processing biweekly payroll.

What Needs to Be Done

Hiring and Retaining Qualified Staff

The agency should prioritize and take short- and medium-term steps to substantially reduce the Peace Corps' vacancy rate while incorporating strategies to attract and retain qualified staff. OHR needs to develop an implementation plan to address the 70 actions identified in the 2023 QCC/OHR HCF assessment and prioritize these actions based on agency needs, risks, and resources. The agency also needs to develop a data-informed strategy that addresses the diminished RPCV source of agency talent and its impact on OHR operations. Finally, OHR should address the recommendations made in OPM's 2019 HCF review.

The agency should develop concrete actions to improve employee engagement and satisfaction, which is a key component in retaining staff and reducing turnover rates. The Peace Corps will need to consider leveraging additional strategic human capital resources and flexibilities issued by OPM based on the Biden-Harris Management Agenda priority focus: Strengthening and Empowering the Federal Workforce.

The agency has not yet addressed two of the 2012 FYR evaluation report's recommendations (recommendations 2 and 3). OIG reviewed the current number of exempt positions and found that the agency's nine core support function positions represent only 9.8 percent of all exemptions. Exempting additional positions in these critical areas may contribute to increased tenure and lower vacancy rates.

Knowledge Management

The Peace Corps should work to meet the 2022-26 strategic performance goals that will help the agency collect, organize, and apply institutional knowledge. The agency can also improve its human capital management through standardization and knowledge management by addressing OIG's recommendations from the September 2023 Evaluation of Human Resources Management for Overseas Contract Staff.

Payroll and Benefits

The agency has not yet addressed 25 recommendations from OIG's 2022 payroll audit. Specifically, the agency did not ensure its policies and procedures are effectively designed or implemented to prevent and detect payroll transaction errors or establish waiver policies and payroll reconciliation procedures. The OCFO should be involved in payment reconciliation processes to improve its monitoring system. In addition, the Peace Corps must establish sufficient oversight and coordination structures for its core business functions, especially those requiring resources from multiple offices.

Key OIG Resources:

Evaluation of Human Resources Management for Overseas Contract Staff (2023)

The Peace Corps' Management of Payroll and Benefits for U.S. Direct Hires (2022)

Final Audit Report: The Peace Corps Management of Payroll and Benefits for U.S. Direct Hires (2022)

Recurring Issues Report: Common Challenges Facing Peace Corps Posts (2020)

Management Implication Report: Challenges Associated with Staf f Turnover (2017)

Final Report on the Program Evaluation of the Peace Corps' Training of Overseas Staf f (2014)

Final Audit Report: Peace Corps Overseas Staffing (2013)

Evaluation of Impacts of the Five-Year Rule on Operations of the Peace Corps (2012)

Challenge: Information Technology Security Management

Why This Is a Challenge

As the role of technology continues to grow, in part due to rising hybrid and virtual work environments, protecting agency data and the security of information systems has become critical.

System outages and data loss can have catastrophic impacts to the agency, such as compromising Volunteers safety, staff productivity, and the Peace Corps' reputation. According to the Cybersecurity and Infrastructure Security Agency [4] (CISA), cyber-attacks are ever evolving and are becoming increasingly complex and harder to detect. Cyber incidents can cause harm to national security interests, foreign relations, and the United States' economy.

The Federal Information Security Modernization Act of 2014 (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. 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. The five-level scale ranges from Level 1, Ad hoc, to Level 5, Optimized. In fiscal year 2023, the agency maintained its status at Level 2, Defined, as measured against the set of core FISMA and supplemental OIG metrics. Due to the agency's recent response to multiple cyber security incidents, the Peace Corps was assessed at Level 1, Ad hoc rating, in the Respond function.

Despite the agency's efforts to address the concerns identified in the fiscal year 2022 FISMA review, several major unresolved issues persist in fiscal year 2023, to include the following:

- Incomplete view of its IT environment due to the absence of an up-to-date, accurate, and complete inventory of its information systems, including hardware and software assets

- Inconsistent implementation of vulnerability and patch management

- Insufficient progress in establishing an Identity Credential and Access Management (ICAM) program

- Lack of a defined enterprise risk management (ERM) program.

