



Agency Financial Report

Fiscal Year 2018

The Peace Corps

AGENCY FINANCIAL REPORT

Fiscal Year 2018



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Peace
Corps

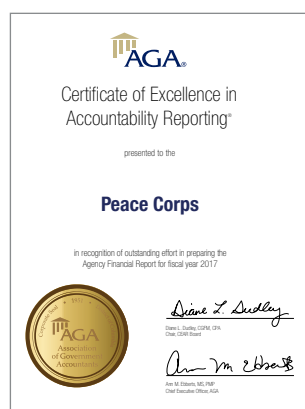


ABOUT THIS REPORT

The Peace Corps' Agency Financial Report (AFR) for fiscal year (FY) 2018 provides fiscal results and performance highlights for the reporting period beginning October 1, 2017 and ending September 30, 2018. The AFR enables the President, Congress, and American public to assess the agency's accomplishments as we advance our critical mission of promoting world peace and friendship through community-based development and cross-cultural understanding.

The AFR is one of the performance and financial reports required from federal agencies. This report was prepared in accordance with Office of Management and Budget (OMB) Circulars A-11, Preparation, Submission, and Execution of the Budget; Circular A-123, Management's Responsibility for Enterprise Risk Management (ERM) and Internal Control; and Circular A-136, Financial Reporting Requirements. The AFR, the FY 2018 Annual Performance Report, and the FY 2020 Annual Performance Plan (to be published with the FY 2020 Congressional Budget Justification) are all available online at peacecorps.gov/about/open-government/reports/.

AGA CERTIFICATE OF EXCELLENCE



The Peace Corps was awarded the Association of Government Accountants' [Certificate of Excellence in Accountability and Reporting](#) for the FY 2017 AFR, the eleventh year that the agency received this distinguished award.

HOW THIS REPORT IS ORGANIZED

The AFR presents the agency's performance highlights and accomplishments, fiscal accountability, and operational achievements and challenges in FY 2018. It begins with a message from Peace Corps Director Jody K. Olsen, followed by Management's Discussion and Analysis, Financial Section, Other Information, and Appendices.

Management's Discussion and Analysis

This section provides an overview of financial results, summary-level performance information, and management assurance regarding internal control. It showcases the Peace Corps' mission and organizational structure, and summarizes the work of its Volunteers. Agency challenges and demands are also addressed in this section.

Financial Section

This section begins with a message from the chief financial officer and details the agency's financial position as of September 30, 2018, the end of FY 2018. The agency's FY 2018 financial statements and accompanying footnotes are presented in this section, along with the independent auditor's report.

Other Information

This section contains the Office of Inspector General's Management and Performance Challenges and a summary of financial statement audit and management assurances.

Appendices

This section provides additional information including a report on audit follow-up activity, verification and validation of performance data, and a glossary of abbreviations used throughout this report.

ABOUT THE PEACE CORPS

History

| | |
|--------------------------------|-------------------|
| Officially Established: | March 1, 1961 |
| Americans Who Have Served: | More than 235,000 |
| Host Countries Served to Date: | 141 |

Volunteers

| | |
|--|------------------------|
| Current Number of Volunteers and Trainees: | 7,367 ¹ |
| Gender: | 64% female, 36% male |
| Marital Status: | 99% single, 1% married |
| Average Age: | 27 |
| Over Age 50: | 4% |

Countries and Projects

| | |
|--|------------------------|
| Number of Countries Served in FY 2018: | 61 countries, 58 posts |
|--|------------------------|

Volunteers by Work Area

| | |
|---------------------------------|-----|
| Education: | 42% |
| Health: | 20% |
| Environment: | 7% |
| Youth in Development: | 12% |
| Community Economic Development: | 7% |
| Agriculture: | 9% |
| Peace Corps Response: | 3% |

Where Volunteers Serve

| | |
|------------------------------|-----|
| Africa: | 46% |
| Central and South America: | 17% |
| Eastern Europe/Central Asia: | 14% |
| Asia: | 9% |
| Pacific Islands: | 6% |
| Caribbean: | 4% |
| North Africa/Middle East: | 4% |

Budget

Budget for FY 2018: \$410 million

Peace Corps Director

Jody K. Olsen (Tunisia, 1966-1968)

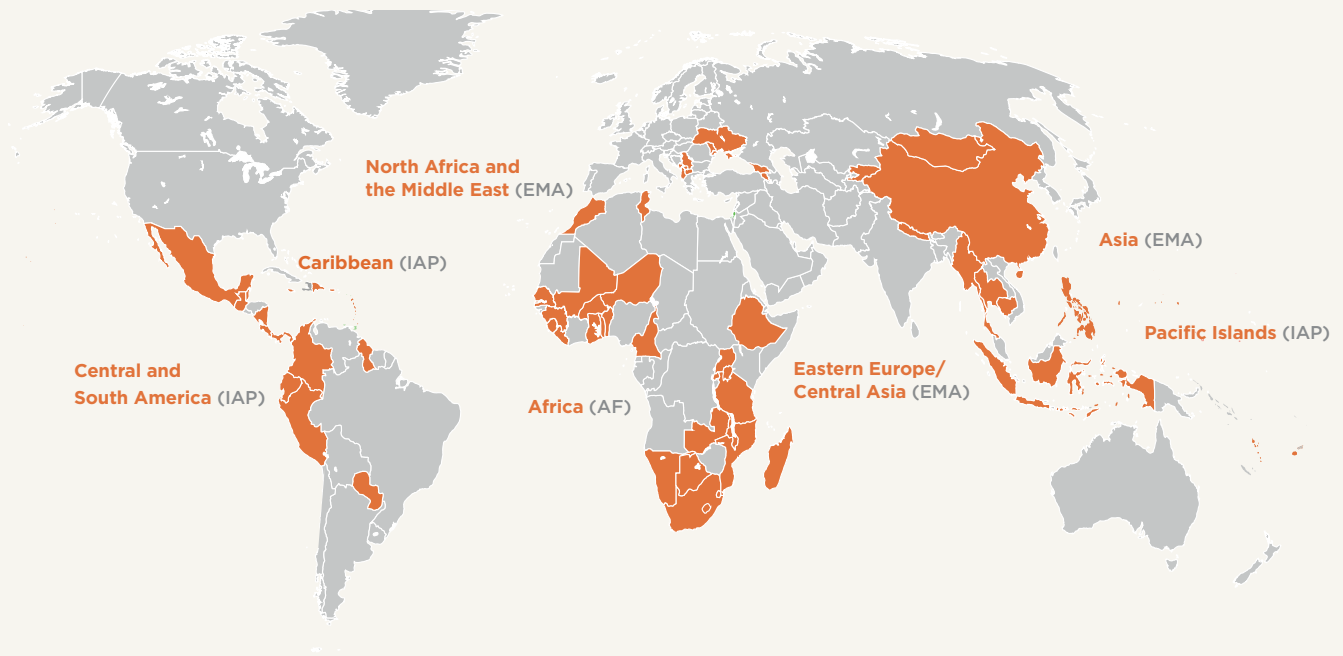
Toll-Free

855.855.1961

[peacecorps.gov](https://www.peacecorps.gov)

¹ Volunteers are funded from appropriated funds and monies from the President's Emergency Plan for AIDS Relief (PEPFAR). Of the 7,367 Peace Corps Volunteers, 735 are funded by PEPFAR.

WHERE PEACE CORPS VOLUNTEERS SERVED IN FY 2018



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
 Guatemala
 Guyana
 Mexico
 Nicaragua
 Panama
 Paraguay
 Peru

Africa

Benin
 Botswana
 Cameroon
 Comoros
 Eswatini
 Ethiopia
 Ghana
 Guinea
 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
 Armenia
 Georgia
 Kosovo
 Kyrgyz Republic
 Macedonia
 Moldova
 Ukraine

Asia

Cambodia
 China
 Indonesia
 Mongolia
 Myanmar
 Nepal
 Philippines
 Thailand
 Timor-Leste

Pacific Islands

Federated States of
 Micronesia:
 Micronesia
 Palau
 Fiji
 Samoa
 Tonga
 Vanuatu

AF: Africa Region
EMA: Europe, Mediterranean, and Asia Region
IAP: Inter-America and Pacific Region
 Countries with Volunteers during FY 2018

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DIRECTOR OF THE PEACE CORPS



On behalf of the Peace Corps Volunteers and staff serving around the world, I am pleased to present the Peace Corps' Agency Financial Report for Fiscal Year 2018. This report provides the financial information of the agency and reflects our accountability to goals and strategies that enable the President, Congress, and the public to assess the progress the Peace Corps has made over the past year.

The Peace Corps traces its roots to the early 1960s, when then-Senator John F. Kennedy inspired Americans to serve their country in the cause of peace by living and working overseas in developing communities. While much has changed since the agency was founded in 1961, its mission to promote world peace and friendship has not. The Peace Corps' goals are as relevant today as they were 57 years ago.

Since then, more than 235,000 Americans have answered this call of duty. Every day, Peace Corps Volunteers make a lasting difference in the communities they serve. As community health promoters, English and math teachers, business development advisors, environmental and agricultural specialists, and youth development mentors, our Volunteers collaborate with their communities to create sustainable change. And, when our Volunteers return to the United States, they strengthen American communities and organizations by reinvesting their unique skills and diverse experiences as they join the U.S. workforce.

FY 2018 marks the first year of implementation of the Peace Corps' [FY 2018-2022 Strategic Plan](#). With the \$410 million appropriated from Congress, we continue to innovate and pursue new goals to improve Volunteer support and global operations and build upon the reforms implemented in recent years. We strive to increase the efficiency and effectiveness of our operations as we carry out the objectives outlined in the President's Management Agenda and the Management's Discussion and Analysis section of this report highlights our progress and accountability to the American people.

We remain steadfast in our unwavering commitment to the health, safety, and security of our Volunteers. Enhancing the agency's Sexual Assault Risk Reduction and Response (SARRR) program, mandated by the Kate Puzey Volunteer Protection Act of 2011, continues to be a major focus. The SARRR program enables the agency to strengthen support, prevention, and care for our Volunteers. In FY 2018, the Peace Corps also fully implemented the *MySafety Guide*, a safety and security resource designed by Peace Corps security professionals, program staff, and returned Volunteers. The agency continues to prioritize Volunteer safety in the face of security challenges and strengthen its safety resources, staying cognizant of the number of Volunteers that the agency can safely sustain in the field.

For the 12th consecutive year, the independent external auditors rendered an unmodified (clean) audit opinion on the Peace Corps' financial statements. For FY 2018, the Peace Corps received no material weakness, two significant deficiencies, and one instance of noncompliance with laws and regulations on its financial statements. Our system of internal control and the financial systems meet the Federal Managers' Financial Integrity Act objectives as shown in the Management Assurances Section. However, difficulties remain in satisfying management and performance challenges issued by the Inspector General and in resolving the audit findings of the agency. Interested readers can learn more about our efforts to correct audit findings in the chief financial officer letter in the Financial Section.

The financial and performance data presented in this report are reliable and complete. The Peace Corps remains committed to the Open Government Initiative as we underscore accountability and transparency in all facets of our agency operations. This publication, along with other agency data and reports, can be viewed at peacecorps.gov.

As I re-ignite my service as the new Director, I am committed to leading a Peace Corps that remains the world's preeminent volunteer agency, offering Americans from across our great nation the opportunity to serve their country. I pledge to lead with enthusiasm and commitment to the Peace Corps mission.



Jody K. Olsen

Director

November 13, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

MISSION AND OVERVIEW OF THE PEACE CORPS

OUR MISSION

To promote world peace and friendship through community-based development and cross-cultural understanding.

OUR VISION

To be a dynamic, forward-leaning champion for international service, defined by our energy, innovation, and development impact.

WHO WE ARE

The Peace Corps has been a leader in international development and citizen diplomacy for over 57 years. In a profoundly interdependent world, we tackle challenges that know no borders—such as access to education, food security, environmental concerns, youth development, and gender disparities.

The Peace Corps was established by President John F. Kennedy by executive order on March 1, 1961, and formally authorized by Congress on September 22, 1961, with the passage of the [Peace Corps Act](#). The Peace Corps is an independent agency in the executive branch of the U.S. government.



“The Peace Corps represents some, if not all, of the best virtues in this society. It stands for everything that America has ever stood for. It stands for everything we believe in and hope to achieve in the world.”

— Sargent Shriver
Founding Director of the Peace Corps, 1961 to 1966

The Peace Corps has been guided by a mission of world peace and friendship since its establishment in 1961. The agency exemplifies the best of the nation’s spirit by sending Americans to serve communities around the world, advancing development and building cross-cultural understanding. Today, the Peace Corps continues to build strong relationships between our country and the people of our partner nations while making a difference in overseas communities, in the lives of our Volunteers, and back home in the United States.

Periodically, the Peace Corps conducts a strategic assessment of its global presence and impact through our Country Portfolio Review process. This review facilitates effective responses to new requests for Volunteers, while preserving and strengthening longstanding relationships with existing partners and host countries. Moving forward, we envision a Peace Corps that remains more vital than ever—collaborating with diverse partners, applying cutting-edge technologies, and pioneering best practices to deepen our development impact.

More than 235,000 Peace Corps Volunteers have served in 141 countries since 1961. Today, their legacy of friendship and community-based development continues to span borders.

| PEACE CORPS FACTS | |
|--|--------------------------|
| Historical | |
| Officially Established | March 1, 1961 |
| Americans Who Have Served | 235,000 |
| Total Host Countries Served | 141 |
| Country That Has Hosted the Most Volunteers | Philippines (9,258) |
| Current | |
| Host Countries | 61 |
| Total Volunteers | 7,367 ¹ |
| Largest Program | Ukraine (351 Volunteers) |
| ¹ See About the Peace Corps | |

CORE VALUES AND ORGANIZATIONAL STRUCTURE

HOW WE WORK

The Peace Corps advances its mission through the work of its Volunteers. The agency is structured to support the unique needs of thousands of Volunteers serving in communities around the world, often under conditions of hardship. The following core values shape decisions across the agency.

“Central to Peace Corps’ mission is building a network of Volunteers that represents the rich diversity of our nation, bringing diverse perspectives and solutions to the communities we serve.”

— Jody K. Olsen, Remarks to the African American Mayor’s Association, 4/27/2018.

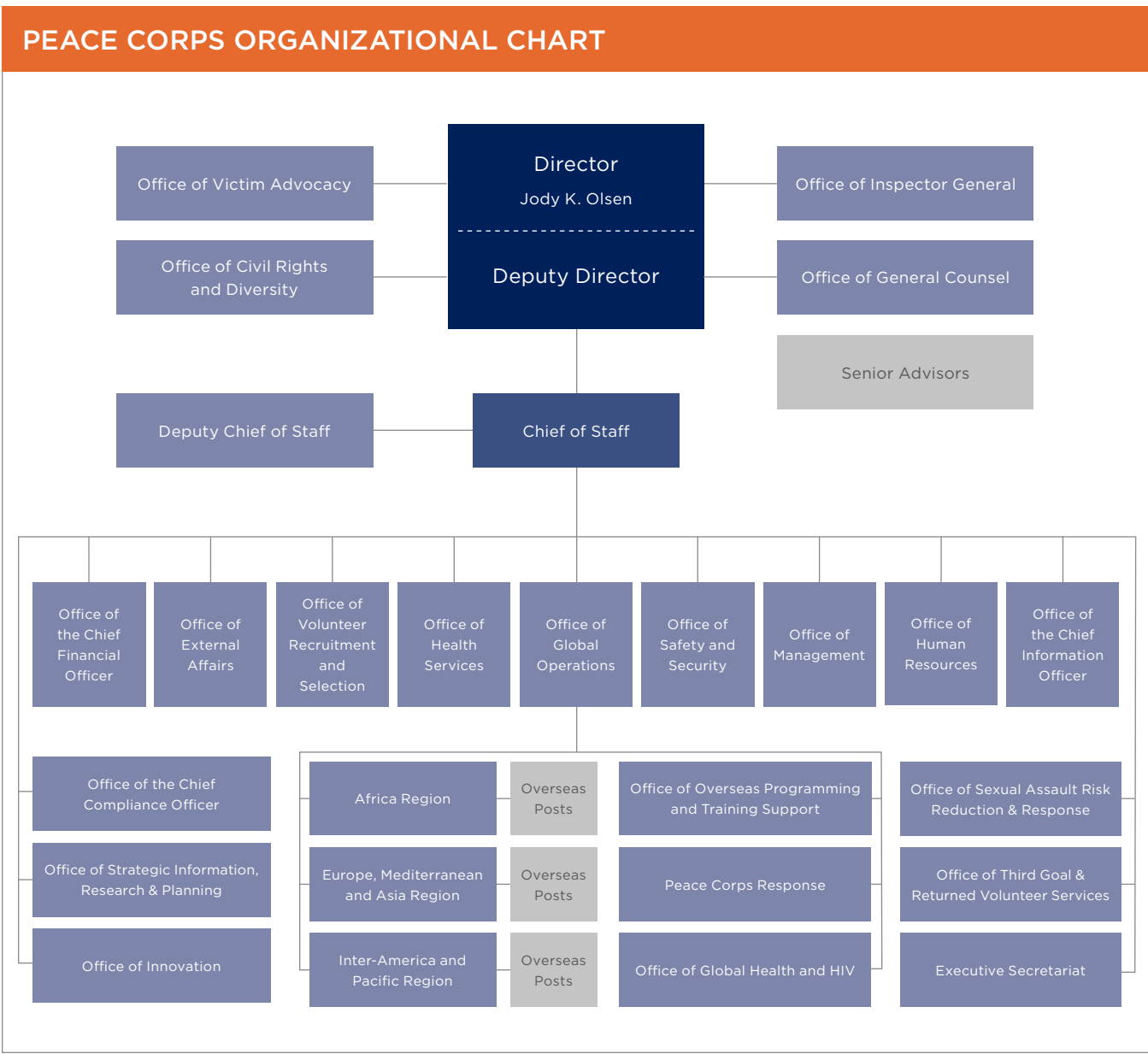
| THE PEACE CORPS’ CORE VALUES | |
|--------------------------------|---|
| Volunteer Well-Being | The Peace Corps works to provide a safe, healthy, and productive service for every Volunteer. The safety, security, and physical and emotional health of Volunteers are top priorities of the agency. |
| Quality and Impact | The Peace Corps pursues quality improvements to strengthen its programs while maintaining a meaningful global presence. |
| Commitment to National Service | The Peace Corps seeks to expand opportunities for Americans to serve their country by volunteering their time abroad in the service of others. |
| Diversity and Inclusion | The Peace Corps fosters a culture of inclusion that builds on the strengths of diversity—from the rich diversity of America to the incredible diversity of the countries in which we serve. |
| Evidence-Based Decisions | The Peace Corps uses high-quality data and evidence to focus resources on agency priorities, inform performance improvements both in the field and at headquarters, and promote institutional learning. |
| Innovation | The Peace Corps utilizes innovative approaches and technology to solve both persistent and emerging operational challenges in advancing local development. |

OUR ORGANIZATION

In FY 2018, the Peace Corps maintained active programs in 61 countries administered by 58 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).

In addition to its Volunteers, the greatest asset of the Peace Corps is its workforce, comprising 951

U.S. direct hire staff and 2,940 host country staff (including short-term language and cross-cultural training staff). The unique combination of U.S. direct hire and host country staff creates a flexible and vibrant workforce. The Peace Corps believes that having a diverse and inclusive agency is essential to advancing its mission. The Peace Corps maximizes Volunteer and staff skills, talent, and overall performance by developing a culture of inclusion and collaboration.

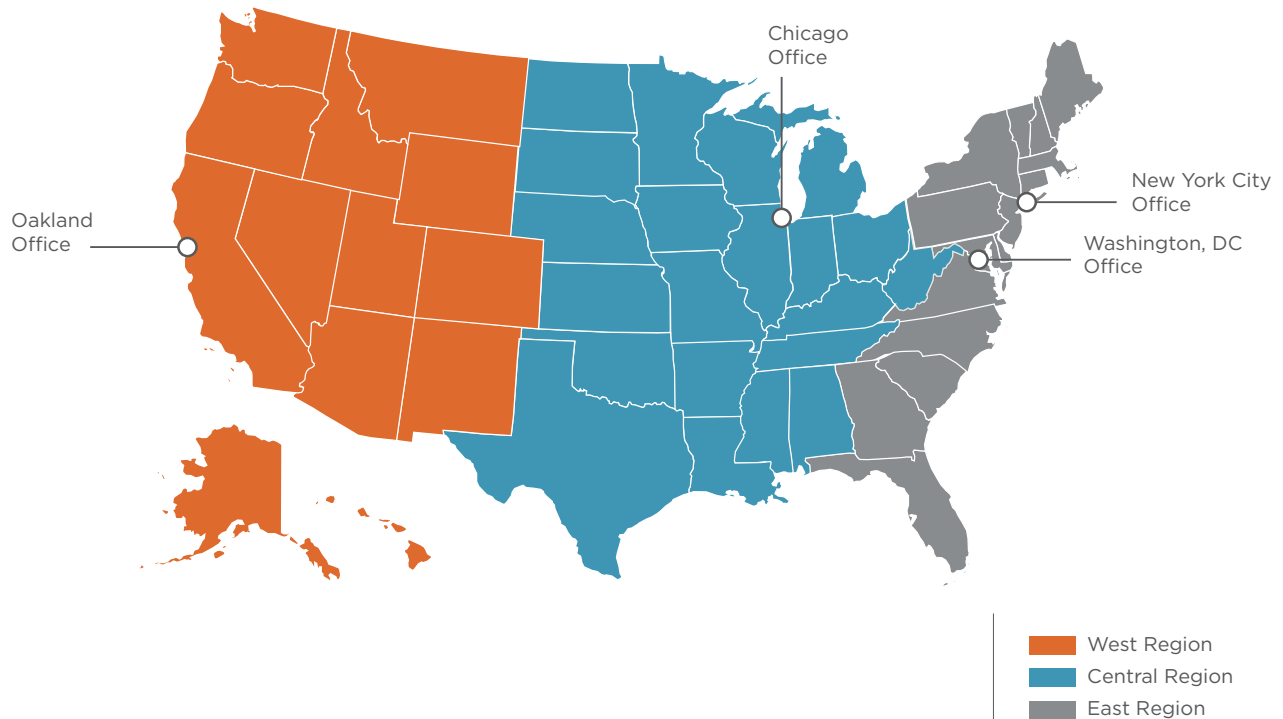




The Peace Corps is headquartered in Washington, DC, with regional recruitment offices in Chicago, New York City, and Oakland. There are 70 recruiters across the nation,

working to recruit and place qualified Americans from all walks of life to serve overseas as Peace Corps Volunteers.