The agency has consistently encountered issues related to their IT assets' lack of visibility. Without a comprehensive inventory, it is difficult to identify all the hardware and software present in the Peace Corps' IT environment. This lack of awareness leaves gaps in security coverage, as vulnerabilities that need to be patched or updated can go unnoticed, leaving systems exposed to potential attacks.

4 The Cybersecurity and Infrastructure Security Agency is an agency of the United States Department of Homeland Security that is responsible for strengthening cybersecurity and infrastructure protection across all levels of government, coordinating cybersecurity programs with U.S. states, and improving the government's cybersecurity protection against private and nation-state hackers.

Inconsistent vulnerability and patch management can have a range of negative impacts on an organization's cybersecurity and operational effectiveness. Based on the scan results examined this year, OIG identified several high and critical vulnerabilities that were not remediated within the timeframe outlined in the process. These unpatched vulnerabilities can create entry points for cybercriminals to breach systems and compromise sensitive data.

The agency has made insufficient progress in establishing or finalizing a strategy to guide an ICAM program. However, the agency has developed an ICAM strategy roadmap in fiscal year 2022 to identify all milestone deliverables required to complete a comprehensive ICAM program.

Another key foundational issue is the absence of a fully implemented and comprehensive agencywide ERM program that is effective in monitoring, identifying, and assessing security weaknesses and resolving any related problems at the entity, business process, and information system levels.

The agency has not yet defined a risk appetite or a risk tolerance within its ERM policies and procedures, which are foundational concepts in pursuing an effective information security program. The agency plans to update and republish its existing ERM policies and procedures to align with their current processes by December 2023.

The Peace Corps needs to enhance its incident response process to ensure incidents are properly defined, promptly identified, and effectively remediated. During its fiscal year 2023 review, OIG became aware of a security incident that the Peace Corps' incident response team did not identify and was instead notified by CISA that an unauthorized third-party accessed the network in the summer of 2022. Following the incident, the Peace Corps' incident review did not thoroughly analyze or remediate the potential incident due to a lack of resources and expertise.

Progress in Addressing the Challenge

This year, the Peace Corps has made some progress in meeting the ICAM roadmap's milestones. However, many of the policies and procedures are still in progress. The agency has stated that these deliverables will be finalized by the end of year and the project's deliverables are expected to be completed by the end of fiscal year 2024 Quarter 2.

Since the 2022 security breach, the agency has worked with a third-party cybersecurity contractor to strengthen its incident response program's detection and response mechanisms. Additionally, the Office of the Chief Information Officer has obtained software to assist in detecting future cybersecurity attacks. The software effectively detected an unrelated cybersecurity incident that occurred in fiscal year 2023 Quarter 3 and the agency was able to timely mitigate the threat.

In fiscal year 2023, the ERM Council began to convene quarterly and, on an as-needed basis, to discuss program updates such as office-level and agency-level risk registers, an agency risk appetite statement, and an agency risk profile. These meetings serve as a venue for different offices to discuss critical risks and monitor existing risks.

What Needs to Be Done

The Agency needs to address the fiscal year 2023 FISMA report recommendations to cultivate an environment of continuous improvement and establish a foundation for long-term success. By focusing on improving and implementing its inventory management process, enhancing its vulnerability and patch management processes, further developing its incident response process, and improving ERM, the agency will foster a culture that fully integrates information security into its business operations. These enhancements will allow the Peace Corps to proactively mitigate vulnerabilities and addresses any weaknesses before they are exploited.

A well-structured incident response process is a critical component to a robust cybersecurity strategy. The agency can better manage and mitigate risks by proactively identifying potential threats and vulnerabilities and reducing the possibilities of future security incidents. It will also allow the Peace Corps to detect and respond to security incidents quickly and efficiently. The ability to promptly detect, analyze, and contain incidents helps minimize the damage caused by potential security threats, mitigating their overall impact on the agency. By investing in incident response preparedness, the Peace Corps can strengthen its security posture and be better equipped to handle the evolving cyberthreat landscape.

A well-defined ERM program that incorporates a comprehensive view of cybersecurity risks will improve the Peace Corps' awareness and response to the risks facing the organization. ERM programs help foster an organizational climate where cybersecurity risk is considered within the context of the agency's mission and business processes, the definition of an overarching enterprise architecture, and its system development life cycle processes.

Establishing the risk guidance at the executive level will help individuals who are responsible for information system implementation or operations to better understand how cybersecurity risks that are associated with their information systems could translate into enterprise- wide risk and effect their mission and business success. By setting up a solid ERM foundation, the Peace Corps can achieve:

• Enhanced confidence in the achievement of strategic objectives,

• Improved compliance with legal, regulatory, and reporting requirements, and

• Increased efficiency and effectiveness of operations.

By taking these steps the Peace Corps will be able to better identify its IT security and organization-wide risks and assess and respond to those risks in a timely manner. This, in turn, will reduce the agency's exposure to targeted attacks and environmental disruptions while ensuring its resources are used in a proactive manner to prevent and address the weaknesses before they are exploited, leading to an effective information security program.

Key OIG Resources:

Review of the Peace Corps' Information Security Program (2023)

Audit of the Peace Corps' Fiscal Year 2022 Financial Statements (2022)

Challenge: Volunteer Delivery System

Why This Is a Challenge

The number of Volunteer applicants is historically low compared to the years before the global evacuation. In its fiscal year 2024 Congressional Budget Justification (CBJ), the Peace Corps reported it was "currently receiving half the number of applications as it did in fiscal year 2018 and the levels of attrition between the time a prospective Volunteer (invitee) accepts an invitation and their entry on duty date had nearly doubled since fiscal year 2018."

Between fiscal year 2019 and fiscal year 2023, the fill rate [5] at invitation deadline decreased from 148 percent to 139 percent. During that same period, the fill rate at enter-on-duty decreased steadily from 94 percent to 64 percent, indicating that attrition has steadily increased.

There are various reasons for attrition, for instance the invitee did not medically clear. Before the global evacuation, approximately 60 percent of invitees medically cleared. After the return to service, however, just over 40 percent medically cleared. The percentage of invitees that the pre-service unit did not clear in time to enter on duty increased slightly from 1 percent to approximately 5 percent after the return to service. Approximately 5 percent of invitees did not respond to communications from the Peace Corps, and about 25 percent of all invitees withdrew from the process for other reasons.

Moreover, the Peace Corps has not met its own Volunteer and trainee onboard strength expectations. In its fiscal year 2023 CBJ, the agency expected to have 3,900 Volunteers at the posts by the end of fiscal year 2023. In its fiscal year 2024 CBJ, the agency substantially revised its expected number of Volunteers, reducing its total onboard strength to 2,530 by the end of fiscal year 2023. As of September 30, 2023, however, the total onboard strength was 2,358. The Peace Corps projects 5,180 new Volunteers by the end of fiscal year 2024, however, if current trends continue, the agency risks not reaching their goal.

The agency explained in its fiscal year 2024 CBJ that: "The current labor market is one of the most competitive for employers in the nation's history. The private, non-profit, and public sectors—including the military—are all facing significant challenges in recruiting talent. This has challenged the Peace Corps' recruiting efforts and threatens to undermine the agency's ability to fill Volunteer slots and meet its return to service goals."

CIGIE's Top Challenges also noted that the competitive labor market is posing a challenge for hiring in the Federal Government, as private sector positions can be more attractive to new and established professionals. The Peace Corps vacancies and turnover have also hampered the agency's ability to recruit and place Volunteers.

Agency data from August 2023 indicates that VRS had 49 vacancies within its 182 positions. One of VRS's units, the Office of Analysis and Evaluation, was vacant for months. There were also substantial vacancies in the OHS pre-service unit,

5 Fill rates reflect the number of invitees as a percentage of the total Volunteer Request. Fill rates should exceed the VR at invitation deadline to account for attrition.

which conducts medical clearance for invitees. The agency has reported that it did not meet the related strategic plan performance goal to make improvements to the VDS due to high turnover and understaffing.