REGIONAL OFFICE BREAKDOWN



WORK OF THE VOLUNTEERS

THE PATH TO BECOMING A VOLUNTEER

Every Peace Corps Volunteer is unique, and so is every Volunteer's service. What Volunteers have in common is a passion for service and an eagerness for life-defining experiences. They are motivated changemakers, ready to partner with communities to make a difference at the grassroots level.

Most Peace Corps Volunteers serve for two years, following three months of training. Another pathway to Peace Corps service is Peace Corps Response, through which short-term, high-impact assignments are undertaken by experienced professionals and returned Peace Corps Volunteers.

When applying to the Peace Corps, prospective Volunteers select the program that meets their needs, interests, and aspirations. Candidates have an opportunity to indicate their preference for geographic region, programmatic sector, and date of availability. All candidates are encouraged to connect with one of 70 Peace Corps recruiters in the U.S., who can discuss skill set and expectations for service. The path to becoming

a Peace Corps Volunteer takes approximately six to fourteen months, starting from application submission to departure for service.

WHAT WE DO

Volunteers live and work abroad to help communities meet the most urgent challenges of our time. Rather than provide monetary assistance to countries, the Peace Corps sends Volunteers to share their skills and experience while living and working alongside local individuals and communities.

This unique community-based approach to development emphasizes intercultural understanding, capacity building, and sustainable results. Volunteers advance citizen diplomacy, build local capacity, and bring a wealth of experience back to the United States. Volunteers develop language, intercultural, technical, and entrepreneurial skills that prepare them for jobs in a competitive global marketplace. They bring these skills with them to their work in both the public and private sectors, sharing their global experiences and outlook with their colleagues, friends, and family. In turn, this helps to build a more competitive U.S. workforce.

THE PEACE CORPS' APPROACH TO DEVELOPMENT



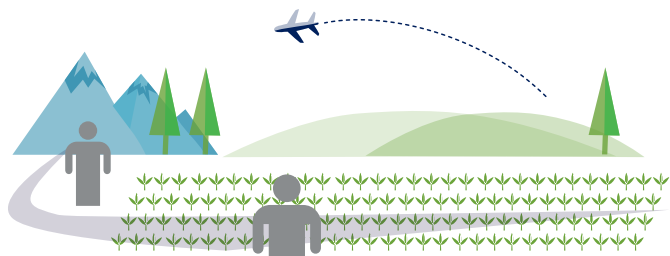
Countries invite the Peace Corps to partner with them in addressing their development goals. Volunteers are requested directly by local schools, government offices, and other community-based organization.



Volunteers live and work at the local, grassroots level.



Volunteers learn local languages and cultures. They build relationships and trust with people in their host communities.



Volunteers use their knowledge of the local context to collaborate with host country partners on projects that address community needs.

Volunteers work closely with host country counterparts to strengthen the capacity of local individuals and communities to solve their own problems.

Local conditions are improved and those improvements are sustained after Volunteers leave.

PEACE CORPS PROGRAMMATIC SECTORS

Volunteer projects vary across the world, since they are designed to respond to local needs. Globally, Volunteers' work falls within six programmatic sectors: Agriculture, Community Economic Development, Education, Environment, Health, and Youth in Development.

When applying for Volunteer service, Peace Corps candidates can choose the programmatic sector that matches their skills, passions, and career goals—or opt to be placed where they are needed most. Peace Corps service can be the first step toward a career or the continuation of a life's work.



EDUCATION

Teaching lessons that last a lifetime.

Education is the Peace Corps' largest program area. Many Volunteers work in elementary, secondary, or post-secondary schools, teaching subjects such as math, science, or conversational English; or serving as resource teachers or teacher trainers. Volunteers also develop libraries and technology resource centers. Many Volunteers play an important role in strengthening links among schools, parents, and communities. Volunteers can earn their [Teaching English as a Foreign Language \(TEFL\) certificate](#) through the Peace Corps.



HEALTH

Building healthy global communities.

Health Volunteers work within their communities to address key health issues, including nutrition, maternal and child health, and water sanitation. Volunteers also work in HIV/AIDS education and prevention programs, where they train youth as peer educators, mentor and care for children orphaned by the disease, and support families and communities affected by the HIV/AIDS epidemic.



ENVIRONMENT

Forging a global movement to protect the planet.

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



YOUTH IN DEVELOPMENT

Empowering the next generation of leaders.

Volunteers work with youth to promote civic engagement and active citizenship, focusing on issues such as gender equality, health and HIV/AIDS education, employability, technology skills, environmental awareness, and sports and fitness opportunities.



COMMUNITY ECONOMIC DEVELOPMENT

Helping communities lift themselves.

Volunteers work with development banks, nongovernmental organizations, and municipalities to encourage economic opportunity at the community level. 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 connect with global markets.



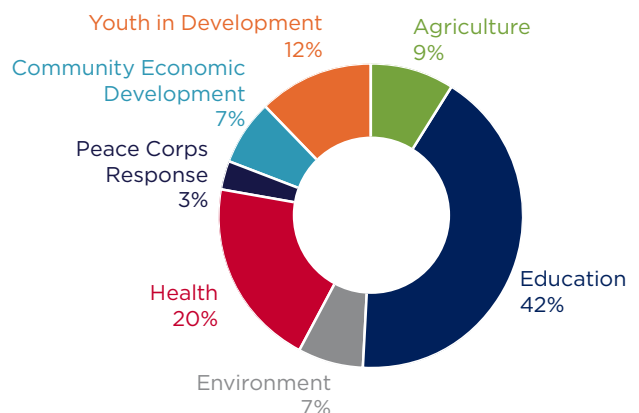
AGRICULTURE

Leading grassroots efforts to fight hunger.

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.

Additional information on the Peace Corps programmatic sectors can be found at peacecorps.gov.

VOLUNTEER SECTORS IN FY 2018





SENEGAL

Creating a Water Pipeline for a Healthier Future — *Conor Byrnes*

Upon arriving to his village in northern Senegal, Peace Corps Volunteer Conor Byrnes was struck by two things: “the people, kind and resilient, and the heat, dry and persistent.”

Conor learned from one of his local friends that the greatest challenge for the community was gaining access to water for cooking, washing, drinking, and gardening. The water was not potable, and it was too far from the village. The village had come to rely upon a series of wells scattered around the area which were susceptible to contamination. Obtaining water from the wells was physically exhausting.

Conor worked with his local community to generate ideas on how to improve the village’s access to water. They decided that it was important to link the local health hut to a clean water source. Additionally, they wanted to focus on equipping homes with individual faucets. After hosting public meetings and private discussions, the team decided to set up a water pipeline project that would include two shared faucets at each village mosque and

one at the health hut. The team concluded that running water would allow for the creation of hand washing stations in homes and the development of community gardens which would, in turn, provide an opportunity for teaching small business management and personal finance for farmers who sell their produce.

The project was funded by Water Charity. Conor managed the materials, finances, and the relationship with the overseer of the water source. A local plumber installed pipelines and faucets while a team of enthusiastic villagers dug more than 700 meters of trenches. Within a month, water began to flow steadily from the faucets.

As a result of the project, 18 faucets are now supplied by the new central pipeline. Currently, plans are being finalized to expand the pipeline to service more homes and, ultimately, to reach a large women’s garden in the village. The goal for the project’s second phase is to provide two-thirds of the village with clean water.

STRATEGIC GOALS AND OBJECTIVES

The three strategic goals of the Peace Corps are interdependent and mutually reinforcing. Volunteers advance grassroots development outcomes by working in partnership with local communities (Strategic Goal One). In addition, Volunteers promote a better understanding of Americans in host country communities throughout their service (Strategic Goal Two). Volunteers also serve as cultural ambassadors, sharing their experiences and increasing Americans' knowledge of the people and cultures of their host communities (Strategic Goal Three). After completing their service, many Returned Volunteers continue to fulfill

the Peace Corps mission by sharing their global perspectives, engaging in public service, and fostering intercultural understanding in the United States.

The three goals outlined below are keys to advancing the Peace Corps' mission. These strategic goals are consistent with the three core goals articulated when the Peace Corps was first established in 1961 ([The Peace Corps Act](#), Public Law 87-293-September 22, 1961) and continue to serve as the foundation for the approach to development that guide the Peace Corps [FY 2018-2022 Strategic Plan](#).

STRATEGIC GOAL 1

Building Local Capacity

To help the people of interested countries in meeting their need for trained men and women

STRATEGIC GOAL 2

Sharing America with the World

To help promote a better understanding of Americans on the part of the peoples served

STRATEGIC GOAL 3

Bringing the World Back Home

To help promote a better understanding of other peoples on the part of Americans

STRATEGIC GOAL 1: BUILDING LOCAL CAPACITY

Advance local development by strengthening the capacity of local communities and individuals through the service of trained Volunteers.



The Peace Corps' approach to development is community-based. Peace Corps Volunteers work to strengthen the capacity of host country individuals, groups, and communities to advance local development outcomes. Volunteers engage in project work and collaborate with local partners in areas such as agriculture, community economic development, education, environment, health, and youth in development. This focus on local capacity building helps to ensure that the

work of Peace Corps Volunteers is sustained long after their service is complete.

Public Benefit

Through Volunteers' capacity-building work, local communities and individuals strengthen the skills they need to address their specific challenges. As a result, local conditions are improved around the globe, and the American people benefit from a more stable, prosperous, and peaceful world.

STRATEGIC GOAL 2: SHARING AMERICA WITH THE WORLD

Promote a better understanding of Americans through Volunteers who live and work within local communities.



Volunteers promote a better understanding of Americans among local people through day-to-day interactions with their host families, counterparts,² friends, and others. Over the course of their two years of service, Volunteers share America with the world—dispelling myths about Americans and developing deep relationships with local people. Through this approach, Volunteers also learn more about local challenges, resources, and conditions. Over time, they build the trust that is essential to project success.

Public Benefit

Volunteers are some of America's most effective goodwill ambassadors in communities where other development or cross-cultural exchange organizations are rarely present. As the result of sustained interactions with Volunteers, local individuals and communities gain a more complete understanding of the United States and become more willing to engage with Americans.

² The Peace Corps assigns one or more "counterparts," or primary host community partners for integration and work, to each Volunteer.

STRATEGIC GOAL 3: BRINGING THE WORLD BACK HOME

Increase Americans' awareness and knowledge of other cultures and global issues through Volunteers who share their Peace Corps experiences and continue to serve upon their return.



During their two years of service, Volunteers learn the languages, customs, traditions, and values of the people with whom they live and work. Volunteers bring the world back home by sharing their experiences with family, friends, and the American public during and after their service. They directly connect Americans with local individuals and communities, both independently and through Peace Corps–supported programs. As a result, they deepen and enrich Americans' awareness and knowledge of other countries, cultures, and global issues. Long after they return from their assignments abroad, returned Volunteers continue their service by promoting a better understanding of other cultures, encouraging and supporting volunteerism, and engaging in public service.

Public Benefit

Sustained interaction between Americans and other peoples engenders mutual understanding and trust, increasing respect and promoting dignity in world affairs at home and abroad. Additionally, through their overseas experiences, Volunteers develop language, intercultural, technical, and entrepreneurial skills that prepare them for today's competitive job market. They bring these skills with them to their work in both the public and private sectors, sharing their global experiences and perspectives with their colleagues, friends, and family. This, in turn, helps to build a more competitive U.S. workforce.



STRATEGIC AND MANAGEMENT OBJECTIVES

The four strategic objectives and two management objectives identified in the agency's plan constitute Peace Corps' roadmap for fulfilling its strategic goals and advancing its mission. Strategic and management objectives are the primary unit of analysis for assessing the agency's performance and are measured through specific, time-bound performance goals.

STRATEGIC OBJECTIVE 1: SUSTAINABLE CHANGE

Foster positive individual, organizational, and community change through Volunteer and stakeholder engagement, collaborative community relationships, the mobilization of local resources, skill building, and cultural exchange.

STRATEGIC OBJECTIVE 2: VOLUNTEER EFFECTIVENESS

Equip Volunteers to be technically and culturally competent professionals who collaborate with partners to support community-driven solutions by establishing an environment conducive to achieving the three strategic goals of the Peace Corps.

STRATEGIC OBJECTIVE 3: VOLUNTEER RESILIENCE

Optimize the ability of Volunteers to successfully navigate the challenges of service, from recruitment to close of service, through a systematic approach to setting expectations, building skills, and supporting Volunteers, staff, and partners.

STRATEGIC OBJECTIVE 4: BUILDING LEADERS OF TOMORROW

Strengthen American communities and organizations by enabling returned Volunteers to reinvest the skills and abilities gained during service.

MANAGEMENT OBJECTIVE 5: FOUNDATIONAL BUSINESS MANAGEMENT

Continuously improve the agency's core infrastructure, including the cost-effectiveness, speed, ease-of-use, and quality of business services.

MANAGEMENT OBJECTIVE 6: ORGANIZATIONAL RISK MANAGEMENT

Identify and proactively address risks and opportunities through systematic, evidence-based decision making.



MACEDONIA

Girls Empowerment and Basketball Camp

Kyle Butcher, a community development Volunteer in Kriva Palanka, Macedonia worked with a local non-governmental organization focused on youth to promote healthy lifestyles, habits, and life skills. This led to the creation of the Team Kriva Palanka's Female Development and Basketball Camp. The camp was an integral part of a Small Project Assistance (SPA) grant project, in which 80 female athletes ages 7-17 participated.

Trainings were led by professional athletes and topics included women's empowerment through sports, leadership, and positive body image—which supplemented personal health and hygiene lessons. The participants and coaches loved the camp and continue to support the concept within the community. As a result of this project, the Mayor of Kriva Palanka (who is a former counterpart) invested funds in sports clubs throughout the city to accomplish similar goals.

PERFORMANCE OVERVIEW AND HIGHLIGHTS

PERFORMANCE IMPROVEMENT

The [FY 2018-2022 Strategic Plan](#) focuses on strengthening core business processes, advancing effective use of data, and ensuring efficient use of resources. The plan helps the Peace Corps move forward as a global leader in international development and cross-cultural understanding.

The Peace Corps engages in transparent conversations about performance improvement. The agency uses an evidence-based approach to monitoring and assessing performance that utilizes data to identify the most effective strategies for the greatest impact. The result is an inclusive and participatory culture of performance improvement in which staff at all levels are invested in strengthening agency operations and contributing to the strategic plan.

The Peace Corps' performance improvement system is comprised of synergistic policies and strategies, project design and implementation, monitoring and evaluation, and country-level planning. Key mechanisms include:

- **Quarterly Performance Reviews:** The Peace Corps conducts quarterly reviews as the primary mechanism for monitoring and assessing performance throughout the year. During these reviews, key staff from across the agency discuss performance data from the past quarter and modify strategies to meet performance targets by the end of the fiscal year. In preparation for each review, the agency determines the status of each performance goal in the Annual Performance Plan based on quantitative and qualitative analyses. This quarterly assessment of progress allows the agency to focus resources where there is the greatest need and opportunity for improvement.

- **Integrated Planning and Budget System (IPBS):** Headquarters offices and overseas posts develop operational plans that are consistent with the broader agency strategic plan. IPBS plans are developed during the agency's budget formulation process so that budgets reflect operational resource requirements. Through the IPBS, the agency is working to better link performance and budget processes to ensure that managers have a comprehensive view of the interconnected relationships and information involved in program, policy, and budget decision-making.
- **Annual Strategic Review:** Each year, the Peace Corps Director leads forward-looking meetings in collaboration with senior leadership from across the agency. The purpose is to inform the development of the next Annual Performance Plan. Prior to these meetings, lead offices identify challenges, opportunities, and possible realignments in order to advance strategic objectives. Revisions to strategies and performance goals are incorporated into the following year's Annual Performance Plan. These annual meetings are a key opportunity for senior leadership to collaborate in determining long-term courses of action that will maximize organizational effectiveness and efficiency.

These mechanisms establish a cycle of continuous assessment, adaptation, and cross-office collaboration, encouraging an evidence-based approach to budget and management decisions. In addition, the agency is further improving accountability by emphasizing risk-based decision making. The Peace Corps' enhanced risk management system will encompass all aspects of agency operations—from staff and facilities to emergency preparedness and response, cybersecurity, and financial management.

PERFORMANCE GOAL RESULTS FOR FY 2018

The Peace Corps' four strategic objectives and two management objectives—which advance the three interrelated strategic goals described on [Page 13](#)—are assessed through 17 measurable performance goals. Each performance goal includes a milestone, or quantitative “target,” to be accomplished within a specific time frame.



FY 2018 RESULTS LEGEND:

| | |
|-------------------------------|---|
| Target met | 100 percent of the target set for FY 2018 was met. |
| Slightly below target | 95 to 99 percent of the target set for FY 2018 was met. |
| Target not met | Below 95 percent of the target set for FY 2018 was met. |
| Data not yet available | Data not available at time of publication. |

| Strategic Objective (SO) or Management Objective (MO) | Performance Goal (PG) | | Past Performance Results | | | FY 2018 | |
|---|--|---|--------------------------|---|----------------------------|---|---|
| | | | 2015 | 2016 | 2017 | Result | Target |
| SO 1: Sustainable Change | PG 1.1: Advance Community-Based Results | | 75% | 76% | 86% ³ | Data not yet available ⁴ | 87% of projects with documented gains |
| | PG 1.2: Assess the Peace Corps' Impact | | - | - | - | List and tools developed (Target met) | List of proposed topics, tools and approach for study developed |
| SO 2: Volunteer Effectiveness | PG 2.1: Optimize Staff Performance | | - | - | - | Competencies developed (Target met) | Competencies developed for Programming, Training, and Evaluation (PT&E) staff learning strategy |
| | PG 2.2: Optimize Volunteer Performance | | - | - | - | Competencies developed (Target met) | Competencies developed for Volunteer learning strategy |
| | PG 2.3: Improve Language Learning | Levels 1-2 | 81% ⁵ | 82% | 82% | 82% (Slightly below target) | 84% of Volunteers tested at close of service who score "Advanced" |
| | | Levels 3-4 | 46% ⁵ | 38% | 38% | 38% (Slightly below target) | 39% of Volunteers tested at close of service who score "Advanced" |
| | PG 2.4: Implement an Improved Site Management System | | - | - | - | Scope of work and hypothesis defined (Target not met) | Parameters/hypothesis defined; data collection tools developed |
| | PG 2.5: Strengthen Project Planning and Management | | - | - | 4% of projects | 21% of projects ⁶ (Target not met) | 35% of projects with an endorsed logical project framework |
| SO 3: Volunteer Resilience | PG 3.1: Establish Realistic Expectations of Service | | - | - | - | HQ analysis conducted; post analysis planned (Target not met) | Analysis of current messaging from headquarters and post to applicants conducted |
| | PG 3.2: Increase the Capacity of Volunteers to Manage Adjustment Challenges Outside the Clinical Environment | Decrease care seeking from Peace Corps Medical Officers (PCMOs) for adjustment difficulties | - | 6.7 cases per 100 VT years ⁷ | 6.4 cases per 100 VT years | Data not yet available ⁴ | 6.2 cases per 100 Volunteer/Trainee (VT) years |
| | | Develop Intercultural Competence, Diversity and Inclusion (ICD&I) framework to support resilience | - | - | - | Vision completed; benchmarks under development (Target not met) | Agency ICD&I vision and strategy developed; status against key benchmarks analyzed |
| | | Develop resilience resources | - | - | - | Modules completed (Target met) | Resilience training modules field tested and finalized |

| Strategic Objective (SO) or Management Objective (MO) | Performance Goal (PG) | | Past Performance Results | | | FY 2018 | |
|---|--|---|--------------------------|-----------------------|------------------------|--|--|
| | | | 2015 | 2016 | 2017 | Result | Target |
| SO 4: Building Leaders of Tomorrow | PG 4.1: Cultivate Leadership Skills | | - | - | - | Competency structure completed (Target met) | Map created of leadership and intercultural skills developed during service (model) |
| | PG 4.2: Continuation of Service | | 2,250 | 2,300 | 1,831 ⁸ | 2,153 (Target not met) | 2,500 opportunities for returned Volunteers to engage in continued service |
| | PG 4.3: Consolidate Career and Transition Services for Returned Peace Corps Volunteers (RPCVs) | | - | 43% | 38% | 32% (Target not met) | 45% of recent returned Volunteers access the RPCV Portal |
| MO 5: Foundational Business Management | PG 5.1: Improve Decision Making with Better Access to Business Intelligence | | - | - | - | 75% (Target not met) | 80% of selected offices maintain dashboards ⁹ |
| | PG 5.2: Align Individual Performance Plans with the Strategic Plan | | - | - | - | New performance management system under development (Target not met) | Plans for agency managers and directors developed and/or restructured to align with at least one PG or objective |
| | PG 5.3: Improve Human Capital Planning and Processes | Develop an agency wide human capital operating plan | - | - | - | Office-level planning underway (Slightly below target) | Plan drafted |
| | | Decrease the average vacancy gap | - | 89 days ¹⁰ | 132 days ¹¹ | 71 days ¹² (Target met) | 100 days |
| MO 6: Organizational Risk Management | PG 6.1: Establish an Enterprise Risk Management Process | | - | - | - | Policies and procedures drafted (Slightly below target) | Policy and procedures approved |
| | PG 6.2: Strengthen Risk Registers | | - | - | - | Training developed (Target not met) | 100% of office points of contact trained to develop risk management assessments |

³ This result includes all data received by November 30, 2017.

⁴ This result will be included in the FY 2018 Annual Performance Report which will be published with the FY 2020 Congressional Budget Justification.

⁵ Italicized results should not be compared with later years due to changes in measurement.

⁶ Approximately 20 additional projects are under review.

⁷ The FY 2016 rate relies on data reported through PCMEDICS from January-September 2016 only; data prior to January 2016 were unavailable or were not comparable to later months due to changes in the criteria for coding cases as "adjustment difficulty."

⁸ The FY 2017 result has been adjusted from 2,230 to 1,831.

⁹ These dashboards contain a combination of operational, financial, human capital and customer service metrics.

¹⁰ Career Connector is the Peace Corps' job vacancy management system that was utilized for the first time in January and February 2016; as a result, the FY 2016 data does not reflect the entire fiscal year.

¹¹ In FY 2017, the federal government hiring freeze impacted the agency's hiring process, resulting in delays in onboarding new staff until the freeze was lifted in August 2017.

¹² Reflects vacancy gap for domestic vacancies only. The Office of Personnel Management (OPM) guidance for an average vacancy gap is 80 days.

FORWARD-LOOKING INFORMATION

The Peace Corps was founded with the mission of promoting world peace and friendship by fostering relationships between the people of the United States and the people in countries where Volunteers serve. As an independent federal agency, the Peace Corps' model of cross-cultural exchange and community-based development delivers sustainable results with a relatively small investment on the part of the American taxpayer.

The Peace Corps' strong foundation enables the agency to address future opportunities and challenges with the same sense of purpose, idealism, and energy that propelled a bold experiment in 1961 into a global leader in sustainable grassroots development today. As it continues advancing its mission and three strategic goals, the Peace Corps is focused on increasing its efficiency, innovation, and effectiveness. To achieve this vision, agency leadership identified six priority focus areas for the **FY 2018–2022 Strategic Plan**¹³:

- Sustainable Change
- Volunteer Effectiveness
- Volunteer Resilience
- Building Leaders of Tomorrow
- Foundation Business Management
- Organizational Risk Management

Key strategic and management strategies include building a culture of inquiry, advancing evidence-based decision-making, supporting organizational learning, and increasing stakeholder accountability. In addition, embracing varied data sources enables the agency to add critical layers of perspective to the Peace Corps story, elevating the voices of Volunteers, staff, and partners.

¹³ For more information on each of these objectives, please refer to the Peace Corps' [FY 2018–2022 Strategic Plan](#).

ENHANCING DATA FOR DECISION-MAKING

The Peace Corps is realigning its evaluation and research capabilities to satisfy a growing demand, both internally and externally, for evidence to inform critical decisions, demonstrate achievements, and maximize operational efficiency. Improvements in agency data processes include efforts to optimize existing data and expand the Peace Corps' evidence base. These data are available and used by agency leadership, managers, and staff to inform program, policy, and budget decisions.

One leading initiative to increase evidence-based decision-making and operational effectiveness is the **Country Portfolio Review (CPR)**. Mandated by the [Kate Puzey Act](#), the CPR is a periodic evaluation of resource allocation across current and potential Peace Corps countries. The CPR facilitates strategic discussions about the allocation of Volunteers across existing posts, enabling agency leadership to identify posts with potential for growth. The CPR is also used to identify strategic opportunities to re-enter past Peace Corps countries or explore possible new partnerships with interested countries.

A valuable component of the CPR is the **Field Research Dataset**, an innovative example of the Peace Corps' investment in agency-wide data analysis. This broad set of approximately 300 data points constitutes a rich source of internal and external data for post planning and management. It includes country-specific data on host country need, host country engagement, alignment with the Peace Corps' development priorities and strategic goals, impact, programming and training, language and cultural integration, safety and security, medical care, and post costs and management. The Field Research Dataset provides staff with a robust tool to analyze post needs and capacities.

Another agency priority—and key performance goal—is increasing the number of offices that use **dashboards** containing a combination of operational, financial, human capital, and customer service metrics. The dashboards provide senior

decision-makers with timely, relevant, accurate, and easy-to-use business information. By ensuring focus on the effectiveness and cost efficiency of decisions, the dashboards will help strengthen alignment of activities with the Peace Corps' strategic objectives.



How Peace Corps Volunteers taught 3,600 Zambian girls to code

In Zambia, 3,600 girls have learned to code through an innovative project designed by Peace Corps volunteers. The project, known as Girls Can Code!, teaches adolescent girls from rural and disadvantaged communities to code by harnessing the power of Raspberry Pi, a low-powered computer designed by a former Cambridge University professor.

Much is lacking in terms of resources in these rural areas, which are typically off-grid, with no electricity and no network,” said Peace Corps volunteer and Girls Can Code! founder Daniel Bevington, of Lyons, Colorado. “It is a male-dominated culture where girls and young women in rural Zambia find limited roles in society. For many of them, this is the first time in their life where someone believed in them.”

At Girls Can Code! technology camps organized throughout Zambia by Bevington and his fellow Peace Corps volunteers, girls first learn basic computer skills, from typing to using a mouse. By the end of the camp, they are skilled in popular programming languages such as Python and Scratch.

“This youth camp goes above and beyond to try to educate young women on how to live and think in new ways,” said Peace Corps volunteer Lillian Hill, of State College, Pennsylvania, who facilitated a camp in the Northwest province of Zambia in January. The camps combine coding, gaming, robotics, and computer architecture with lessons on HIV awareness and leadership. There is also a special focus on “ubuntu,” an African Bantu belief that emphasizes humanity toward one another.

The camps are facilitated in partnership with the Zambian non-profit, Hackers Guild, comprised of young, tech-savvy Zambians who love computers, technology, and programming. Working in collaboration with Zambian trainers, Peace Corps volunteers directly reached 112 young women and girls in the first year of the program. Empowered with new knowledge and technical skills, the initial group of girls have since developed their own community coding clubs in rural areas around Zambia, creating an expansive network of 3,600 young women coders.

“I met a lot of girls at Girls Can Code!,” said ninth-grader Elizabeth Kamona, who participated in a camp last December. “They were all amazing. We were all speaking different languages, but we could understand each other because we were all learning the same technology.”

Elizabeth, who wants to be a software engineer when she grows up, now leads her own technology club for an enthusiastic group of 20 girls and boys between the ages of 11 and 13. Technology will take over the world one day, she says, and she wants young women and girls to be ready when it does.

ALIGNING PROGRAMMING, TRAINING, AND EVALUATION

Over the next few years, the Peace Corps will continue to develop and expand a new project planning and management system that addresses community-defined priorities through evidence-based activities. This process—referred to as **Programming, Training, and Evaluation (PT&E) Alignment**—will strengthen links between project design, Volunteer training, and Volunteer reporting of project achievements.

PT&E Alignment involves transitioning to evidence-based Logical Project Frameworks (LPFs) for each of the Peace Corps' six sectors: Agriculture, Community Economic Development, Education, Environment, Health, and Youth Development. The Peace Corps' LPFs articulate project goals, objectives, and anticipated community benefits that will reflect the efforts of Volunteers to promote change in their communities and organizations. Each LPF contains standard sector indicators with defined data collection tools to measure changes in specific knowledge, skills, attitudes, or behaviors that result from project activities. The data collected will be used to better assess projects across sectors and regions, enhance the development of existing or future Volunteer programs, and provide timely reporting information for use against the agency's Strategic Plan and other external documents. The conversion to LPFs currently underway at the post project-planning level is a multi-year effort targeted for completion by FY 2021. This effort ensures that taxpayer dollars are used effectively and efficiently, and Volunteer projects continue to meet the needs of their communities.

STRENGTHENING SITE MANAGEMENT

The Peace Corps is in the process of establishing an improved and comprehensive **Site Management System** using evidence-based guidance and tools. This system will help Volunteers and host country nationals define and address community

priorities. The improved site management system will be completed using a phased approach that uses existing data and findings from operational research to define parameters for successful site management. This analysis will enhance existing site management guidance and tools, consistent with the new project LPFs. Post staff will use this guidance to identify sites that share programmatic goals with the Peace Corps as well as committed local counterparts. The posts' efforts will be facilitated by the development of an integrated and navigable information technology (IT) platform to capture and manage critical site management data.

INCREASING EFFICIENCY IN THE INVITEE CLEARANCE PROCESS

Since 2015, the Peace Corps has received approximately 20,000 Volunteer applications each year, with one-quarter of these applicants being selected to receive an invitation to serve. Providing first-rate health care and outstanding customer service in a cost-efficient way remains a top priority for the agency. The agency's commitment to optimizing the ability of Volunteers to successfully navigate the challenges of service begins with ensuring that the strongest applicants receive invitations and continue progressing through the selection process to become Volunteers. One example of this commitment is the agency's review of the medical clearance process. This review, now underway, is intended to make greater use of technology to create a more efficient process for invitees, their health care providers, and Peace Corps staff during the medical clearance phase.

EVALUATING IMPACT

Another example of the Peace Corps facilitating a more data-informed and nimble response to critical development issues is the evaluation of the **Small Project Assistance (SPA)** program at posts. The SPA program—a joint effort of the Peace Corps and the United States Agency for International Development (USAID)—has supported thousands of training activities and

grants for small-scale community-initiated development projects over the past 35 years. These projects are implemented collaboratively between a Peace Corps Volunteer and a community organization. All projects are led by local residents and designed to meet development needs identified by the community. These small grants provide essential resources and training opportunities to communities that are rarely reached by traditional development organizations. The SPA IV program evaluation will help the Peace Corps understand how SPA-funded grant activities support broader local ownership of development in the communities served. This evaluation will also identify best practices and lessons learned for community-driven development.

LEVERAGING PEACE CORPS SERVICE AT HOME

For many Americans, the Peace Corps is a launching pad for a lifetime commitment to service. Volunteers return to the United States with a unique and diverse set of highly marketable skills, including leadership, language, technical, intercultural, and entrepreneurial skills that contribute to a more competitive U.S. workforce. In addition, returned Volunteers use their intercultural knowledge and experience to continue their service at home by engaging in public service, supporting volunteerism, and promoting a better understanding of other cultures.

The Peace Corps is strengthening the transition resources it provides to returned Volunteers to help them better articulate the leadership skills and intercultural competence that they have acquired through service, especially as they re-enter the workforce or advance their education. The agency also plans to integrate a user-friendly virtual career resource center into existing platforms to deliver career services more efficiently. In addition, the agency will improve its civic engagement and cross-cultural exchange in U.S. communities by centralizing online resources and raising awareness of opportunities

for returned Volunteers. These efforts will maximize the opportunities available to returned Volunteers who embody the Peace Corps' "domestic dividend": dedicated individuals who contribute their skills, passion, and experience to the U.S. workforce.



CORPS TO CAREER

From Peace Corps Service to Space

Joe Acaba first heard about the Peace Corps from a recruiter while studying geology at the University of California, Santa Barbara. He started the application but received a scholarship to pursue a master's degree in geology. After graduating he worked as a hydro-geologist but the Peace Corps was still calling and in 1994, Acaba entered service as an environmental education awareness promoter in the Dominican Republic.

After completing two years of Peace Corps service, he returned to the U.S., where he taught high school and middle school math and science in Florida.

In 2004, Acaba was selected as a mission specialist by NASA, the first person of Puerto Rican heritage to be named as a NASA astronaut candidate, and in 2009 he made his first trip to space.

Acaba launched to the International Space Station (ISS) for a five-month mission on September 12, 2017, his third trip to the ISS. He logged a total of 138 days in space during his previous two missions. Before his departure we sat down with Acaba and asked how his Peace Corps service prepared him to become an astronaut.

ANALYSIS OF FINANCIAL STATEMENTS

| HIGHLIGHTS OF FINANCIAL POSITION (IN THOUSANDS) | | | | |
|---|------------------|------------------|-------------------|---------------|
| CONDENSED BALANCE SHEET | | | | |
| | FY 2018 | FY 2017 | CHANGE (IN \$) | CHANGE (IN %) |
| Fund Balance with Treasury | \$230,365 | \$225,766 | \$4,599 | 2% |
| Accounts Receivable | 2,245 | 2,250 | (5) | 0% |
| General Property, Plant, and Equipment | 30,674 | 32,342 | (1,668) | -5% |
| Prepaid Volunteer and Living Allowances | 1,752 | 1,786 | (34) | -2% |
| Other Assets | 4,409 | 4,847 | (438) | -9% |
| TOTAL ASSETS | \$269,445 | \$266,991 | \$2,454 | 1% |
| Accounts Payable | 16,917 | 15,339 | 1,578 | 10% |
| Federal Employee and Veteran Benefits | 168,488 | 171,783 | (3,295) | -2% |
| FSN and PSC Separation Liability | 31,969 | 30,378 | 1,591 | 5% |
| Payroll Related Liabilities | 16,695 | 17,173 | (478) | -3% |
| Non-Entity Funds | 28,247 | 26,131 | 2,116 | 8% |
| Other Liabilities | 256 | 59 | 197 | 334% |
| TOTAL LIABILITIES | \$262,572 | \$260,863 | \$1,709 | 1% |
| Unexpended Appropriations | 157,467 | 158,920 | (1,453) | -1% |
| Cumulative Results of Operations | (150,594) | (152,792) | 2,198 | -1% |
| TOTAL NET POSITION | \$6,873 | \$6,128 | \$745 | 12% |
| TOTAL LIABILITIES AND NET POSITION | \$269,445 | \$266,991 | \$2,454 | 1% |
| NET COST OF OPERATIONS | | | | |
| | FY 2018 | FY 2017 | VARIANCE (IN \$) | CHANGE (IN %) |
| Gross Costs | \$427,846 | \$440,798 | \$(12,952) | -3% |
| Less: Earned Revenue | (6,880) | (7,090) | 210 | -3% |
| NET COST OF OPERATIONS | \$420,966 | \$433,708 | \$(12,742) | -3% |
| SOURCES AND STATUS OF BUDGETARY RESOURCES | | | | |
| | FY 2018 | FY 2017 | VARIANCE (IN \$) | CHANGE (IN %) |
| Unobligated Balance Brought Forward | \$51,052 | \$82,670 | \$(31,618) | -38% |
| Recoveries and Other Changes | 23,442 | 15,693 | \$7,749 | 49% |
| Appropriations | 410,000 | 410,000 | - | 0% |
| Donations Received | 1,832 | 3,383 | (1,551) | -46% |
| Funding for Separation Liability | 4,027 | 3,540 | 487 | 14% |
| Spending Authority from Offsetting Collections | 8,530 | 9,883 | (1,353) | -14% |
| TOTAL BUDGETARY RESOURCES | \$498,883 | \$525,169 | \$(26,286) | -5% |
| Obligations Incurred | 422,121 | 474,117 | (51,996) | -11% |
| Unobligated Balance, Unexpired and Expired | 76,762 | 51,052 | 25,710 | 50% |
| STATUS OF BUDGETARY RESOURCES | \$498,883 | \$525,169 | \$(26,286) | -5% |

OVERVIEW OF FINANCIAL POSITION

Sound financial management is integral to execution of the Peace Corps' strategic goals and objectives. The Peace Corps' financial statements are submitted to the OMB in compliance with the Accountability of Tax Dollars Act of 2002 (ATDA). As presented in the Financial Section, these statements support the objective of the agency to improve financial management and provide accurate, reliable information for assessing performance and allocating resources.

Agency resources primarily consist of funds appropriated by Congress, which provided the agency authority to obligate funds over a two-year period. In FY 2018, the agency received \$410 million in appropriations. Agency funding is administered by the U.S. Department of the Treasury (Treasury). 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 additional funding under the [Foreign Assistance Act of 1961 \(FAA\), section \(a\) and \(b\)](#).

As highlighted in the combined [FY 2018-2022 Strategic Plan and FY 2018 - 2019 Annual Performance Plan](#), the agency's four strategic objectives and two management objectives are assessed through 17 measurable goals to advance the three interrelated strategic goals:

- **Building Local Capacity**—advancing community-based development through the service of trained Volunteers;
- **Sharing America With the World**—promoting a better understanding of Americans through Volunteers who live and work within local communities; and
- **Bringing the World Back Home**—increasing Americans' understanding of global cultures through Volunteers who share their Peace Corps experiences and continue to serve upon their return home.

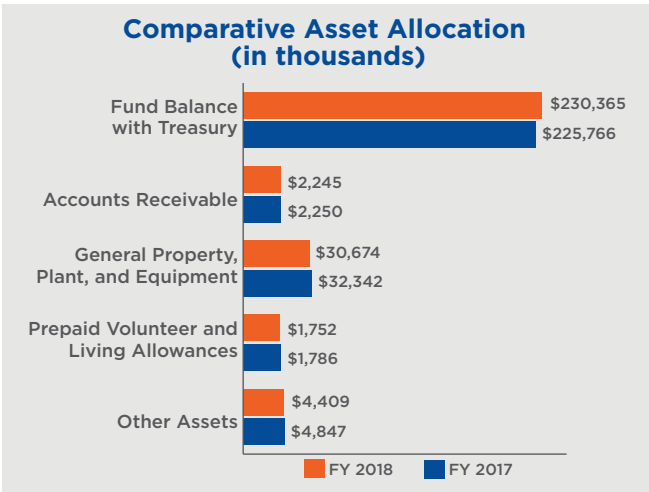
Due to the unique inter-dependencies of the agency's three strategic goals, the Peace Corps operates under one program. The agency integrates performance and cost data into budgetary decision-making through two primary processes: first, the IPBS, through which Peace Corps headquarters and overseas posts develop strategic plans and resource requests to execute goals; and second, the Annual Strategic Review, which provides performance data to inform the budget formulation process.

Agency activities are presented in the principal statements: Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and Statement of Budgetary Resources. Agency management is accountable for the integrity of the financial statements, which were prepared using the Peace Corps' books and records in accordance with the standards prescribed for federal agencies by the Federal Accounting Standards Advisory Board. These statements are audited by an independent certified public accounting firm, Williams Adley. The Peace Corps earned an unmodified (clean) opinion on its financial statement for the 12th consecutive year. The FY 2018 financial statements and accompanying footnote disclosures are included in the [Financial Section](#) of this report.



BALANCE SHEET

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



ASSETS

What We Own and Manage

Assets are the amount of current and future economic benefits owned or managed by the Peace Corps to achieve its mission. Total Assets were at \$269.4 million at the end of September 30, 2018 compared to \$267 million at September 30, 2017. Fund Balance with Treasury (FBWT) and Property, Plant, and Equipment (PP&E) accounted for 85 percent and 11 percent, respectively, of overall agency assets in FY 2018. The FBWT represents monies held within Treasury that are available for appropriated purposes to make future expenditures and pay liabilities. PP&E is comprised of tangible assets, such as IT hardware, internal-use software, and vehicles owned by the agency.

Allocations between asset accounts remained consistent between FY 2018 and FY 2017. FBWT increased by \$4.6 million (or 2 percent) from \$225.8 million in FY 2017 to \$230.4 million in FY 2018. This slight change is a result of the agency receiving the same level of appropriation at \$410 million, in FY 2017 and FY 2018. In FY 2018, the balance in PP&E decreased by \$1.6 million (or 5 percent) from \$32.3 million in FY 2017 to \$30.7 million in FY 2018. The reduction in PP&E is due to a lower rate of acquisitions for technology assets and higher instance of retirements for the agency during the current fiscal year.