The 2022 Federal Employee Viewpoint Survey (FEVS) results indicate challenges with leadership in VRS. Nearly half (47.5 percent) of staff in VRS had a negative response toward the statement, "In my organization, senior leaders generate high levels of motivation and commitment in the workforce." Similarly, almost a third of VRS employees had a negative response to the statement, "My organization's senior leaders maintain high standards of honesty and integrity," while, one quarter of VRS staff who responded to the survey had a negative response to this statement, "I have a high level of respect for my organization's senior leaders." Finally, the percentage of negative responses to each of these statements was higher for VRS than the rest of the agency.

Progress in Addressing the Challenge

The VDS Steering Committee developed 12 priorities to address the Peace Corps' Volunteer recruitment and selection challenges. The agency is conducting a review to address the VRS's understaffing and entered into an interagency agreement with OPM to obtain two HR specialists to support VRS staffing gaps. The agency has hired and onboarded a new Associate Director of VRS who has engaged in a review of how to improve VRS's FEVS results.

In the summer of 2023, the Peace Corps contracted a market research service to better understand the public's

To address some of the medical cleareance challenges, OHS contracted an outside organization to evaluate their process and received several recommendations that the agency is addressing.

The agency has established a performance goal to recruit and retain Volunteer candidates by updating VDS and related processes to deliver Volunteers who align with posts' desired competencies and technical experiences. However, the agency has not met the goal's targets and reported in August 2023 that the goal was reviewed and subsequently reframed to focus on recruitment operations impacting candidates until they enter-on-duty. The expected results of this effort are unclear. The agency established another performance goal to increase the percentage of Volunteers from underrepresented communities, which includes improvements in recruitment and retention. This goal has shifted to focus on the enter-on-duty through close of service portion of Volunteer service.

The agency has acknowledged its need to recruit and invite more applicants to reach the same number of Volunteers before the pandemic. To meet its Volunteer goals, the agency's fiscal year 2024 CBJ requested an increase of $6 million to elevate the Peace Corps' brand and generate awareness among the American public. The agency notes that this budget increase will be used to recruit Volunteers from diverse backgrounds through consistent and regular messaging on a variety of media platforms. Earlier this year, the Peace Corps unveiled a new marketing campaign entitled "Bold Invitation," which "calls on motivated changemakers to advance the agency's mission to spread world peace and friendship through international service." The initiative aims to recruit thousands of Volunteers over the next year.

What Needs to Be Done

To ensure that the posts' requests for Volunteers are met, the agency should prioritize its improvements to VRS, including staffing shortages and turnover, as well as address leadership and management concerns. Additionally, the Peace Corps should work to close recommendations 2 and 3 from the 2012 OIG evaluation of the FYR's impact, which relates to staff turnover. OIG is gathering additional data and actively monitoring this area and, in fiscal year 2024, anticipates launching an evaluation to assess VDS systems and operations.

The Peace Corps Director has emphasized that the agency's goals are not just about the Volunteer numbers, but also the quality of Peace Corps systems, its programs, and in making sure that the agency is meeting the needs of its host country partners. The agency has established "Reimagine Service" as one of its three Strategic Objectives, responding "to evolving host country priorities by returning skilled Volunteers to service and expanding service models." For example, the agency is proposing to expand virtual service to allow qualified Americans who cannot serve overseas to support the Peace Corps, and to enable the agency to partner with communities where in-person service is not possible.

The agency also intends to work with interested partners to establish or strengthen their domestic Volunteer programs. The agency should continue to communicate its expectation to implement new service models, closely coordinate with stakeholders, and align its authorities, resources, and policies to effectively advance its mission and vision. Moreover, as the agency makes progress with its goals to return skilled Volunteers to service and expand its service models, it is critical that the agency continues to address the challenges that impact the delivery of Volunteers to the posts.