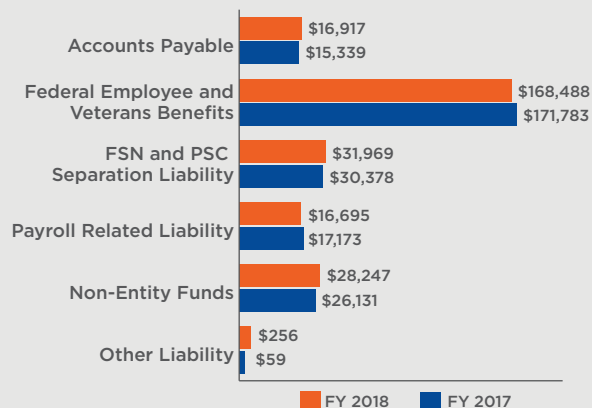
Accounts Receivable and Prepaid Volunteer and Living Allowances accounts remained constant between FY 2017 to FY 2018. The Accounts Receivable balance of \$2.2 million is mostly comprised of expected reimbursement from USAID for services performed by the Peace Corps. The Prepaid Volunteer and Living Allowances of \$1.7 million represents the housing and a living stipend that enables Volunteers to live in a manner similar to the people in their community of service. The stipends are paid in advance of the entitlement month to ensure that Volunteers do not incur a financial burden. This account is directly related to the number of Volunteers currently serving in the Peace Corps. Other Assets, which consisted of non-Volunteer-related prepayments for rent, prepaid IT maintenance costs, and travel advances, accounts for 2 percent of overall agency assets. This account decreased by less than \$500,000, from \$4.8 million in FY 2017 to \$4.4 million in FY 2018.

LIABILITIES

What We Owe

Liabilities are amounts owed by the Peace Corps for goods and services provided but not yet paid—specifically, monies owed to the public and other federal agencies. Total Liabilities remained steady between the two fiscal years, with only

Comparative Liabilities Allocation (in thousands)



a 1 percent increase from FY 2017 to FY 2018. Total Liabilities in FY 2018 were \$262.6 million, \$1.7 million higher than the FY 2017 balance of \$260.9 million. The greatest liability of the agency is its workers' compensation benefit, which represents 64 percent of overall agency liability in FY 2018. This benefit is provided to Peace Corps Volunteers and U.S. direct-hire staff under the Federal Employees' Compensation Act (FECA) program, which is administered by the Department of Labor (DOL). In FY 2018, the account amounted to \$168.5 million, \$3.3 million (or 2 percent) lower than the prior year's balance of \$171.8 million.

Overseas Peace Corps staff is a combination of U.S. direct hires and host country staff. Host country staff make up a majority of overseas support staff and are comprised of Personal Service Contractors (PSCs) and Foreign Service Nationals (FSNs). The Peace Corps is liable for severance and post-retirement benefits to eligible PSCs and FSNs who work in countries that require such payments under the labor laws of the host country. The liability accrued for these local hires is currently at 12 percent of overall liabilities as of September 30, 2018. In FY 2018, the agency's liability was \$32 million, compared to \$30.4 million in FY 2017. The variance of \$1.6 million (or 5 percent) is due to the sustained

length of service and retention rates of PSCs and FSNs at their posts, which proportionately increases the agency's effective future liability.

Non-Entity Funds accounts for 11 percent of total agency liabilities as of FY 2018. Non-Entity Funds are assets held by the Peace Corps that are unavailable for operations use, and for which a liability has been recorded. These non-entity funds represent future liability for allowances earned by Volunteers during their service with the agency. Upon completion of Peace Corps service, Volunteers receive financial assistance from the agency in the form of a readjustment allowance, which helps returned Volunteers transition from Peace Corps service to other endeavors. Non-Entity Funds increased by \$2.1 million (or 8 percent) to \$28.2 million in FY 2018 due to the increased allowance rate of Volunteers. In FY 2017, the balance was \$26.1 million.

Accounts Payable increased by \$1.6 million from \$15.3 million in FY 2017 to \$16.9 million in FY 2018. Payroll Related Liability decreased slightly by \$500,000 from \$17.2 million in FY 2017 to \$16.7 million in FY 2018. The highest percentage of increase is in Other Liability, due to the expected outcome on a litigation case. In FY 2017, the account was \$59,000 compared to \$256,000 in FY 2018.

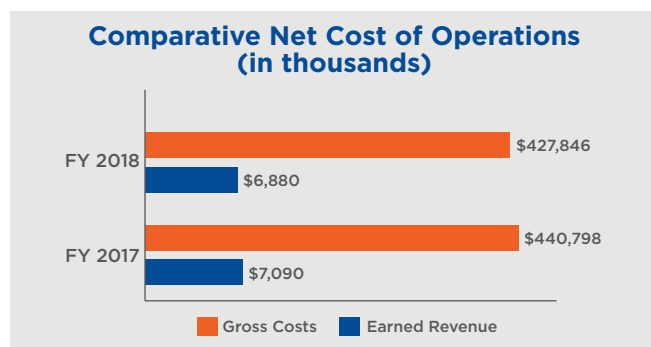
NET POSITION

What We Have Done Over Time

Net position comprises Unexpended Appropriations and Cumulative Results of Operations. The net position of the Peace Corps increased by less than \$1 million, from \$6.1 million in FY 2017 to \$6.9 million in FY 2018.

STATEMENT OF NET COST

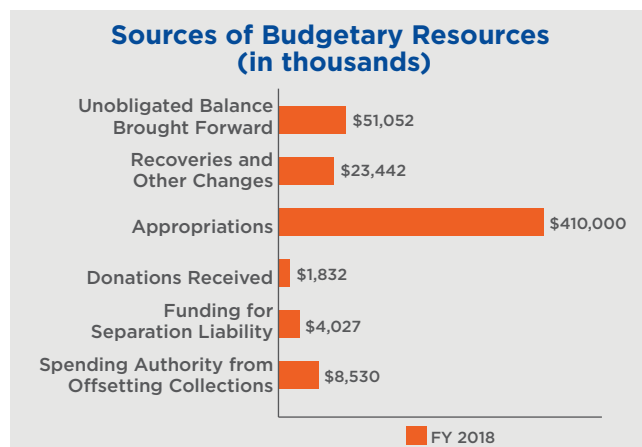
The Statement of Net Cost reports the agency's net cost of operations for a given fiscal year. Net cost of operations is the difference between



the costs incurred minus earned revenue. The agency's cost of operations decreased from \$433.7 million in FY 2017 to \$421 million in FY 2018. The variance of \$12.7 million was due to lower cost of operations both at headquarters and at posts. Expenses were attributable to Volunteer costs and support, strategic programs enhancement, and employee payroll and benefits. For Earned Revenue, the decrease from \$7 million to \$6.9 million from FY 2017 to FY 2018 is due to a lower rate of spending authority from the reimbursable agreement between the Peace Corps and a key interagency partner, USAID.

STATEMENT OF BUDGETARY RESOURCES

The Statement of Budgetary Resources (SBR) summarizes how varying sources of budgetary funding were made available during the year and their status by the end of the fiscal year. The agency ended the year in FY 2018 with Budgetary Resources of \$498.9 million, compared to \$525.2 million in FY 2017, a \$26.3 million (or 5 percent) decrease from the previous year. This is a result of a lower rate of carryover funds from the prior year. At the beginning of FY 2018, the agency's Unobligated Balance Brought Forward was \$51.1 million. This is \$31.6 million (or 38 percent) less than the balance brought forward at the beginning of FY 2017 of \$82.7 million. Unobligated Balance is the cumulative amount of remaining budget authority that the Peace Corps is allowed to obligate in the fiscal year.



Total Appropriations for FY 2018 is \$415.8 million as presented in the SBR. Total appropriations is comprised of appropriated funds authorized by Congress in the amount of \$410 million, donated revenue of \$1.8 million, and monies transferred within the agency to fund the FSN and PSC separation funds, amounting to \$4 million. Additional sources of funding come from spending authority from offsetting collections, a type of budget authority that is financed by reimbursements, as authorized by law, and applied against the agency's appropriation. Under the FAA, section 632 (b), the Peace Corps was authorized to perform work for USAID on programs such as SPA, Food Security, Global Education and Maternal and Child Health, amounting to \$8.5 million in FY 2018.

The Peace Corps implemented cost savings and improved efficiency in operations, which resulted in an increase of recoveries by \$7.7 million (or 49 percent) from \$15.7 million in FY 2017 to \$23.4 million in FY 2018. Recoveries of prior year obligations allows the agency to re-use monies before the funds expiration due to multi-year appropriation authority.

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 2018, the agency received \$40.3 million in funds from Department of State (DOS) through an allocation transfer, a legal delegation by one federal agency to another,

for [President's Emergency Plan for AIDS Relief \(PEPFAR\)](#). 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, they are instead, reported by DOS.

LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and operational results of the Peace Corps, pursuant

to the requirements of 31 U.S.C. 3515(b). While the statements have been prepared from the books and records of the entity in accordance with the federal accounting principles and formats prescribed by the OMB, 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 should be read with the understanding that they are for a component of the U.S. government, a sovereign entity.



CAMEROON

The Peace Corps beekeeping training has empowered me to control my own work

Situated in the hills of northwest Cameroon, Belo is a village of subsistence farmers primarily cultivating staple crops such as corn and beans.

Many subsistence farmers in the community experience food insecurity, and it reaches a peak during the transition from dry to rainy season as food stores have been depleted and the next harvest is not yet ready.

While honey is a source of readily absorbable calories, especially for children and sick people, the collection of honey in this area was traditionally

done by “honey badgering,” or hunting for bees in the bush. Recognizing that training local farmers on improved beekeeping techniques would increase the availability of honey during the hunger period and provide a means to decrease poverty, the Peace Corps, supported by the West Africa Food Security Partnership, organized a technical beekeeping training.

In January, February and March, a group of 17 farmers completed a series of trainings on improved beekeeping techniques including “Kenyan Top Bar Hive” construction, hive baiting, apiary selection and management, harvesting, value-added processing and record keeping.

Since the training, the group has placed 39 Kenyan Top Bar Hives in apiaries around the community. The new colonies will provide the community with approximately 310 liters of honey over the next year.

Madame Victorine Chia, a new beekeeper who constructed three beehives after this training, said, “The Peace Corps beekeeping training has empowered me to control my own work. I know how to build my own hive now, and I know how to harvest. I can use these skills to provide income for my family.”

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

The Peace Corps performs an assessment of internal control designed to support compliance with the The Federal Managers' Financial Integrity Act (FMFIA) and OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. In compliance with the new requirement to OMB A-123, under M-16-17, dated July 2016, the Peace Corps selected a cross-agency team to collaborate in developing and implementing an agency-wide risk governance structure. As part of the [FY 2018-2022 Strategic Plan](#), Organization Risk Management was established as one of the agency's six priority areas for improvement over the next four years. Through the combined efforts to implement ERM and improve internal



control, the Peace Corps can proactively address key risk areas and improve operational efficiency and effectiveness.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

FMFIA 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) operating revenues and expenditures are properly recorded to maintain accountability and permit the preparation of accounts, financial statements, and statistical reports.

This act also requires agencies to establish accounting and administrative controls to include program, operational, administrative, and financial management. FMFIA also requires standards to ensure the prompt resolution of all audit findings. This act requires agency heads to annually evaluate and report on, via assurance statement, the adequacy of internal and administrative controls (Section 2) and the conformance of systems with government-wide standards (Section 4).

INTERNAL CONTROL GUIDANCE AND IMPLEMENTATION OF THE FMFIA

Guidance for implementing FMFIA (31 U.S.C. 3512) is provided by OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, which further defines management's internal control responsibilities in federal agencies, including the financial management systems. Within the agency, Peace Corps Manual Section 784, Internal Control System, sets out the policies and procedures for establishing, assessing,

correcting, and reporting on internal control. The FY 2018 unmodified management assurance statement follows later in this section.

INTERNAL CONTROL OPERATIONS

During the FY 2018 financial statement audit, the agency achieved an unmodified (clean) audit opinion. Legal compliance was addressed through auditor testing of selected laws and regulations. The auditors identified no material weakness, two significant deficiencies, and one instance of noncompliance with laws and regulations. The agency is committed to resolving these audit findings and planned resolution and expected timeframes are summarized in Appendix 1 Status of Audit Weaknesses.

Internal control monitoring occurs over the normal course of conducting agency business. Each year, associate and regional directors perform an evaluation of the internal control and an assessment of risks over program operations. This is captured yearly in department and office head assurance statements. These assurance statements are based on various sources, including operational reviews in departmental areas, managers' knowledge of day-to-day operations, existing controls, self-assessments, senior leadership meetings, audits of financial statements, inspector general audits, reports, investigations, and evaluations. The FY 2018 evaluations identified weaknesses, but none that would rise to a level of material weakness.

In summary, the agency's internal control program is designed to ensure compliance with the requirements of FMFIA and other federal regulations.

FRAUD REDUCTION AND DATA ANALYTICS ACT OF 2015

[The Fraud Reduction and Data Analytics Act of 2015](#) was signed into law in June 2016 to improve financial and administrative controls and procedures to identify, assess, and address fraud risks. In its commitment to effective risk



governance across all levels of the organization, the Peace Corps incorporated a risk management program into its strategic plan. Two of the agency's performance goals, as discussed in the Peace Corps [FY 2018-2022 Strategic Plan](#), focus on organization-wide, holistic-risk management process. During FY 2018, the agency developed an ERM Council Charter and By-Laws, in addition to policies, procedures, and a training plan. Execution of ERM program begins in FY 2019 through FY 2020. Application of the agency's ERM program and internal control assessments strengthens the agency effectiveness in meeting agency goals and objectives, while improving fraud prevention and detection of waste and abuse of federal resources.

DATA ACT

The Digital Accountability and Transparency Act of 2014 (DATA Act) ([P.L. 113-101](#)) was signed into law in May 2014 to provide transparency in the spending of taxpayer dollars. The DATA Act mandates federal agencies to report on procurement data to bring awareness on federal spending. In compliance with DATA Act, the agency submits award-level information for posting on [USASpending.gov](#).

DEBT COLLECTION IMPROVEMENT ACT

The Peace Corps manages a limited amount of debt under the provisions of the Debt Collection Improvement Act of 1996; OMB Circular A-129, Policies for Federal Credit Programs and Non-Tax Receivables; the Controlling Alert, Improving Collection of Delinquent Debt, issued January 4, 2013; and other relevant laws. In FY 2018, the agency wrote off uncollectable debts and delinquent balances older than two years in the amount of \$627 and submitted quarterly reports through the Treasury Report on Receivables. The agency continues to make improvements in its collection process to ensure billings are valid and collections are timely.

ANTI-DEFICIENCY ACT

The Anti-Deficiency Act (ADA) (31 U.S.C. §§ 1341 and 1517) prohibits federal agencies from obligations and expending federal funds in excess of its appropriation. The agency's financial system was designed to prevent ADA violations through the implementation of a zero-tolerance funds control check at the fund and office level. This systematic control ensures that obligations are not recorded until monies are authorized and allotted by the Office of the Chief Financial Officer (OCFO). Funds control is a critical control tool in ensuring funds are managed effectively across all levels of the agency.

FINANCIAL MANAGEMENT SYSTEMS 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.

As part of the agency's strategy to improve efficiency in operations, the Peace Corps virtualized all financial system databases and application servers. This effort will produce future cost savings, flexibility, and ease of necessary upgrades. The agency completed in-house development for a custom financial application, FOR Post Web, used for overseas budget execution, cashing, and financial reporting. FOR Post Web was successfully implemented to all field offices in the 1st quarter of FY 2018. FOR Post Web improves financial processing and reporting overseas while streamlining integration with Odyssey.

The FMFIA Unmodified Management Assurance Statement that follows is consistent with the FY 2018 financial statement audit report.

FY 2018 FMFIA UNMODIFIED MANAGEMENT ASSURANCE STATEMENT

The Peace Corps management is responsible for managing risks and maintaining effective internal control to meet the objectives of Section 2 of the Federal Managers' Financial Integrity Act (FMFIA). We conducted an assessment of risks and evaluated internal control to support effective and efficient programmatic operations, reliable reporting, and compliance with applicable laws and regulations in accordance with Office of Management and Budget (OMB) Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Through this assessment, the Peace Corps can provide reasonable assurance for the soundness that internal control over operations, reporting, and compliance were operating effectively as of September 30, 2018.

The Peace Corps management conducted its assessment of whether the financial management systems conform to government-wide financial system requirements in accordance with Section 4 of FMFIA. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems are in compliance with OMB Circular A-123 as of September 30, 2018, with the exception of one significant deficiency and one noncompliance with the Federal Information Security Modernization Act of 2014 (FISMA). In accordance with OMB Bulletin No. 19-01, this is not considered a material weakness. Details of the FISMA audit findings are in [Appendix 1](#).



Jody K. Olsen

Director

November 13, 2018



Richard Swartz, CPA

Chief Financial Officer

November 13, 2018

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FINANCIAL SECTION

MESSAGE FROM THE CHIEF FINANCIAL OFFICER



On behalf of the Peace Corps, I am pleased to present the FY 2018 Agency Financial Report. As we advance the Peace Corps mission of world peace and friendship, we are firmly committed to the highest standards for financial accountability and reporting.

FY 2018 was a transition year for the Peace Corps. In line with the 2017 President's Management Agenda, the agency directed all offices to streamline operations, focus on core mission priorities, and reduce or eliminate unnecessary or duplicative processes. Agency offices embraced the challenge and prepared a comprehensive reform plan that refocused administrative efforts on the mission-critical priority of successful Volunteer service.

The President's Management Agenda continues to guide our day-to-day financial operations. In FY 2018, we created a team focused on enhancing financial policies, procedures, and compliance in support of the agency's comprehensive reform plan. In addition, we fully implemented an internally developed, web-based financial application now used by all posts for budget execution, cashiering, and financial reporting. This updated system architecture enables overseas staff to streamline transaction processing and integration with the agency's financial system. By prioritizing process improvements, providing accurate and auditable financial data, and promoting accountability and transparency in our internal and external reporting, we can more efficiently support resource needs across the agency.

Our agency has a tradition of integrity, accuracy, and transparency in financial operations. I am pleased to note that the Peace Corps was awarded the coveted Association of Government Accountants' Certificate of Excellence in Accountability Reporting for the FY 2017 Agency Financial Report. In FY 2018, we upheld that tradition as Williams Adley, an independent audit firm, conducted its first audit of the Peace Corps' financial statements and issued our 12th consecutive unmodified (clean) audit opinion. This sustained achievement would not be possible without Peace Corps' dedicated financial management community working behind the scenes, ensuring that American taxpayers' dollars are used soundly to support our Volunteers.

The audit firm identified two significant deficiencies and one instance of noncompliance with laws and regulations. These are noted in the Auditor's Report, with planned corrective action highlighted in [Appendix 1](#), Status of Audit Weaknesses. We concur with these findings and have already begun to address their root causes. This includes streamlining contract closeouts; collaborating with our IT partners to bolster the internal control environment; and continuing to dedicate resources to process analysis, streamlining, and documentation. We will continue to make impactful and sustainable improvement in financial management in the years to come as we support our 7,367 Volunteers in 61 countries across the globe.

I am truly proud to serve the agency in the capacity of Chief Financial Officer. During FY 2018, I had the privilege of visiting two overseas posts and seeing our Volunteers' amazing work firsthand. I was inspired by their commitment to the Peace Corps mission. Likewise, I am just as inspired by the sincere dedication of my mission-driven staff who support our Volunteers' work. I am grateful for this opportunity and look forward to continuing to lead the Peace Corps financial community.

A handwritten signature in black ink, reading "Richard Swartz".