Key OIG Resources:

Final Report on Evaluation of the Volunteer Delivery System (2003)

Evaluation of Impacts of the Five-Year Rule on Operations of the Peace Corps(2012)

Final Program Evaluation Report: Follow-up Evaluation of the Volunteer Delivery System (2010)

Evaluation of Peace Corps/Medical Clearance System (2008)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	1	0	1	0	0

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	Unmodified					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
FISMA	1	0	0	0	0	1
Total Non-Conformance	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 the 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.

PAYMENT INTEGRITY INFORMATION ACT (PIIA) REPORTING

The Payment Integrity Information Act (PIIA) of 2019 requires agencies to assess and identify high-risk programs and activities and report findings in the Agency Financial Report (AFR). Significant improper payments are defined as annual improper payments exceeding both 1.5% of program outlays and $10 million of all payments made during the fiscal year reported. The Peace Corps submitted payment integrity information to the Office of Management and Budget (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 recovered, if feasible. Peace Corps performs extensive advance certification reviews on payments in excess of $2500 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.

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Appendices

Peace Corps Response Agriculture Volunteers work alongside local farmers around the world to implement new techniques.

STATUS OF AUDIT WEAKNESSES

PART I – SIGNIFICANT DEFICIENCY FINDINGS	STATUS AS OF FY 2023	PROJECTED RESOLUTION DATE
INFORMATION TECHNOLOGY SECURITY	DELAYED RESOLUTION	SEPTEMBER 2024

FY 2023 Completed Corrective Actions

1. Peace Corps continued to commit resources to the ERM program, including the hire of the RiskOfficer. The agency completed and released the agency Risk Appetite Statement, performed an update of office-level Risk Registers, established an agency-level Risk Profile, and acquired a risk management standard to guide Enterprise Risk Management (ERM) program activities.
2. Peace Corps dramatically improved its cyber incident detection and response capabilities, providing 24/7 monitoring, more highly trained staff, and improved toolsets.
3. Peace Corps improved its vulnerability management procedures providing better oversight and performance.

FY 2024 Planned Corrective Actions

1. Peace Corps will codify the integration of Cyber Security into the agency's ERM strategy.
2. Peace Corps will update its Incident Response Plan to better define processes, responsibilities, and reporting.
3. Peace Corps will continue to implement its Information Security Continuous Monitoring (ISCM) strategy, to include the definition of roles and responsibilities and development of security metrics to measure effectiveness.
4. Peace Corps will continue implementation activity as defined in the ERM strategy.
5. OCIO will continue performing necessary Security Assessment and Authorization on FISMA-reportable systems.

INADEQUATE INTERNAL CONTROLS OVER PROPERTY, PLANT, AND EQUIPMENT	DELAYED RESOLUTION	SEPTEMBER 2024

FY 2023 Completed Corrective Actions

1. Peace Corps updated and strengthened policies and procedures over personal property, including timely and proper recordation of capitalized assets. Roles and responsibilities over personal property are now clearly defined between Office of the Chief Financial Officer (OCFO), Office of Management (M) and Office of the Chief Information Officer (OCIO). OCFO oversaw monthly meetings between these offices to communicate purchase plans and other PP&E activities.
2. Peace Corps enhanced its reconciliation process to better identify and resolve differences between source systems and the financial system.
3. Peace Corps updated its property inventory system to require the purchase order field when entering an asset.
4. Peace Corps reviewed monthly purchases over the capitalization threshold to ensure they were correctly categorized.

FY 2024 Planned Corrective Actions

1. Peace Corps will further enhance the reconciliation processes to consider asset status in the source system. When differences are identified, they will be resolved in a timely manner.
2. Peace Corps will update policies and procedures over Bulk Assets.
3. Peace Corps will update the policies to clearly define the placed-in-service date for vehicles and the timing of when a vehicle and the associated placed in-service date should be recorded in VMIS. The updated policies will be communicated to the necessary personnel at Posts.

PART II - NONCOMPLIANCE FINDINGS	STATUS AS OF FY 2023	PROJECTED RESOLUTION DATE
FEDERAL INFORMATION SECURITY MODERNIZATION ACT (FISMA) OF 2014	DELAYED RESOLUTION	SEPTEMBER 2024

FY 2023 Completed Corrective Actions

1. Peace Corps updated its Continuous Monitoring Strategy to identify control weaknesses.
2. Peace Corps continues to commit resources to the ERM program, including the hire of the Risk Officer. The agency completed and released the agency Risk Appetite Statement, performed an update of office-level Risk Registers, established an agency-level Risk Profile, acquired a risk management standard to guide ERM program activities.
3. Peace Corps improved business processes over the inventory of IT management processes.

FY 2024 Planned Corrective Actions

1. Peace Corps will develop a project plan for implementation of a comprehensive information security strategy.
2. Peace Corps will continue to convene ERM Council meetings on a recurring quarterly cadence (and as needed).
3. Peace Corps will continue ERM Program implementation activity as defined in the ERM strategy.
4. Peace Corps will finalize updates to its asset management tools and processes.
5. Peace Corps will continue to improve its vulnerability management program.
6. Peace Corps will improve its Identity Credentialing and Account Management program.
7. Peace Corps will conduct an enterprise Business Impact Analysis to improve its contingency planning.

GLOSSARY OF ABBREVIATIONS

AF	Africa Region
AFR	Agency Financial Report
ATDA	Accountability of Tax Dollars Act of 2002
BHO	Behavioral Health and Outreach
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CBJ	Congressional Budget Justification
CIGIE	Council of Inspectors General on Integrity and Efficiency
CIP	Construction In Progress
CIRS	Coordinated Incident Reporting System
CISA	Cybersecurity and Infrastructure Security Agency
COVID-19	Coronavirus Disease 2019
CREG	Country Re-Entry Guide
DAIMS	Data ACT Information Management Schema
DATA Act	Digital Accountability and Transparency Act
DOL	Department of Labor
DOS	Department of State
DR	Dominican Republic
EMA	Europe, Mediterranean, and Asia Region
EOD	Enter On Duty
ERM	Enterprise Risk Management
ERMC	Enterprise Risk Management Council
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employees' Compensation Act
FEDRAMP	Federal Risk and Authorization Management Program
FEGLI	Federal Employees Group Life Insurance
FEHB	Federal Employees Health Benefits
FEVS	Federal Employee Viewpoint Survey
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FSN	Foreign Service National
FY	Fiscal Year
FYR	Five-Year Rule
GAAP	Generally accepted accounting principles
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accountability Office
GSA	General Services Administration
HCC	Host Country Contribution
HCF	Human Capital Framework
IaaS	Infrastructure as a Service
IAP	Inter-America and the Pacific Region
ICAM	Identity, Credential, and Access Management
ICDEIA	Intercultural, Competence, Diversity, Equity, Inclusion and Accessibility
ICT	Information and Communications Technology
IG	Inspector General
ISCM	Information Security Continuous Monitoring
IT	Information Technology
MAR	Management Advisory Report
MIR	Management Implication Report
NCE	Noncompetitive Eligibility
OA	Occupancy Agreements
OCFO	Office of Chief Financial Officer
OCIO	Office of Chief Information Officer
OHR	Office of Human Resources
OHS	Office of Health Services
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OSIRP	Office of Strategic Information, Research, and Planning
PCR	Peace Corps Response
PEPFAR	President's Emergency Plan for AIDS Relief
PIIA	Payment Integrity Information Act
PP&E	Property, Plant, and Equipment
PPM	Project and Portfolio Management
PRISM	Procurement Information System for Management
PSC	Personal Services Contractor
RPCV	Returned Peace Corps Volunteer
RSI	Required Supplemental Information
SaaS	Software as a Service
SAPR	Sexual Assault Prevention and Response
SBR	Statement of Budgetary Resources
SIMS	Security Incident Management System
STEM	Science, Technology, Engineering, and Mathematics
Treasury	Department of the Treasury
U.S.C.	United States Code
USAID	U.S. Agency for International Development
USDH	U.S. Direct Hire
VDS	Volunteer Delivery System
VIDA	Volunteer Information Database Application
VMIS	Vehicle Management Information System
VRS	Office of Volunteer Recruitment and Selection
VSP	Virtual Service Pilot
VSPP	Virtual Service Pilot Participant

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