Richard Swartz, CPA

Chief Financial Officer

November 13, 2018

FINANCIAL STATEMENTS (AUDITED)

Peace Corps
Balance Sheets
As of September 30, 2018 and 2017
(In Thousands)

| | 2018 | 2017 |
|--|--------------------------|--------------------------|
| Assets (Note 2) | | |
| Intragovernmental | | |
| Fund Balance with Treasury (Notes 2 and 3) | \$ 230,365 | \$ 225,766 |
| Accounts Receivable (Note 4) | 1,648 | 1,822 |
| Total Intragovernmental | <u>232,013</u> | <u>227,588</u> |
| Accounts Receivable, Net (Note 4) | 597 | 428 |
| General Property, Plant, and Equipment, Net (Note 5) | 30,674 | 32,342 |
| Other | | |
| Prepaid Volunteer Living Allowances (Note 6) | 1,752 | 1,786 |
| Other Assets (Note 7) | 4,409 | 4,847 |
| Total Assets | <u><u>\$ 269,445</u></u> | <u><u>\$ 266,991</u></u> |
| Liabilities (Note 8) | | |
| Intragovernmental | | |
| Accounts Payable | \$ 6,353 | \$ 5,783 |
| Other | | |
| Unfunded FECA Liability (Note 8) | 30,145 | 30,206 |
| Other Liabilities (Notes 8 and 9) | 99 | 59 |
| Total Intragovernmental | <u>36,597</u> | <u>36,048</u> |
| Accounts Payable | 10,564 | 9,556 |
| Federal Employee and Veteran Benefits (Note 8) | 138,343 | 141,577 |
| Other | | |
| Other Unfunded Employment Related Liability (Note 8) | 7,697 | 5,614 |
| Liability for Non-Entity Assets (Notes 2 and 8) | 28,247 | 26,131 |
| Accrued Funded Payroll and Leave | 5,021 | 5,164 |
| Unfunded Annual Leave (Note 8) | 11,674 | 12,009 |
| FSN and PSC Separation Liability (Note 9) | 24,272 | 24,764 |
| Contingent Liability (Notes 9 and 11) | 157 | - |
| Total Liabilities | <u><u>\$ 262,572</u></u> | <u><u>\$ 260,863</u></u> |
| Commitments and Contingencies (Note 11) | | |
| Net Position | | |
| Unexpended Appropriations | \$ 157,467 | \$ 158,920 |
| Cumulative Results of Operations | (150,594) | (152,792) |
| Total Net Position | <u>6,873</u> | <u>6,128</u> |
| Total Liabilities and Net Position | <u><u>\$ 269,445</u></u> | <u><u>\$ 266,991</u></u> |

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Net Cost
For the Years Ended September 30, 2018 and 2017
(In Thousands)

| | <u>2018</u> | <u>2017</u> |
|--------------------------------------|-------------------|-------------------|
| Gross Program Costs (Note 12) | | |
| Gross Costs | \$ 427,846 | \$ 440,798 |
| Less: Earned Revenue | <u>(6,880)</u> | <u>(7,090)</u> |
| Net Cost of Operations | <u>\$ 420,966</u> | <u>\$ 433,708</u> |

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Changes in Net Position
For the Years Ended September 30, 2018 and 2017
(In Thousands)

| | <u>2018</u> | <u>2017</u> |
|--|------------------------|------------------------|
| Unexpended Appropriations | | |
| Beginning Balance | 158,920 | 168,185 |
| Budgetary Financing Sources | | |
| Appropriations Received | 410,000 | 410,000 |
| Other Adjustments | (1,832) | (1,548) |
| Appropriations Used | (409,620) | (417,717) |
| Total Budgetary Financing Sources | <u>(1,452)</u> | <u>(9,265)</u> |
| Total Unexpended Appropriations | <u>157,467</u> | <u>158,920</u> |
| Cumulative Results of Operations | | |
| Beginning Balances | (152,792) | (148,935) |
| Budgetary Financing Sources | | |
| Appropriations Used | 409,620 | 417,717 |
| Donations and Forfeitures of Cash and Cash Equivalents | 1,847 | 3,383 |
| Other Financing Sources (Nonexchange) | | |
| Transfers In/Out Without Reimbursement | 2 | 485 |
| Imputed Financing (Note 18) | 7,695 | 4,713 |
| Other | <u>4,000</u> | <u>3,553</u> |
| Total Financing Sources | 423,164 | 429,851 |
| Net Cost of Operations | <u>420,966</u> | <u>433,708</u> |
| Net Change | 2,198 | (3,857) |
| Cumulative Results of Operations | <u>(150,594)</u> | <u>(152,792)</u> |
| Net Position | <u><u>\$ 6,873</u></u> | <u><u>\$ 6,128</u></u> |

The accompanying notes are an integral part of these statements.

Peace Corps
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2018 and 2017
(In Thousands)

| | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|
| Budgetary Resources | | |
| Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory) | 74,494 | 98,363 |
| Appropriations (Discretionary and Mandatory) | 415,859 | 416,923 |
| Spending Authority from Offsetting Collections (Discretionary and Mandatory) | 8,530 | 9,883 |
| Total Budgetary Resources | <u>\$ 498,883</u> | <u>\$ 525,169</u> |
| Status of Budgetary Resources | | |
| New Obligations and Upward Adjustments (Total) (Note 13) | \$ 422,121 | \$ 474,117 |
| Unobligated Balance, End of Year | | |
| Apportioned, Unexpired Accounts | 56,782 | 32,682 |
| Exempt from Apportionment, Unexpired Accounts | 3,427 | 3,859 |
| Unapportioned, Unexpired Accounts | 6,450 | 6,387 |
| Unexpired Unobligated Balance, End of Year | 66,659 | 42,928 |
| Expired Unobligated Balance, End of Year | 10,103 | 8,124 |
| Unobligated Balance, End of Year (Total) | <u>76,762</u> | <u>51,052</u> |
| Total Budgetary Resources | <u>\$ 498,883</u> | <u>\$ 525,169</u> |
| Outlays, Net | | |
| Outlays, Net (Total) (Discretionary and Mandatory) | 411,545 | 418,924 |
| Distributed Offsetting Receipts | (2,643) | (2,719) |
| Agency Outlays, Net (Discretionary and Mandatory) | <u>\$ 408,902</u> | <u>\$ 416,205</u> |

The accompanying notes are an integral part of these statements.

NOTES TO THE FINANCIAL STATEMENTS (AUDITED)

Note 1 Significant Accounting Policies

a) Reporting Entity

The Peace Corps was established by President John F. Kennedy through Executive Order 10924 on March 1, 1961, and 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' mission is to promote world peace and friendship by fulfilling three goals: 1) To help the people of interested countries in meeting their needs 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 agency's financial position, net cost of operations, changes in net position, and budgetary resources activities pursuant to the requirements of 31 U.S.C. 3515(b). They have been prepared using the books and records of the Peace Corps 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 OMB Circular A-136, Financial Reporting Requirements, issued July 30, 2018. The statements should be read with the understanding that they reflect a component of the U.S. government, a sovereign entity.

The financial activities of the agency are categorized between entity and non-entity assets and reported and non-reported balances. 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 public activities. The intragovernmental balances, revenues, and costs reflect financial transactions between the Peace Corps and other federal agencies. Public 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, while 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 U.S. Department of the Treasury (Treasury) and by offsetting collections to support its operations. "Appropriations Used" recognizes that appropriation authority has been applied against goods and services that have been received.

d) Fund Accounting Structure

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

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

Special or Trust Funds - These funds consist of receipts and expenditures by the Peace Corps for carrying out specific purposes and programs in accordance with the 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 operational expenses. After the right to create new obligations has expired, this two-year budget authority is available for five additional years, enabling the agency to adjust obligations and complete 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 the private entities. They also account for the 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

Fund Balance with Treasury 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.

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

Overseas, the funds that make up Peace Corps post cashiers' imprest funds belong to the Treasury through the accountability DOS.

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 overseas payments made by DOS on behalf of the agency reduce the applicable Peace Corps fund balance in Treasury.

Fund Balance with Treasury 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 (public) 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, then 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, the Peace Corps Volunteers are entitled to a living allowance that enables them to serve effectively and safely overseas. Living allowances are paid to Volunteers while in their country of service based on local living standards and costs, including food, clothing, household items, rent, utilities, and local transportation.

k) Property, Plant, and Equipment (PP&E)

The agency capitalizes Property, Plant, and Equipment that meet the capitalization thresholds, 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 made available for use by the entity. Purchases of General Property, Plant, and Equipment with individual acquisition cost of \$25,000 or greater and aggregate purchases in the amount of \$100,000 or greater are capitalized.

In FY 2018, costs incurred for major building renovations of \$100,000 or greater were initially recorded as Construction in Progress (CIP). Then after project completion, costs incurred were transferred to Leasehold Improvements and amortized over the remaining life of the lease. Prior to FY 2018, costs incurred and recorded in CIP were capitalized at a lower threshold value of \$25,000 or greater.

Software purchased or developed internally at a cost of \$25,000 or greater is capitalized and amortized over its expected life (currently three to nine years). 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 either five years for assets acquired in FY 2013 and prior or six years for purchases made in or after FY 2014. The agency uses an estimated salvage value of 40 percent for vehicles. 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. 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 federal civilian employees who have incurred work-related occupational diseases, and to beneficiaries of federal civilian employees whose deaths are attributable to job-related injuries or occupational diseases. FECA is administered through the Department of Labor (DOL). For the Peace Corps, 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 "unfunded" which means it is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick leave and other leave, on the other hand, are considered are "funded." Funded leave are expensed and paid from appropriations available at the time the leave is used.
- IV. *Employee Health Benefits and Life Insurance* - The agency's employees are eligible to participate in the contributory Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program. 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 Federal Employees Health Benefit Program and the Federal Employees Group Life Insurance Program can 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 a 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. Foreign Service National (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 personal services contractors (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 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.

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 its mission. The donated monies received by the agency from non-federal sources meet the prescribed criteria of Funds from Dedicated Collections. The amount of donations received was \$1,843,417 as of September 30, 2018 and \$3,385,312 as of September 30, 2017.

p) Use of Estimates

The preparation of financial statements required management to make certain 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 can 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 United States 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 United States 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 U. S. 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 in-country support for the Peace Corps programs 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 allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information. Accordingly, modifications may have been made to certain presentations and disclosures.

w) Changes in Financial Statements Presentation

In accordance to OMB Circular A-136, effective for FY 2018, the format of the Statement of Changes of Net Position (SCNP) and Statement of Budgetary Resources (SBR) have changed. Accordingly, the 2017 SCNP and SBR have been revised to conform to the new presentation.

Note 2 Non Entity Assets

Non-entity assets comprise of deposit fund and clearing accounts. These funds are not available for the Peace Corps' use and are not part of the Peace Corps' resources, therefore these accounts are also considered non-entity liabilities. The Peace Corps monitors collections, status, and distribution. Below are the Treasury fund balances of non-entity assets, which are non-governmental.

| Non-Entity Assets | September 30, 2018 (In Thousands) | September 30, 2017 (In Thousands) |
|-------------------------|--------------------------------------|--------------------------------------|
| Deposit Fund | \$ 27,354 | \$ 26,018 |
| Clearing Accounts | 893 | 113 |
| Total Non-Entity Assets | 28,247 | 26,131 |
| Total Entity Assets | 241,198 | 240,860 |
| Total Assets | \$ 269,445 | \$ 266,991 |

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

Clearing Accounts - The proceeds of sales funds represent cash received from the sale of assets, primarily vehicles. These funds 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, 2018 (In Thousands) | September 30, 2017 (In Thousands) |
|--------------------------------------|--------------------------------------|--------------------------------------|
| Unobligated Balance | | |
| Available | \$ 60,209 | \$ 36,541 |
| Unavailable | 16,553 | 14,511 |
| Obligated Balance Not Yet Disbursed | 125,356 | 148,583 |
| Non-Budgetary FBWT | 28,247 | 26,131 |
| Total | \$ 230,365 | \$ 225,766 |

Fund Balance with Treasury is equal to the unobligated balance of funds plus the obligated balance not yet disbursed. There are no discrepancies between Fund Balance with Treasury as recorded in the Balance Sheet and the balance in Treasury accounts.

Available Unobligated Balance - This is composed of apportionments available for allotment plus allotments available for commitment or obligation.

Unavailable Unobligated Balance - This is composed of 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 Fund Balance with Treasury - This represents non-entity assets of the agency.

Note 4 Accounts Receivable, Net

| Accounts Receivable as of September 30, 2018 (In Thousands) | Accounts Receivable, Gross | Allowance for Doubtful Accounts | Accounts Receivable, Net |
|---|----------------------------------|---------------------------------------|--------------------------------|
| Intragovernmental | \$ 1,648 | \$ - | \$ 1,648 |
| Other | 597 | - | 597 |
| Total | \$ 2,245 | \$ - | \$ 2,245 |
| Accounts Receivable as of September 30, 2017 (In Thousands) | Accounts Receivable, Gross | Allowance for Doubtful Accounts | Accounts Receivable, Net |
| Intragovernmental | \$ 1,822 | \$ - | \$ 1,822 |
| Other | 428 | - | 428 |
| Total | \$ 2,250 | \$ - | \$ 2,250 |

Intragovernmental receivables are due from other federal agencies for services provided under reimbursable agreements. Other accounts receivable are due from non-federal entities, consisting primarily of receivables from employees. Based upon agency policy, it was determined that the establishment of an Allowance for Doubtful Accounts was not necessary as of September 30, 2018 and September 30, 2017.

Note 5 General Property, Plant, and Equipment, Net

| Components of PP&E as of September 30, 2018 (In Thousands) | Useful Life in Years | Cost | Accumulated Depreciation | Net Book Value |
|--|----------------------------|------------------|-----------------------------|-------------------|
| Land | | \$ 43 | \$ - | \$ 43 |
| Buildings | 10 | 463 | 365 | 98 |
| General Property, Plant, and Equipment | 5-10 | 4,442 | 3,115 | 1,327 |
| Vehicles | 5-6 | 21,403 | 6,051 | 15,352 |
| IT Hardware | 3-15 | 19,003 | 13,080 | 5,923 |
| Leasehold Improvements | 2-10 | 9,973 | 8,750 | 1,223 |
| Internal Use Software | 3-9 | 44,107 | 37,399 | 6,708 |
| Total | | \$ 99,434 | \$ 68,760 | \$ 30,674 |

| Components of PP&E as of September 30, 2017 (In Thousands) | Useful Life in Years | Cost | Accumulated Depreciation | Net Book Value |
|--|----------------------------|-------------------|-----------------------------|-------------------|
| Land | | \$ 43 | \$ - | \$ 43 |
| Buildings | 10 | 463 | 303 | 160 |
| Equipment and Furniture | 5-10 | 4,381 | 2,709 | 1,672 |
| Vehicles | 5-6 | 24,166 | 7,008 | 17,158 |
| IT Hardware | 3-15 | 14,346 | 12,042 | 2,304 |
| Leasehold Improvements | 2-10 | 9,466 | 7,426 | 2,040 |
| Internal Use Software | 3-9 | 48,018 | 39,053 | 8,965 |
| Total | | \$ 100,883 | \$ 68,541 | \$ 32,342 |

General Property, Plant, and Equipment (PP&E), as of September 30, 2018 consists of land, buildings, 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 during FY 2018. Internal use software represents software that was either developed internally or purchased from vendors off-the-shelf.

The agency capitalizes Property, Plant, and Equipment that meet the agency's capitalization thresholds, 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 made available for use by the entity. Assets are capitalized at historical cost and depreciated using the straight-line method.

- 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
- Purchases of General Property, Plant, and Equipment with individual acquisition cost of \$25,000 or greater and aggregate purchases in the amount of \$100,000 or greater are capitalized.
- Vehicles in the amount of \$10,000 and over are capitalized over their useful life of either five years for assets acquired in FY 2013 and prior or six years for purchases made in or after FY 2014. The agency uses an estimated salvage value of 40 percent for vehicles.
- Purchases of IT hardware with individual acquisition costs of at least \$25,000 or aggregate value of \$100,000 or greater is capitalized and amortized over its expected life of three to fifteen years.

- Effective for FY 2018, 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 2018, costs incurred and recorded in CIP were capitalized at a lower threshold value of \$25,000 or greater.
- Software purchased or developed internally at a cost of \$25,000 or greater is capitalized and amortized over its expected life (currently three to nine years).

Note 6 Prepaid Volunteer Living Allowances

| | September 30, 2018 (In Thousands) | September 30, 2017 (In Thousands) |
|-------------------------------------|--------------------------------------|--------------------------------------|
| Prepaid Volunteer Living Allowances | \$ 1,752 | \$ 1,786 |

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

Note 7 Other Assets

| | September 30, 2018 (In Thousands) | September 30, 2017 (In Thousands) |
|----------------------------------|--------------------------------------|--------------------------------------|
| Travel Advances to Employees | \$ 276 | \$ 355 |
| Relocation Advances to Employees | 9 | 36 |
| Prepaid Rent | 3,458 | 3,678 |
| Other Advances | 666 | 778 |
| Total Other Assets | \$ 4,409 | \$ 4,847 |

Types of other assets which are non-governmental are described below.

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 advance payments for certain residential and commercial office spaces in support of overseas operations.

Other Advances - Other advances includes PSC payroll and prepayments of expenses for IT costs.

| Note 8 Liabilities Not Covered by Budgetary Resources | | |
|--|---------------------------|---------------------------|
| | September 30, 2018 | September 30, 2017 |
| | <i>(In Thousands)</i> | <i>(In Thousands)</i> |
| Intragovernmental Liabilities | | |
| FECA Liability | \$ 30,145 | \$ 30,206 |
| Other Employment Related Liability | 99 | 59 |
| Public Liabilities | | |
| Annual Leave | 11,674 | 12,009 |
| Other Employment Related Liability | 7,697 | 5,614 |
| Federal Employee and Veteran Benefits | 138,343 | 141,577 |
| Non-Entity Liabilities | 28,247 | 26,131 |
| Total Liabilities Not Covered by Budgetary Resources | \$ 216,205 | \$ 215,596 |
| Total Liabilities Covered by Budgetary Resources | \$ 46,367 | \$ 45,267 |
| Total Liabilities | \$ 262,572 | \$ 260,863 |

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 Employment Related Liability - A liability for the estimated separation of foreign national PSCs. Lump-sum payments are generally made to eligible international long-term personal services contractors based on local labor law requirements for separation. These payments are made when the individual terminates and are paid out of current appropriations.

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, 2018 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. There were 61 FSNs and 2,044 foreign national PSCs working for the Peace Corps at the end of September 30, 2018. Annual leave earned is based on local labor law requirements. Annual leave is paid out of current appropriations when taken.

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

Non-Entity Liabilities - A liability for the deposit fund and clearing accounts as described in Note 2. These funds are not available for the Peace Corps' use and are not part of the Peace Corps' resources.

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

Note 9 Other Liabilities

| | September 30, 2018 (In Thousands) | September 30, 2017 (In Thousands) |
|---|--------------------------------------|--------------------------------------|
| Other Liabilities | | |
| Contingent Liability (Note 11) | 157 | - |
| FSN and PSC Separation/Retirement Liability | 24,272 | 24,764 |
| Total Other Liabilities | \$ 24,429 | \$ 24,764 |

Other Liabilities at Peace Corps consist of contingent liability and FSN and PSC Separation Liability, which are non-governmental.

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

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 cancelable operating leases, which do not require disclosure.

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

| Fiscal Year | Future Lease Payments (In Thousands) |
|------------------------------------|---|
| Fiscal Year 2019 | \$ 9,273 |
| Fiscal Year 2020 | 3,980 |
| Fiscal Year 2021 | 7,175 |
| Fiscal Year 2022 | 10,145 |
| Fiscal Year 2023 | 10,586 |
| After Fiscal Year 2023 | 122,031 |
| Total Future Lease Payments | \$ 163,190 |

Note 11 Commitments and Contingencies

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 \$157,000 as of September 30, 2018. These contingencies are considered current liabilities.

Disclosure is 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 are estimated to be \$90,000 as of September 30, 2018.

Note 12 Costs and Exchange Revenue

| | September 30, 2018 (In Thousands) | September 30, 2017 (In Thousands) |
|----------------------------------|--------------------------------------|--------------------------------------|
| Intragovernmental Costs | \$ 82,058 | \$ 81,032 |
| Public Costs | 345,789 | 359,766 |
| Total Costs | \$ 427,847 | \$ 440,798 |
| Intragovernmental Earned Revenue | \$ (6,697) | \$ (6,802) |
| Public Earned Revenue | (183) | (288) |
| Total Earned Revenue | \$ (6,880) | \$ (7,090) |
| Total Net Cost | \$ 420,967 | \$ 433,708 |

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 public costs.

Exchange revenues represent revenue from services provided. This includes reimbursable agreements from other government 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 the Small Project Assistance (SPA) program.

Note 13 Apportionment Categories of New and Upward Obligations: Direct vs. Reimbursable Obligations

| | September 30, 2018 (In Thousands) | | September 30, 2017 (In Thousands) | |
|-----------------------------------|--------------------------------------|-----------------|--------------------------------------|-----------------|
| | Direct | Reimbursable | Direct | Reimbursable |
| Category A | \$ 409,040 | \$ 6,578 | \$ 460,711 | \$ 7,347 |
| Exempt from Apportionment | 6,503 | - | 6,059 | - |
| Total Obligations Incurred | \$ 415,543 | \$ 6,578 | \$ 466,770 | \$ 7,347 |

All obligations incurred are Category A (quarterly apportionments) or Exempt from Apportionment.

Note 14 Undelivered Orders at the End of the Period

| | September 30, 2018 (In Thousands) |
|---|--------------------------------------|
| Intragovernmental | |
| Unpaid Undelivered Orders | \$ 11,546 |
| Paid Undelivered Orders | - |
| Total Intragovernmental Undelivered Orders | \$ 11,546 |
| Public | |
| Unpaid Undelivered Orders | \$ 72,076 |
| Paid Undelivered Orders | 3,426 |
| Total Public Undelivered Orders | \$ 75,502 |
| Undelivered Orders - End of Period | \$ 87,048 |

The undelivered orders are budgetary obligations with and without advances/prepayments placed against federal budget authority where goods or services have yet to be received. Starting in FY 2018, undelivered orders at the end of the period are presented to disclose balances that are paid and unpaid and intragovernmental and with the public. OMB Circular

A-136 does not require the same presentation for fiscal year 2017 and thus it has not been provided. Total undelivered orders at the end of the period as of September 30, 2017 were \$114,703,000.

| Note 15 Explanation of Differences between the SBR and the Budget of the U.S. Government | | | |
|---|-----------------------------|--|---------------------|
| <i>(In Millions)</i> | Budgetary Resources FY 2017 | New Obligations and Upward Adjustments FY 2017 | Net Outlays FY 2017 |
| Statement of Budgetary Resources | \$ 525 | \$ 474 | \$ 416 |
| Budget of the U.S. Government | 518 | 475 | 420 |
| Difference | \$ 7 | \$ (1) | \$ (4) |

The Budget of the United States (also known as the President's Budget), with actual amounts for FY 2018 was not published at the time that these financial statements were issued. The President's Budget is expected to be published in February 2019, and can be located at the OMB website (<https://www.whitehouse.gov/omb/budget>). The budget will also be available in print from the U.S. Government Printing Office. The above chart displays the differences between the Combined SBR in the FY 2017 Agency Financial Report and the actual FY 2017 balances included in the FY 2018 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, 2018 and 2017 (In Thousands) | HCC Cash 2018 | HCC In-Kind 2018 | Total Fiduciary Funds 2018 | HCC Cash 2017 | HCC In-Kind 2017 | Total Fiduciary Funds 2017 |
| Fiduciary Net Assets, Beginning | \$ 401 | \$ - | \$ 402 | \$ 756 | \$ - | \$ 756 |
| Contributions | 433 | 3,230 | 3,663 | 526 | 3,110 | 3,636 |
| Disbursements | (523) | (3,230) | (3,754) | (881) | (3,110) | (3,991) |
| Increase/(Decrease) in Fiduciary Net Assets | (90) | - | (91) | (355) | - | (355) |
| Fiduciary Net Assets, Ending | \$ 311 | \$ - | \$ 311 | \$ 401 | \$ - | \$ 401 |
| Fiduciary Net Assets As of September 30, 2018 and 2017 (In Thousands) | HCC Cash 2018 | HCC In-Kind 2018 | Total Fiduciary Funds 2018 | HCC Cash 2017 | HCC In-Kind 2017 | Total Fiduciary Funds 2017 |
| Fiduciary Net Assets | | | | | | |
| Cash and Cash Equivalents | \$ 313 | \$ - | \$ 313 | \$ 402 | \$ - | \$ 402 |
| Less: Liabilities | 2 | - | 2 | 1 | - | 1 |
| Total Fiduciary Net Assets | \$ 311 | \$ - | \$ 311 | \$ 401 | \$ - | \$ 401 |

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 to special foreign currency accounts in the Treasury. In the event the funds are not used, they 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 of Operations (Proprietary) to Budget | | |
|---|---------------------------|---------------------------|
| | September 30, 2018 | September 30, 2017 |
| | (In Thousands) | (In Thousands) |

Resources Used to Finance Activities:

Budgetary Resources Obligated:

| | | |
|---|----------------|----------------|
| Obligations Incurred | \$ 422,121 | \$ 474,117 |
| Less: Spending Authority from Offsetting Collections and Recoveries | (33,551) | (24,005) |
| Less: Offsetting Receipts | (2,643) | (2,719) |
| Net Obligations | 385,927 | 447,393 |
| Transfers In/Out Without Reimbursement (+/-) | 2 | 485 |
| Imputed Financing from Costs Absorbed by Others | 7,695 | 4,713 |
| Total Resources Used to Finance Activities | 393,624 | 452,591 |

Resources Used to Finance Items Not Part of the Net Cost of Operations:

| | | |
|---|----------------|-----------------|
| Resources Obligated for Future Costs - Goods Ordered but Not Yet Provided | 27,554 | (23,553) |
| Resources that Finance the Acquisition of Assets | (8,555) | (5,877) |
| Other (+/-) | (589) | (165) |
| Total Resources Used to Finance Items Not Part of the Net | 18,410 | (29,595) |
| Total Resources Used to Finance the Net Cost of Operations | 412,034 | 422,996 |

Components of Net Cost that Will Not Require or Generate Resources in the Current Period:

| | | |
|---|--------------|---------------|
| Increase (decrease) in Actuarial Liability | (3,233) | (2,084) |
| Depreciation and Amortization | 7,797 | 9,604 |
| Other (+/-) | 4,368 | 3,192 |
| Total Components of Net Cost that will not require or generate resources | 8,932 | 10,712 |

| | | |
|-------------------------------|-------------------|-------------------|
| Net Cost of Operations | \$ 420,966 | \$ 433,708 |
|-------------------------------|-------------------|-------------------|

The reconciliation of Net Cost of Operations (Proprietary) to Budget reflects the budgetary and non-budgetary sources that fund the Net Cost of Operations for the agency.

| Note 18 Imputed Financing | | |
|----------------------------------|---------------------------|---------------------------|
| | September 30, 2018 | September 30, 2017 |
| | (In Thousands) | (In Thousands) |

| | | |
|--|-----------------|-----------------|
| Federal Employees Health Benefit Program | \$ 7,301 | \$ 5,615 |
| Federal Employees Group Life Insurance | 16 | 17 |
| Civil Service Retirement System | 256 | 253 |
| Federal Employees Retirement System | 13 | (1,190) |
| Foreign Service Retirement and Disability System | 20 | 18 |
| Other Imputed Costs | 89 | - |
| Total Imputed Costs | \$ 7,695 | \$ 4,713 |

Imputed financing recognizes actual costs of future benefits, which include the Federal Employees Health Benefit Program, Federal Employees Group Life Insurance Program, pension benefits paid by other federal entities, and property and services provided by National Protection and Programs Directorate (NPPD) through the Department of Homeland Security under NPPD's Continuous Diagnostics and Mitigation Program.


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INSPECTOR GENERAL'S AUDIT TRANSMITTAL LETTER



Office of Inspector General

To: Jody Olsen, Peace Corps Director

From: Kathy A. Buller, Inspector General 

Date: November 13, 2018

Subject: Audit of the Peace Corps' Fiscal Year 2018 Financial Statements

This letter transmits the reports of Williams, Adley & Company – DC, LLP (Williams Adley) on its audit of the Peace Corps' Fiscal Year (FY) 2018 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and subjected them to audit.

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

We contracted with Williams Adley, an independent certified public accounting firm, to audit the Peace Corps' financial statements as of September 30, 2018. 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 *Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

Williams Adley's report for FY 2018 includes: an opinion on the financial statements, conclusions on internal control over financial reporting, and compliance with laws, regulations, contracts, and grant agreements. In its audit of the Peace Corps, Williams Adley found:

- The financial statements were fairly presented, in all material respects, in conformity with GAGAS principles.
- There were no material weaknesses in internal control.¹

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.

- Two significant deficiencies related to internal control were disclosed by Williams Adley:²
 - *Lack of effective information technology security.* Williams Adley cited continuous monitoring and the agency's risk management program as areas needing improvement.
 - *Improper and untimely processing of personnel actions.* Williams Adley cited a lack of proper oversight and controls.
- One instance of reportable noncompliance was found relating to compliance with applicable provisions of laws, regulations, contracts, and grant agreements which are required to be reported under GAGAS or OMB guidance. Williams Adley found that the Peace Corps did not fully comply with:
 - The Federal Information Security Modernization Act of 2014 pertaining to continuous monitoring and the agency's risk management program.

OIG Evaluation of Williams Adley's Audit Performance

In connection with the contract, we reviewed Williams Adley's report and related documentation and inquired of 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 control or compliance with laws, regulations, contracts, and grant agreements. Williams Adley is responsible for the attached auditor's report dated November 13, 2018 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.

We would like to express our appreciation to the Peace Corps staff involved in working with the auditors and issuing the financial statements within the established OMB milestones. Their professionalism, cooperation, and timely responsiveness allowed us to overcome the challenges associated with performance of the audit and our oversight of the audit process. If you or a member of the Peace Corps staff has any questions about Williams Adley's audit or our oversight please contact me, or Assistant Inspector General for Audit Judy Leonhardt at 202-692-2914.

Attachment

cc: Michelle Brooks, Chief of Staff
 Richard Swartz, Chief Financial Officer
 Scott Knell, Chief Information Officer
 Anne Hughes, Chief Compliance Officer

² 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 governance.

AUDITOR'S REPORT



Independent Auditor's Report

Director
United States Peace Corps

Inspector General
United States Peace Corps

In our audit of the fiscal year 2018 financial statements of the United States Peace Corps (the Peace Corps), we found:

- the Peace Corps' financial statements as of and for the fiscal year ended September 30, 2018 (hereinafter referred to as financial statements) 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
- a reportable instance of noncompliance for fiscal year 2018 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 an emphasis of matter paragraph related to the new Statement of Budgetary Resources presentation, and 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 with auditor evaluation.

Report on the Financial Statements

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*, we

¹A 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.

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

³Other information consists of Message from the Chief Financial Officer, and Other Information section and appendices.

WILLIAMS, ADLEY & COMPANY-DC, LLP

Certified Public Accountants / Management Consultants

**1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161
www.williamsadley.com**

have audited the Peace Corps' financial statements. The Peace Corps' financial statements comprise the balance sheet as of September 30, 2018; the related statements of net cost, changes in net position, and budgetary resources for the fiscal year then ended; and the related notes to the financial statements.

We conducted our audit in accordance with U.S. generally accepted government auditing standards. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Management's Responsibility

The Peace Corps' management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor's report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of 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 Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. U.S. generally accepted government auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the auditor's assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audit also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, the Peace Corps' financial statements present fairly, in all material respects, the Peace Corps' financial position as of September 30, 2018, and its net cost of operations, changes in net position, and budgetary resources for the fiscal year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in note 1w to the financial statements, OMB Circular A-136, *Financial Reporting Requirements*, required federal agencies in fiscal year 2018 to present its budgetary information in a format different than that used in fiscal year 2017. We draw attention to the newly presented information in the Peace Corps' fiscal years 2018 and 2017 Statement of Budgetary Resources and related note 1w. Our opinion on the Peace Corps' financial statements is not modified with respect to this matter.

Other Matters

Prior Year Financial Statements

The Peace Corps' financial statements as of and for the year ended September 30, 2017 were audited by other auditors, whose Independent Auditor's Report dated November 7, 2017 expressed an unmodified opinion on those financial statements.

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. Although the RSI is not a part of the financial statements, FASAB considers this information 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, which consisted of inquiries of management about the methods of preparing the RSI and 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

The Peace Corps' other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. Our audit was conducted for the purpose of forming an opinion on the Peace Corps' financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audit of the Peace Corps' financial statements, we considered the Peace Corps' internal control over financial reporting, consistent with our auditor's responsibility discussed below. We performed our procedures related to the Peace Corps' internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

The Peace Corps' management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of 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 Responsibility

In planning and performing our audit of the Peace Corps' financial statements as of and for the year ended September 30, 2018, in accordance with U.S. generally accepted government auditing standards, we considered the Peace Corps' internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. Accordingly, we do not express an opinion on the Peace Corps' internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies⁴ 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 (1) 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 (2) 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.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the 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 may exist that have not been identified.

As discussed in Appendix I in more detail, our 2018 audit identified two deficiencies in the Peace Corps' controls over information security and payroll processing that represent significant deficiencies in the Peace Corps' internal control over financial reporting. We considered these significant deficiencies in determining the nature, timing, and extent of our audit procedures on the Peace Corps' fiscal year 2018 financial statements.

⁴A 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.

Although the significant deficiencies in internal control did not affect our opinion on the Peace Corps' fiscal year 2018 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Peace Corps because of these significant deficiencies.

Our assessment of the current status of the two prior year significant deficiencies and the noncompliance instance is presented in Appendix II.

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

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Peace Corps' internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. 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 audit of the Peace Corps' financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor's responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management's Responsibility

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

Auditor's Responsibility

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

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 related to the Federal Information Security Modernization Act for fiscal year 2018 that would be reportable under U.S. generally accepted government auditing standards. The noncompliance is explained in Appendix I. However, the objective of our tests was not to provide an opinion on compliance with laws,

regulations, contracts, and grant agreements applicable to the Peace Corps. Accordingly, we do not express such an opinion.

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 and Auditor Evaluation

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

Williams, Adley & Company PC, LLP

Washington, D.C.

November 13, 2018

Appendix I

Significant Deficiencies and Non-compliance Matter

Significant Deficiencies

I. Information Technology Security (Repeat Condition)

The United States Peace Corps (the Peace Corps) information technology (IT) internal control structure did not include a comprehensive risk analysis, proof of effective monitoring of design and performance, or evidence of the ability to identify and respond to changing risk profiles. The Peace Corps' IT control environment included design and operation weaknesses that, when combined, are considered to be a significant deficiency, as summarized below:

- During fiscal year 2018, the Office of the Chief Information Officer (OCIO) continued the process of implementing a Continuous Monitoring Program. However, the OCIO was not able to fully implement the program at the information system level in accordance with the current Information Security Continuous Monitoring (ISCM) strategy. The Federal Information Security Modernization Act of 2014 (FISMA) Evaluation Team identified the following control deficiencies:
 - The Peace Corps does not have a defined ISCM strategy
 - The Peace Corps has not developed ISCM policies and procedures to support the ISCM strategy
 - The Peace Corps has not defined roles and responsibilities of ISCM stakeholders
 - The Peace Corps has not defined metrics specifically to measure the effectiveness of its ISCM Program
- The Peace Corps does not have a robust agency-wide Risk Management Program to manage information security risks. While the OCIO formalized an overall risk management strategy in February 2014, the FISMA Evaluation Team found no evidence demonstrating that the agency was able to identify, assess, respond to, and monitor information security risk at the enterprise or business process levels. Furthermore, the Peace Corps' risk management strategy did not define the agency's information security risk profile, risk appetite, risk tolerance, and the process for communicating risks to all necessary internal and external stakeholders. Although the Senior Assessment Team held meetings with the Chief Information Officer and Risk Executive, these meetings were neither formalized nor consistently held during the review period. Specifically, the FISMA Evaluation Team identified the following control deficiencies:
 - The Peace Corps did not fully maintain current authorization and assessment packages for two of the information systems tested.
 - The Peace Corps has not identified and defined its requirements for an automated solution to provide a centralized, enterprise-wide (portfolio) view of risks across the organization, including risk control and remediation activities, dependencies, risk scores/levels, and management dashboards.
 - The Peace Corps did not define an information security architecture that is integrated with the risk management strategy.

The lack of a comprehensive Continuous Monitoring Program prevents the Peace Corps from clearly understanding the security state of all of its systems over time. This also prevents the agency from effectively monitoring a dynamic IT environment with changing threats, vulnerabilities, technologies, business processes/functions, and critical missions. Without a fully

Appendix I

Significant Deficiencies and Non-compliance Matter

implemented Continuous Monitoring Program, agency systems could incur potential damage, including system downtime, unauthorized access, changes to data, data loss, or operational failure.

Without effectively implementing a comprehensive risk management process at the agency level, the Peace Corps may be unable to address the root causes associated with existing information security risks. In addition, appropriate resources may not be effectively assigned to make the correct risk decisions to ensure the results align with the agency's business priorities.

As defined in U.S. generally accepted government auditing standards, information system controls consist of those internal controls that are dependent on information systems processing and include general and application controls. General and application controls, while effective, may not be sufficient to address and minimize the risks due to weaknesses in the Peace Corps' Information Security Program. Information Security Program policies and procedures apply to most, if not all, of the Peace Corps' information systems. The effectiveness of these procedures is a significant factor in determining the confidentiality, integrity, and availability of the information contained in the applications.

Recommendations: We recommend the following:

1. The OCIO develop and fully implement an ISCM strategy that includes policies and procedures, defined roles and responsibilities, and security metrics to measure effectiveness.
2. The 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 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.
5. The OCIO develop an information security architecture that is integrated with the risk management strategy.

Appendix I

Significant Deficiencies and Non-compliance Matter

II. Improper and Untimely Processing of Personnel Actions (Repeat Condition)

Personnel Actions are processed when an employee is hired or an existing employee experiences a change in personnel status (e.g. resignation, retirement, or promotion). These actions are initiated on the Standard Form (SF)-52, *Request for Personnel Action* or similar agency form approved by the Office of Personnel Management (OPM). Per the Peace Corps' policy, once the SF-52 is completed, a SF-50, *Notification of Personnel Action*, is generated. The Peace Corps uses the Entry, Processing, Inquiry, and Correction (EPIC) application to record personnel action forms.

Personnel actions for new hires were not consistently approved in a timely manner. As part of our internal control testing, we selected 10 out of 85 individuals hired during the first three quarters of fiscal year 2018. For two of the individuals selected, we noted that the SF-50, *Notification of Personnel Action*, and/or SF-52, *Request for Personnel Action*, were approved after their effective date of employment. See the table below for more details.

Table 1: Personnel Actions Testing Exceptions

| Sample | Effective Date of Employment | SF-52 HR Specialist Approval Date | SF-50 Director of HR Approval Date |
|------------|------------------------------|-----------------------------------|------------------------------------|
| Employee 1 | 10/15/17 | 10/16/17 | 10/15/17 |
| Employee 2 | 6/24/18 | 6/26/18 | 6/26/18 |

As part of our year-end testing, we selected 20 out of 43 individuals hired during the fourth quarter of fiscal year 2018. For eight individuals, we noted that the SF-50, and/or SF-52 were approved after their effective date of employment. In addition, we noted one employee's SF-52 was missing the HR Specialist's approval. See the table below for more details.

Table 2: Personnel Actions Testing Exceptions Fourth Quarter

| Sample | Effective Date of Employment | SF-52 HR Specialist Approval Date | SF-50 Director of HR Approval Date |
|-------------|------------------------------|-----------------------------------|------------------------------------|
| Employee 3 | 9/20/2018 | 9/25/2018 | 9/20/2018 |
| Employee 4 | 9/16/2018 | 9/17/2018 | 9/16/2018 |
| Employee 5 | 9/4/2018 | 8/21/2018 | 9/7/2018 |
| Employee 6 | 7/22/2018 | 8/8/2018 | 7/23/2018 |
| Employee 7 | 7/22/2018 | 8/6/2018 | 7/22/2018 |
| Employee 8 | 7/22/2018 | 7/23/2018 | 7/23/2018 |
| Employee 9 | 9/16/2018 | 9/18/2018 | 9/16/2018 |
| Employee 10 | 9/16/2018 | 9/18/2018 | 3/26/2018 |

Appendix I

Significant Deficiencies and Non-compliance Matter

| Sample | Effective Date of Employment | SF-52 HR Specialist Approval Date | SF-50 Director of HR Approval Date |
|-------------|------------------------------|-----------------------------------|------------------------------------|
| Employee 11 | 9/2/2018 | Missing | 9/1/2018 |

The Guide to Processing Personnel Actions by the United States Office of Personnel Management, Chapter 4 Requesting and Documenting Personnel Actions, Section 4(b) Completing the Standard Form 50 states: *“No personnel action can be made effective prior to the date on which the appointing officer approved the action. That approval is documented by the appointing officer's pen and ink signature or by an authentication, approved by OPM, in block 50 of the Standard Form 50, or in Part C-2 of the Standard Form 52.”*

Due to ineffective training and procedures, an adequate quality assurance review was not performed to ensure the data (e.g. dates of approval) in the forms was accurate. Although no compensation errors resulted from the late approvals, failure to consistently process personnel action forms in a timely manner and/or review these forms for accuracy could result in erroneous compensation payments in the future. In addition, the Peace Corps is not complying with personnel actions criteria set forth by OPM. Certain conditions identified in the fiscal year 2017 audit report have been resolved, however, the overall significance of the current control deficiency remains.

Recommendations: We recommend the Peace Corps:

1. Develop a more effective quality assurance process that will ensure accurate and timely processing of personnel actions.
2. Provide more effective training to HR staff on policies and procedures related to the entry of employees into EPIC.

Appendix I

Significant Deficiencies and Non-compliance Matter

Noncompliance with Laws, Regulations, Contracts, and Grant Agreements

III. FISMA (Repeat Condition)

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 Offices of Inspectors General (OIG) are required to annually report on the effectiveness of the agencies' security programs.

As noted in its Assurance Statement, the Peace Corps disclosed an instance of noncompliance with FISMA that is required to be reported under *Government Auditing Standards* and OMB Bulletin No. 19-01, *Audit Requirements for Federal Financial Statements*.

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

The OIG has provided the Peace Corps' management with a separate limited distribution report that further details the vulnerabilities in the Peace Corps' systems and provides recommendations for improvement. Due to the sensitivity of the matters noted, we have not discussed those matters in this report.

Appendix II

Status of Prior Year Control Deficiencies and Noncompliance Instance

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

| Prior Year Finding | Current Year Status |
|--|---|
| Information Technology Security (Significant Deficiency) | Open and repeated as finding # I in Audit Report. |
| Improper and Untimely Processing of Personnel Actions (Significant Deficiency) | Open and repeated as finding # II in Audit Report. |
| FISMA (Noncompliance) | Open and repeated as finding # III in Audit Report. |

Appendix III Management Official Response



November 7, 2018

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 agency's response to your draft Independent Auditor's Report, received November 5, 2018. We are pleased with your issuance of an unmodified opinion. Peace Corps management has reviewed the Notice of Findings for the two significant deficiencies issued by Williams Adley for the financial statement audit for fiscal year (FY) 2018. We concur with the condition, criteria, and level of deficiency identified and have established corrective action plans to address the root cause of these audit findings. We are dedicated to resolving these issues in FY 2019, as we strive for an effective and efficient internal control environment.

Information Technology Security

Agency Response: Concur. The Peace Corps Office of Chief Information Officer drafted an improved Information System Continuous Monitoring plan, which should be finalized in FY 2019. Additionally, the Peace Corps is fully committed to the implementation of an organization-wide, holistic risk management program. During FY 2018, the agency developed an Enterprise Risk Management (ERM) Council Charter and By-Laws, in addition to policies, procedures, and a training plan. Execution of ERM program will begin in FY 2019 through FY 2020.

Estimated Completion Date: December 2021

Improper and Untimely Processing of Personnel Actions

Agency Response: Concur. The Peace Corps Office of Human Resources (HR) will document procedures for the timely recordation and processing of personnel actions and establish the appropriate levels of quality assurance reviews. HR will also provide the necessary trainings to staff to ensure compliance with these established procedures are implemented and consistently followed.

Estimated Completion Date: June 2019

Paul D. Coverdell Peace Corps Headquarters

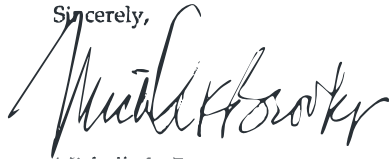
1111 20th Street, NW | Washington, D.C. 20526 | 855 855 1961 | [PEACECORPS.GOV](https://www.peacecorps.gov)

Appendix III Management Official Response



We thank you and your team and appreciate the opportunity to respond to the draft Independent Auditor's Report.

Sincerely,



Michelle K. Brooks
Chief of Staff

Paul D. Coverdell Peace Corps Headquarters

1111 20th Street, NW | Washington, D.C. 20526 | 855.855.1961 | [PEACECORPS.GOV](https://www.peacecorps.gov)

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OTHER INFORMATION



PEACE CORPS
Office of
**INSPECTOR
GENERAL**

Management and Performance Challenges

Fiscal Year 2018

In accordance with the Reports Consolidation Act of 2000, the Office of Inspector General (OIG) has submitted what it has determined to be the most significant management and performance challenges facing the Peace Corps. The challenges discussed are to be included in the Agency Financial Report for Fiscal Year 2018.

The Inspector General's (IG) management challenges are observations of the IG based on the work performed by the OIG as well as information uncovered during the performance of our oversight responsibilities. These challenges illustrate the most significant areas OIG believes need improvement for the Peace Corps to effectively manage its resources and minimize the potential for fraud, waste, and abuse occurring in its operations. Addressing the issues related to these challenge areas will enable the agency to increase operational efficiencies and improve mission effectiveness.

Significant management challenges facing the Peace Corps:

- **Planning and Implementation**
- **Volunteer Health and Safety**
- **Human Capital Management**
- **Information Technology Security Management**
- **Compliance**

Challenge: Planning and Implementation

Why This Is a Challenge

Although the Peace Corps continues to improve key business processes and critical Volunteer support functions, it struggles to plan for the long-term impacts of risk and capital needs of the entire organization. Specifically, OIG has highlighted areas of concern where the agency did not apply sufficient time and resources to document decisions, ensure the appropriate resources are assigned, and review lessons learned. In conducting planning and implementation, the agency has been hampered by the lack of an effective enterprise risk management framework that would allow the agency to ensure that decisions made align with or ultimately benefit the Peace Corps' overall mission and agency priorities. Furthermore, insufficient planning exacerbates inefficiencies caused by decentralized processes and a relative lack of automated modern systems.

Decision Making, Documentation and Accountability

Our management advisory report on the suspension of Peace Corps/Kenya found that the agency did not sufficiently document decisions and recommendations concerning continued operations in country.¹ While Volunteers were evacuated from Peace Corps/Kenya in July 2014, Peace Corps did not reduce staff at post until June 2017. During this 3-year time period, headquarters management made numerous assessments and decisions about the viability of resuming operations. However, the agency did not take the appropriate steps to document all major decisions or the factors that influenced them and could not clearly justify decisions or ensure timely action. This proved especially disruptive because of leadership turnover in late 2016 and early 2017. The incoming management

team lacked important information to guide their decision making about the Kenya suspension. In addition, because the agency does not have official guidance concerning post suspensions, maintaining experiential knowledge from past suspensions is critical.

Our management advisory report on Volunteer Drug Use, demonstrated that the agency has not sufficiently addressed the serious issue of drug use among Volunteers.² The lack of action is partially due to the agency's failure to gather accurate and sufficient information on the reasons why Volunteers separate from Peace Corps service. Information concerning Volunteer separation is captured and transmitted to headquarters manually, but in cases of substance abuse, staff often fill out the forms inaccurately or incorrectly. Both of the databases containing separation information were frequently missing key records. In the case of the database holding the administrative separation documentation (including resignation in lieu of administrative separation), records cannot be aggregated for statistical analysis purposes. With inaccurate, incomplete, or inconsistent information on Volunteer separations, the agency lacks insight into the pervasiveness of Volunteer misconduct and risks making uninformed decisions about mitigation or corrective action to address serious issues like Volunteer drug use. Furthermore, the agency cannot establish accountability, action plans, or performance standards without understanding the full scope of the problem.

Appropriately Assigning Resources

In recent country program evaluations, we have identified the need for Peace Corps to improve Volunteer activity reporting. Specifically, the current system creates a significant burden on post staff to clean up the data to make it useable at the post.

¹ [Management Advisory Report: Managing the Suspension of Peace Corps/Kenya: A Case Study \(2018\)](#)

² [Management Advisory Report: Volunteer Drug Use \(2018\)](#)

Additionally, Volunteers reported that the tool is not user-friendly, and many have to travel out of their sites to complete the report due to insufficient internet access in their site. Further, we found that Volunteers need coaching and help with errors which requires excessive time and effort that programming staff need for other higher priority activities. Despite all these defects, the agency does not have plans to address these issues until the tool is redesigned and re-issued in late 2019. Volunteer activity reporting is also integrated into the agency's performance reporting to the Office of Management and Budget (OMB). Performance reporting is used by the agency and OMB in determining the Peace Corps' resource needs, and existing challenges with the volunteer reporting tool could distort agency performance reporting.

Reviewing Lessons Learned

In 2014, OIG reported on lessons learned from new country entries and noted that an inadequate time frame for opening a post can result in several problems, including inadequate Volunteer training, poorly developed sites, and an uneven quality in staff hiring or training.³ However, 3 years later when we conducted our country program evaluation of Peace Corps/Kosovo, we again found that there was not an adequate amount of time allotted to onboard and train new staff and prepare for Volunteers.⁴ By not applying these lessons learned to new country entries, the agency spent undue time, money, and effort.

Further, our report on recurring issues identified many common struggles that overseas posts faced over the last 5 years.⁵ While our country-specific evaluations and audits identify issues at the post level, our recurring issues report identified many agency-wide themes that the Peace Corps should tackle at the organization level, including cash management and training needs assessments. These issues have also been highlighted in OIG

work at the agency level, but changes have been slow or incremental.

Automated Systems

OIG audits and evaluations have found that several essential business functions remain largely paper-based, including processes for travel, medical supply management, payment vouchers, purchase card logs, contract files, several human resource functions, and employee off-boarding. Recently, when the agency switched its human resources system, it even replaced certain automated HR functions with paper processes. Lack of automation makes planning and implementation more challenging and impacts data reliability, as manual data processes are more prone to error.

Progress in Addressing the Challenge

The Peace Corps has made a commitment to implement an enterprise risk management framework in its FY 2018-2022 Strategic Plan. During the last several months, the agency has assigned senior level officials to lead this initiative, and these officials have worked to develop an approach to identify agency risks, risk tolerance, and any mitigating factors. The agency has worked with another Federal agency's chief risk officer to ensure the Peace Corps' approach is comprehensive. The agency has also developed management and staff level trainings geared to help employees understand individual roles in an enterprise risk management program. The agency plans to pilot these trainings in the upcoming month. However, to achieve full implementation of this framework, the agency will need to develop comprehensive policies and necessitate involvement of all agency offices and staff at all levels. Implementation of this framework will enable the agency to ensure that decisions and programs align with or ultimately benefit the Peace Corps' overall mission and agency priorities.

3 [New Country Entries: Lessons Learned \(2014\)](#)

4 [Evaluation of Peace Corps/Kosovo \(2017\)](#)

5 [Recurring Issues Report FY 2012 - 2015](#)

What Needs to Be Done

While the enterprise risk management framework is still under development, the agency needs to assess the planning, coordinating, and implementation of agency-wide policies or initiatives. Specifically, decisions should be assessed at the agency level and properly documented, efforts should be appropriately planned, and their implementation into agency policies and procedures should be timely and fully integrated.

Key OIG Resources

[Management Advisory Report: Managing the Suspension of Peace Corps/Kenya: A Case Study \(2018\)](#)

[Management Advisory Report: Volunteer Drug Use \(2018\)](#)

[Evaluation of Peace Corps/Kosovo \(2017\)](#)

[Evaluation of Peace Corps/Albania \(2017\)](#)

[Recurring Issues Report: Common Challenges Facing Peace Corps Posts, FYs 2012-2015](#)

[New Country Entries: Lessons Learned \(2014\)](#)

[Peace Corps Applicant Screening Process Final Audit Report \(2014\)](#)

Challenge: Volunteer Health and Safety

Why This Is a Challenge

While the Peace Corps works to prioritize the safety, security, and physical and mental health of its Volunteers, OIG country program evaluations and audits have identified aspects of the agency's safety and security and Volunteer medical care programs that present management challenges. Specifically, these challenges relate to the Volunteer health care program, Volunteer site selection and approval processes, transportation policies, Volunteer drug use, and sexual assault risk reduction and response.

Volunteer Health Care

In 2010, OIG reviewed the medical care provided to Volunteers following the death of a Volunteer in Morocco.⁶ The review found that the methods used to measure and monitor the quality of Volunteer health care were insufficient. A follow-up review released in March 2016 found that the agency enhanced the Volunteer health care program with regard to our 2010 findings, but further improvements were still needed.⁷ Specifically, overseas health units had experienced turnover and staffing gaps that resulted in poor transfer of patient information and documentation which can put Volunteers' health and safety at risk.

Our 2016 follow-up review also found that while the agency had established a policy to identify root causes of "sentinel events,"⁸ its sentinel event reviews had not resulted in any systemic change. The process was

ineffective for multiple reasons: the agency categorized too many events as sentinel to review them effectively, sentinel event committee members often had conflicts of interest with the cases, and root cause analyses were not comprehensive. It is important for Peace Corps to establish a robust sentinel event review process that identifies and addresses root or systemic causes of adverse events such as preventable Volunteer deaths.

In OIG's 2017 country program evaluation of Peace Corps/South Africa, we found that the process for placing Volunteers with medical accommodations in South Africa was insufficient.⁹ We recommended that the agency consider the nature of service in the country as well as the availability of support services, when making placement decisions for Volunteers with medical accommodations, especially those with mental health accommodations. Beyond considering the availability of health services in the country, the agency did not have a process to determine what types of medical accommodations might be reasonable in South Africa, a post where it was exceptionally challenging for Volunteers to serve. The agency stated that it lacked sufficient and defensible data to make these considerations. OIG had previously recommended in a 2010 report on the Volunteer delivery system that the agency collect and analyze data to determine to what extent Volunteer medical accommodations pose an undue hardship on the operations of the Peace Corps, and that recommendation remains open.¹⁰

Volunteer Site Development

OIG found issues with site development at a number of posts. The agency requires that posts maintain site history files with relevant safety and security information,

⁶ [Death Inquiry and Assessment of Medical Care in Peace Corps Morocco \(2010\)](#)

⁷ [Final Program Evaluation: Follow-Up Evaluation of Issues Identified in the 2010 Peace Corps/Morocco Assessment of Medical Care \(2016\)](#)

⁸ In February 2018 the agency issued a revised medical technical guideline (TG 167) which described categories of "Patient Safety Events" including: adverse events (death, permanent harm, temporary severe harm and intervention to save life); unusual events; and close calls. The previous version of TG167 was called "Sentinel Event Procedure."

⁹ [Final Country Program Evaluation: Peace Corps/South Africa \(2017\)](#)

¹⁰ [Volunteer Delivery System Follow-up Final Program Evaluation Report \(2010\)](#)

and that post staff review these files when considering Volunteer site placement. However, between 2012 and 2016, OIG found site history files were incomplete, insufficiently organized, or not being used to inform site selection in multiple posts and regions. OIG also found that several posts did not comply with their self-identified housing criteria, and appropriate staff (including the safety and security managers and Peace Corps medical officers) were not always sufficiently included in the site development process.

In addition, in several recent country program evaluation reports, we found that Volunteers were violating the posts' transportation policies which banned or limited the use of motorcycle taxis. Although they often said motorcycle taxis were simply more convenient, Volunteers also commonly reported that there were limited Peace Corps-approved transportation options to and from their sites, especially in rural areas. Available transportation should be considered during the site development process. The risk of an accident while riding on motorcycles poses serious danger to Volunteer safety. Without housing checks and proper site development, the agency may inadvertently place Volunteers in houses and sites that impose increased safety and security risks.

Volunteer Drug Use

In August 2018, OIG issued a management advisory report on Volunteer drug use alerting the agency that efforts to address Volunteer drug use had been insufficient and that drug use continued to pose a serious risk to the integrity and reputation of Peace Corps and to the health and safety of Volunteers.¹¹ OIG found that country directors struggled to resolve allegations of drug use through administrative action due to a high burden of proof and a lack of tools necessary to address the allegations in a fair and consistent manner. We also found that agency records on Volunteer misconduct related to drug use were incomplete, inaccurate, and inconsistent.

¹¹ [Management Advisory Report: Volunteer Drug Use \(2018\)](#)

See the Management Challenge section titled Planning and Implementation.

Sexual Assault Risk Reduction and Response

In November 2016, OIG issued a report on the Peace Corps' Sexual Assault Risk Reduction and Response (SARRR) program as required by the Kate Puzey Peace Corps Volunteer Protection Act of 2011.¹² We found that the agency lacked a comprehensive approach to gathering data about the effectiveness of the SARRR program to inform future program adjustments, including feedback from Volunteers and staff. In addition, we recommended that the agency develop guidance for Peace Corps medical officers to clarify expectations related to the provision of counseling services and communicate the guidance about available mental health support to Volunteers.

Progress in Addressing the Challenge

In February 2018, the agency updated its medical technical guidelines for Patient Safety Events (TG 167, previously referred to as Sentinel Events). These updates aim to address some of the concerns we noted in our 2016 assessment of the agency's sentinel event review process. OIG, however, has not assessed the effectiveness of the 2018 guidelines.

The agency has taken steps to update its guidance on Volunteer site development procedures and requirements for medical action plans. Medical action plans and facility assessments we reviewed in recent country program evaluations have complied with agency guidance.

To address challenges with site history files, the agency released improved guidance on management of site history files, requiring posts to develop standard operating procedures for maintaining and using site history files. The agency is piloting a new volunteer information database application where site history files will be maintained.

¹² [Evaluation of the Peace Corps' Sexual Assault Risk Reduction and Response Program \(2016\)](#)

The application is expected to be rolled out to all posts by the end of November 2018.

The agency clarified the roles and responsibilities of key staff members in the SARRR program, including the Peace Corps safety and security officers, sexual assault response liaisons, and the Office of Civil Rights and Diversity. The agency has also worked to improve both Volunteer- and staff-related trainings. It made adjustments to its training of SARRR trainers that focused on helping staff talk sensitively and candidly about risk reduction and incorporating inclusive language about sexual assault risks for male and LGBTQ Volunteers in Volunteer training. The agency provided guidance to posts on how to integrate response to sexual harassment into Volunteer training, provided guidance to Volunteers on how and when to report harassment, and asserted that SARRR trainings should continue throughout a Volunteer's service, not only at the beginning of service. The agency also created a new safety and security assessment to help posts better understand Volunteer comprehension of SARRR training and issued guidance to posts clarifying expectations regarding SARRR training for permanent and temporary staff serving in senior leadership positions.

What Needs to Be Done

Volunteer Health Care

To improve the Volunteer health care program, the agency should implement recommendations from the 2016 Follow-Up Evaluation of Issues Identified in the 2010 Peace Corps/Morocco Assessment of Medical Care, including updating agency guidance to clarify oversight responsibility for health units at Peace Corps posts. We also recommended in this report that the agency should work to improve their patient safety event review process, since this process will better ensure that the Peace Corps continuously learns how to better support Volunteer health and safety. Specifically, the agency should ensure reviews include key components like root cause identification and a focus on addressing systemic issues. The agency

also needs to provide sufficient and appropriate staffing for case reviews.

In addition, the Peace Corps should establish more systematic data collection and analysis to determine to what extent Volunteer medical accommodations pose an undue hardship on its operations.

Volunteer Site Development

In order to reduce safety and security risks to Volunteers, the agency should ensure that the planned electronic system to manage site history files is implemented effectively. Furthermore, posts need to ensure Volunteer housing meets their specified housing criteria and ensure that appropriate staff are involved in housing checks.

To reduce the risks associated with Volunteer transportation, the agency should improve implementation and enforcement of motorcycle policies at Peace Corps posts. It should clarify with posts the importance of collecting more accurate information about the transportation options Volunteers will have at their sites and consider those options in relation to the post's transportation policy and standards. Staff should take this information into consideration when approving sites for Volunteers, to determine mitigation strategies and the appropriateness of sites especially in rural areas or more remote locations.

Volunteer Drug Use

The agency should take additional measures to better address Volunteer use of unauthorized drugs. Country directors need greater support in resolving drug use allegations at post. The agency needs to gather and analyze more accurate information on drug use among Volunteers. The agency should also increase Volunteer awareness about the impacts of drug use on their safety and the effectiveness of their service.

Sexual Assault Risk Reduction and Response

The agency should expand its monitoring and evaluation plan to improve collection of feedback from staff and Volunteers on the effectiveness of the sexual assault risk reduction and response program. It should also improve communication to Volunteers regarding the availability of counseling services.

Key OIG Resources

[Management Advisory Report: Volunteer Drug Use \(2018\)](#)

[Follow Up Review of Peace Corps/Uganda \(2018\)](#)

[Final Country Program Evaluation: Peace Corps/South Africa \(2017\)](#)

[Management Advisory Report: Site History Files \(2016\)](#)

[Recurring Issues Report: Common Challenges Facing Peace Corps Posts, FYs 2012-2015 \(2016\)](#)

[Final Program Evaluation: Follow-Up Evaluation of Issues Identified in the 2010 Peace Corps/Morocco Assessment of Medical Care \(2016\)](#)

[Evaluation of the Peace Corps' Sexual Assault Risk Reduction and Response Program \(2016\)](#)

[Peace Corps' Response to OIG Investigative Review of the Circumstances Surrounding the Death of a Volunteer in Peace Corps/China \(2015\)](#)

[Investigative Review of the Circumstances Surrounding the Death of a Volunteer in Peace Corps/China \(2014\)](#)

[Death Inquiry and Assessment of Medical Care in Peace Corps Morocco \(2010\)](#)

[Volunteer Delivery System Follow-up Final Program Evaluation Report \(2010\)](#)

Challenge: Human Capital Management

Why This is a Challenge

Key pillars of human capital management include hiring, recruitment, training, and knowledge management. In performing oversight over agency operations, OIG has highlighted areas of concern in all four sectors. Most importantly, we have noted how excessive personnel turnover has substantially exacerbated these challenges.

Hiring and Recruitment

Nearly all Peace Corps U.S. direct-hire staff are subject to a 5-year term limit called the “five-year rule” (FYR). Congress enacted the FYR in 1965 to create a constant flow of new employees, including returned Peace Corps Volunteers; avoid the inflexibility associated with the civil service system; and prevent employees from working their entire career at the Peace Corps. However, when OIG analyzed the impact of the FYR in June 2012,¹³ we found that between 2005 and 2009 the annual pace of employee turnover was between 25 percent and 38 percent, quadruple the average turnover rate in the Federal government. OIG estimated that excessive turnover driven by the FYR accounted for approximately 60 percent of \$20.7 million in total turnover management costs.

In July 2017, OIG issued the “Management Implication Report: Challenges Associated with Staff Turnover” to the acting Director.¹⁴ This report outlined the negative effects of staff turnover on the agency’s ability to maintain high quality Volunteer support and improve core business functions, illustrating that high staff turnover is a persistent challenge for the agency that spans multiple levels and areas of operation.

Almost all leadership positions at the Peace Corps, both at headquarters and overseas, are subject to the FYR. Since these positions directly impact the agency’s operations, recruiting and hiring skilled personnel to fill these vacancies is critical. In 2013, OIG reported on these challenges in our audit of Peace Corps overseas staffing.¹⁵ We found that the agency struggled to maintain a robust pool of qualified applicants and fill positions in a timely manner. It had difficulty managing hiring and administrative timelines for open positions, maintaining consistency in the interview and hiring process, planning for transfers, and dealing with unexpected vacancies. These challenges were aggravated by the agency’s accelerated rate of overseas staff turnover.

Headquarters personnel recruitment is similarly challenged because many of the positions require specialized knowledge and the ability to perform government contracting, financial management, information technology, and human resources management. We found that the FYR exacerbated the agency’s challenges in attracting and retaining qualified personnel and contributed to an abbreviated average tenure of about 3 years. For example, the agency has struggled to recruit qualified staff to the Office of the Chief Financial Officer (OCFO) contracting group and short tenures within this group have compromised the agency’s ability to conduct adequate acquisition planning. Between December 2016 and August 2018, OCFO did not appoint a permanent Chief Acquisition Officer, who has the authority to administer all contracts, interagency agreements, and suspend and debar non-responsible vendors. Further, this position has faced a high level of turnover. Between July 2013 and August 2018, four staff members served in this role, but only one was fully designated, non-acting personnel. As part of their workforce

¹³ [Final Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps \(2012\)](#)

¹⁴ [Management Implication Report: Challenges Associated with Staff Turnover \(2017\)](#)

¹⁵ [Final Report on the Program Evaluation of the Peace Corps’ Training of Overseas Staff \(2014\)](#)

reduction plan,¹⁶ the agency also cut 50% of the headquarters team that provides oversight of overseas contracting, even though overseas contracts comprise the majority of Peace Corps procurements. The reduction from six to three contracting officers will slow overseas contract review and approval significantly, and overseas contracting officers will not receive the same level of support. This is critical since overseas contracting officers undergo limited training.

In addition, OCFO struggled to abide by timelines and sufficiently compete contracts partially due to difficulties retaining staff. During fieldwork for the review of a large cooperative agreement, we identified that 7 different people served as officers for the agreement between 2012 and 2018. This turnover contributed to insufficient planning and reportedly impacted the agency's decision not to compete the extension of the agreement, but instead to sole-source the award. Failure to follow acquisition timelines and regulations, like ensuring competition when appropriate, increases the risk of fraud, waste, and abuse of government funds.

Training and Knowledge Management

Several internal and external evaluations of the FYR highlight the importance of knowledge management, the systematic documentation and maintenance of information. The field advisory board¹⁷ emphasized knowledge management as a critical support function for post operations. Our 2012 FYR and 2017 management implication reports specifically highlight how excessive turnover makes this process simultaneously more difficult and more critical to ensure continuity of operations. Shortened tenures contribute to insufficient institutional memory. With high turnover, the Peace Corps must rely

on its policies, reports, and other office-level operating procedures to act as its centralized source of knowledge and agency history. However, as identified in the Planning and Implementation section of this report, Peace Corps has struggled with systematically recording, maintaining, and propagating such guidance. For example, during fieldwork for the 2016 SARRR program report, OIG found that the Office of Victim Advocacy had very few written operating procedures to orient the new director of that office.¹⁸

The agency's primary training and orientation program for overseas staff members was not available to most host country national (HCN) staff, and the agency lacked a mechanism for orienting all new overseas staff members. Last year the agency decided to no longer include HCNs (except for new Peace Corps Medical Officers) in overseas staff training as part of a plan to reduce expenditures, even though they comprise almost 90% of overseas staff.¹⁹ Plans to digitize a training program for HCN staff will not be initialized until late 2019. In the absence of a comprehensive, standardized orientation and training program for all overseas staff, each post decided what information to provide to new staff. This created variability in the quality of staff training, and there was no assurance that new staff had been properly trained on important policies and procedures. Further, in both the 2013²⁰ and 2016 evaluation reports on the Peace Corps Sexual Assault Risk Reduction and Response (SARRR) program, OIG again found that there was inconsistent onboarding and continuing education processes for critical staff positions that deliver safety, security, and medical support to Volunteers. During fieldwork in 2016, OIG also could not verify that all overseas

¹⁶ In response to the Office of Management and Budget memorandum M-17-22 on reforming the Federal government and reducing the civilian workforce, issued April 12, 2017, heads of executive departments and agencies were required to develop a comprehensive plan to comply including long-term workforce reductions.

¹⁷ A committee of overseas staff that advises the agency on ways to fully enable posts to support Volunteers and the communities they serve.

¹⁸ [Evaluation of the Peace Corps' Sexual Assault Risk Reduction and Response Program \(2016\)](#)

¹⁹ According to OIG's 2014 Evaluation of Overseas Staff Training, 91.8% of overseas staff are personal service contractors or foreign service nationals who are primarily citizens of the host country, but a few may be American citizens or citizens of a third country.

²⁰ [Evaluation of the Peace Corps' Volunteer Sexual Assault Policy \(2013\)](#)

staff had received the mandatory SARRR training required by the Kate Puzey Peace Corps Volunteer Protection Act of 2011, nor could we identify who among overseas staff were required to take these trainings.

Progress in Addressing the Challenge

Hiring and Recruitment

The President signed into law the Sam Farr and Nick Castle Peace Corps Reform Act of 2018 (H.R. 2259) on October 10, 2018. The new law will allow the Director to exempt certain critical positions from the FYR if they require specialized technical or professional skills and knowledge of Peace Corps operations, such as those relating to Volunteer health services, financial management, information technology, procurement, personnel, legal services, or safety and security. That provision is supported by agency management.

The agency has been developing processes to forecast and fill vacancies to reduce the length of gaps in overseas leadership positions. It has begun using a general roster of candidates for overseas direct hire positions, with an expectation that candidates will have worldwide availability.

Training and Knowledge Management

In 2018, OSLD implemented a new learning management tool to manage training requirements and track completions for staff and Volunteers. In addition, the office hired a knowledge management specialist to institutionalize content and improve knowledge management related to staffing and development. The office is also continuing to make progress on key recommendations such as conducting a needs assessment and monitoring and updating Federal training requirements.

The agency took steps to assess staff SARRR training needs, including interpersonal skills and teamwork, and modified the training accordingly. The agency also created an

overarching policy roadmap that outlines all policies and procedures related to the SARRR program and made it accessible to staff on the Peace Corps intranet workspace.

What Needs To Be Done

Hiring and Recruitment

Following the recent workforce reduction, the agency must ensure that headquarters offices are properly equipped to provide quality support and oversight of overseas operations. The agency still needs to address two open recommendations (recommendations 2 and 3) from our 2012 FYR report relating to better management of turnover and acquisition and retention of qualified personnel in core business functions. In addition, the agency should take action to improve how it hires certain overseas managers by developing policies and procedures and should work to close the rest of the recommendations from our 2014 overseas staff training report.

Training and Knowledge Management

Peace Corps leadership must commit to developing and enacting an agency-wide strategy to formalize knowledge management practices related to recording institutional memory, transferring knowledge to new hires, and ensuring accessibility. Also, the agency needs to act on many recommendations related to training and knowledge management like creating a standardized training program for overseas staff. In addition, the agency still needs to develop, communicate, and track expectations and results for headquarters and overseas staff compliance with training-related laws and policies.

Key OIG Resources

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

[Evaluation of the Peace Corps' Sexual Assault Risk Reduction and Response Program \(2016\)](#)

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

[Final Audit Report: Peace Corps Overseas Staffing \(2013\)](#)

[Evaluation of the Peace Corps' Volunteer Sexual Assault Policy \(2013\)](#)

[Final Evaluation Report: Impacts of the Five-Year Rule on Operations of the Peace Corps \(2012\)](#)

[Recurring Issues: OIG Post Audits and Evaluations FY 2009-2011 \(2012\)](#)

Challenge: Information Technology Security Management

Why This Is a Challenge

Effective information technology (IT) security programs help protect agency data from being misused by both internal and external sources and minimize the risk of threats to sensitive data. Federal laws and regulations governing IT security are designed to strengthen an agency's management of its operations. They also provide significant guidance to help prevent serious information security incidents. The Federal Information Security Management Act of 2002 (FISMA), as amended, is central to the Federal IT security program.²¹ The objective of FISMA is to develop a comprehensive framework to protect government information, operations, and assets.

OIG is concerned about the quality of the agency's IT security program, especially considering the sensitive data that the Peace Corps maintains about Volunteers, such as health records and sexual assault incident information. Since FY 2009, we have reported in our management and performance challenges that the Peace Corps has not achieved full compliance with FISMA or fully implemented an effective IT security program.²² Some of the identified issues have been outstanding for over 8 years, and the agency has struggled to implement corrective actions. Year after year, our results demonstrate that the Peace Corps lacks an effective information security program because of problems related to people, processes, technology, and culture.

A key foundational issue impeding the maturity of the agency's security program is the absence of a fully-implemented, comprehensive, agency-wide risk management program that is effective at monitoring, identifying, and assessing

security weaknesses and resolving related problems at the entity, business process, and information system levels. Without a robust risk management process, the Peace Corps is exposed to attacks, environmental disruptions, and business failures due to human error. See the Management Challenge section titled Planning and Implementation.

Further, the agency lacks a comprehensive contingency plan that would support a unified agency response to a disruption. Without this plan the agency is unable to prioritize its resources to restore and recover mission-critical business functions in the event of a disaster. By approaching contingency planning in a piece-meal approach, the agency is not being cost effective in protecting critical assets.

Progress in Addressing the Challenge

Peace Corps management has made some progress in strengthening IT security management programs and FISMA compliance. Specifically, we have seen a shift in senior management attention with the prioritization of IT security at the highest level. Further, the agency has been developing some foundational level policies and procedures to formalize the IT security program. However, a number of FISMA issue areas discussed in prior years' management challenge statements have not been fully resolved and require full agency involvement to complete.

What Needs to Be Done

In order to ensure the agency's information, operations, and assets are protected, it is critical that the Peace Corps achieve full compliance with FISMA and other federal laws and regulations that apply to managing its IT security infrastructure.

²¹ FISMA was amended in December 2014 by the Federal Information Security Modernization Act of 2014 (Pub. L. No. 113-283).

²² [Review of Peace Corps' Information Security Program \(2016\)](#)

The Peace Corps will need to focus on improving its IT security program by involving senior leadership, ensuring agency policies are comprehensive, and prioritizing the time and resources necessary to become fully FISMA compliant and eliminate weaknesses. Focusing on the implementation of the risk management framework will facilitate tailoring an information security program that meets the Peace Corps' mission and business needs across a decentralized organization. See the Management Challenge section titled Planning and Implementation.

Furthermore, as Peace Corps undertakes physically moving the headquarters facility, the agency should take this opportunity to renew and formalize a comprehensive contingency plan. Specifically, the agency should ensure that the Continuity of Operations Plan, Disaster Recovery Plan, and all information system contingency plans support a unified agency response to a disruption. This contingency plan should have input from all involved offices and include the entity, business, and information system levels.

Key OIG Resources

[Review of Peace Corps' Information Security Program \(2017\)](#)

[Peace Corps' FY 2017 Annual Performance Report](#)

[Report on Protecting Sensitive Information in Peace Corps Computer Systems \(2016\)](#)

Challenge: Compliance

Why This Is a Challenge

The Peace Corps is a small agency that finds itself challenged to meet its global mission while at the same time complying with all the requirements of a Federal agency. While the Peace Corps has shaped its core values around Volunteer wellbeing, commitment to national service, and other areas related to quality programming, diversity, and innovation, the agency has not made complying with Federal laws, regulations, and other requirements a priority. Compliance is a significant objective in the government sector. To effectively comply with relevant requirements, the Peace Corps should initiate a comprehensive effort to align policies and procedures with requirements and establish a system and authority that better support implementation.²³

The agency lacks a system to ensure policies and procedures align with Federal and other requirements. According to Peace Corps policy, the Office of the Chief Compliance Officer has the mission to develop and coordinate a compliance system with Office of Inspector General reports, Congressional mandates, and other regulations and laws. However, the office mainly focuses on IG reports due to resource constraints, as it is staffed by just two individuals. In addition, according to agency policy, the senior policy committee is responsible for ensuring that Peace Corps policies accurately reflect applicable laws, but the compliance office is not a member of the senior policy committee. This creates a gap in translating Federal and other requirements into implementable Peace Corps policies.

The agency does not have an overall manager for compliance related topics and struggles to coordinate timely and effective actions. In some cases, individuals are responsible for ensuring compliance,

but don't have the authority over the programs to implement these changes. For example, the Chief Information Security Officer is responsible for ensuring agency compliance with Federal laws regarding the security of the agency's information systems. Through our work to assess the health of the agency's cybersecurity program, we have documented longstanding concerns. However, many of these issues are outside of this security group's purview and require larger, agency-wide involvement. See Management Challenge section titled Information Technology Security Management.

Further, with Peace Corps lacking an effective coordinating mechanism to support implementation, individual offices and staff members are responsible for knowing what has been enacted and working within their respective teams to meet requirements. For example, the Office of the Chief Financial Officer has established a new group to align financial policies and manage compliance. While this helps OCFO become more efficient, there needs to be an overarching manager to ensure that decisions made at the office level align with agency operations and priorities. See the Management Challenge section titled Planning and Implementation.

Progress in Addressing the Challenge

In the last year, in addition to establishing the OCFO policy group mentioned above, the agency has taken steps to come into compliance with some long outstanding Federal requirements. Specifically, the agency received a three-year certification for their whistleblower program in 2017, which brings them into compliance with the 2014 requirement. Furthermore, the agency formalized their drug free workplace plan, which helps bring them into compliance with a 1986 Executive Order. However, while the agency has begun drug testing

²³ See [GAO Green Book](#) Section OV2.16-OV2.25 for agency management guidance for establishing objectives.

headquarters-based positions, the testing group does not include any sensitive senior agency managers who are located overseas. Lastly, the agency has made progress in coming into compliance with part of Homeland Security Presidential Directive-12 (signed August 27, 2004) by implementing logical access controls at headquarters. However, they have postponed their compliance for physical access requirements until the Peace Corps headquarters building moves locations in FY 2020.

What Needs to Be Done

While the Peace Corps has taken recent steps to address specific Federal requirements, the agency lacks a robust and unified program to ensure Federal compliance. Through OIG work and informal discussions with the agency, we have stressed the importance of complying with Federal laws; however, the agency continues to struggle in knowing when new laws and regulations exist or how to ensure compliance. An effective compliance program would establish an appropriate authority to help ensure identification, coordination, and implementation of federal requirements. As the Federal government continues to face resource challenges and the agency streamlines operations to focus on Volunteer support, the Peace Corps must adopt a deliberate and comprehensive approach to ensure compliance with all relevant rules and regulations.

Key OIG Resources

[Management Advisory Report: Purchase Card Review \(2018\)](#)

[Agency Financial Report FY 2017](#)

[2016 Review of Peace Corps' Information Security Program](#)

[Management Advisory Report: Peace Corps Drug-Free Workplace Plan \(2012\)](#)

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT

| Audit Opinion Restatement | | Unmodified No | | | |
|------------------------------|----------------------|------------------|----------|--------------|-------------------|
| Material Weaknesses | Beginning Balance | New | Resolved | Consolidated | Ending Balance |
| Total Material Weaknesses | 0 | 0 | 0 | 0 | 0 |

SUMMARY OF MANAGEMENT ASSURANCES

| 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 |

| Effectiveness of Internal Control Over 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 |

| Conformance With Financial Management System Requirements (FMFIA § 4) | | | | | | |
|---|----------------------|--|----------|--------------|------------|-------------------|
| Statement of Assurance | | Systems Conforms to Financial Management System Requirements | | | | |
| Non-Conformance | 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 year 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. |



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APPENDICES

APPENDIX 1

STATUS OF AUDIT WEAKNESSES

| PART I - SIGNIFICANT DEFICIENCY FINDINGS | STATUS AS OF FY 2018 | PROJECTED RESOLUTION DATE |
|--|------------------------------|------------------------------|
| INFORMATION TECHNOLOGY SECURITY | OPEN (DELAYED RESOLUTION) | DECEMBER 2021 |

FY 2018 Completed Corrective Actions

- Continued the process of implementing a comprehensive Continuous Monitoring Program, in accordance with Information Security Continuous Monitoring (ISCM) strategy.
 - Updated policies and procedures
 - Broadened and conducted role based training to include information system privileged users
 - Established Configuration Management Plan
 - Updated Incident Response plan to align with US CERT guidance
- Continued to develop a refined ERM framework and strategy.

FY 2019 Planned Corrective Actions

- Continue to develop and fully implement an ISCM strategy that includes policies and procedures, defined roles and responsibilities, and security metrics to measure effectiveness in the following areas:
 - Date Protection and Privacy
 - Configuration Management
 - Identity Credential and Access Management
 - Incident Response process
- Continue with the development and begin implementation of an enterprise-wide risk management strategy.
- Develop an information security architecture that is integrated with the risk management strategy.

| | | |
|---|------------------------------|-----------|
| UNTIMELY PROCESSING OF PERSONNEL ACTIONS | OPEN (DELAYED RESOLUTION) | JUNE 2019 |
|---|------------------------------|-----------|

FY 2018 Completed Corrective Action

- Documented guidelines to ensure that personnel actions are completed accurately.
- Started to develop standard operating procedures (SOPs) for the accurately and timely processing of personnel actions.

FY 2019 Planned Corrective Actions

- Establish procedures that include a quality assurance process for Human Resource Specialists when reviewing and processing new personnel actions.
- Document SOPs to ensure that the processing of personnel actions are reviewed, approved, and processed accurately and within expected time frames.
- Provide the necessary training to staff on policies and procedures, specifically those relating to newly developed procedures.

| PART II - NONCOMPLIANCE FINDINGS | STATUS AS OF FY 2018 | PROJECTED RESOLUTION DATE |
|---|------------------------------|------------------------------|
| FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014 (FISMA) | OPEN (DELAYED RESOLUTION) | DECEMBER 2021 |

FY 2018 Completed Corrective Actions

1. Developed procedures to improve identity and credentialing processes.
2. Continued to develop a refined ERM framework and strategy.

FY 2019 Planned Corrective Actions

1. Finalize the agency's enterprise risk management (ERM) process. Communicate ERM to senior management and business process and information system levels.
2. Continue to develop and fully implement an ISCM strategy that includes policies and procedures, defined roles and responsibilities, and security metrics to measure effectiveness.
3. Coordinate updates to respective contingency plans; develop and document processes and procedures.
4. Implement a gap analysis process to clearly identify roles and training requirements.

APPENDIX 2

VERIFICATION AND VALIDATION OF DATA

Data collection and reporting consistency are supported by the use of detailed performance goal data reference sheets, which include operational definitions, data sources, and a comprehensive methodology for measuring each performance goal. The agency ensures the data are complete and accurate through oversight and review by the Office of Strategic Information, Research, and Planning (OSIRP). The major data sources that are available to agency staff for assessing performance goals are detailed below.

PEACE CORPS DATABASES

The Peace Corps maintains several database systems to collect Volunteer and program information. In order to maintain data integrity and ensure that the appropriate data entry methodology is followed, only authorized staff who have been properly trained can access key systems. Routine reconciliation processes among agency units enable users to verify and test performance data as well as isolate and correct data entry or transfer errors. Internal, automated system processes also ensure data is appropriately transferred among different applications. The required level of accuracy to provide current and historical information about programs and Volunteers is obtained through database rules and business processes. Where data limitations do exist, largely due to data-entry compliance in isolated systems, they are noted in the appropriate performance goal section.

VOLUNTEER REPORTING TOOL

Since FY 2008, Volunteers have been reporting on their work and the progress they are making toward their project outcomes through the Volunteer Reporting Tool (VRT). The VRT is also utilized to report on Volunteers' contributions to agency strategic partners, such as the PEPFAR and Feed the Future.

Since the development of the first version of the VRT, the agency has made numerous enhancements to improve the user experience, reduce data entry errors, and improve reporting. Volunteer reports are submitted to overseas post staff through the VRT on a quarterly or semiannual basis. Staff review all reports and work with Volunteers to verify data and correct anomalies prior to end-of-year analysis. The agency provides in-depth VRT training and support to Volunteers and staff to ensure data are collected, analyzed, and reported properly. The agency also developed data collection tools to standardize the methods that Volunteers use to collect data.

The primary data quality challenge that remains is ensuring that an adequate percentage of Volunteers report on the project indicators. The agency is addressing this challenge by working with overseas posts to encourage higher reporting rates and by appropriately documenting and considering reporting rates when conducting analyses.

PEACE CORPS ADMINISTRATIVE RECORDS

For some performance goals, the Peace Corps collects annual data on topics such as language proficiency, project framework reviews, risk registers, and vacancy gaps from headquarters offices and overseas posts using several electronic databases. Data cleaning procedures are applied to the dataset prior to analysis. The data are independently reviewed by OSIRP and anomalies are addressed to improve data quality.

The agency is able to ensure a high level of accuracy by working with individual offices and posts to develop reliable data collection and analysis procedures.



ANNUAL VOLUNTEER SURVEY

The Annual Volunteer Survey (AVS) is a confidential, voluntary online survey of all currently serving, two-year Volunteers. This comprehensive survey provides Volunteers' assessments of the effectiveness of Peace Corps training, in-country staff support, their personal health and safety, and their overall service experience.

The 2018 AVS was fielded directly to currently serving Volunteers, 90 percent of whom completed the survey. The high response rate in combination with data verification and validation measures minimize total survey error at the global level. The survey is not, however, administered to a random sample of Volunteers. As with other non-randomized surveys, the AVS is subject to non-response bias.

Survey respondents reflect the Peace Corps' overall composition by gender, age, geographic location, and length of service. Responses to

all AVS questions were directly provided by the Volunteers and housed in an external, electronic survey database. Rigorous data cleaning procedures are applied to the dataset prior to analysis to ensure data quality. The results are then used to inform agency leadership about the Volunteers' perspectives on key issues.

The AVS reflects the experiences and opinions of Volunteers at a fixed point in time and can be influenced by various factors, such as major external events or the ability to recall information. The agency takes into consideration both statistical and practical significance to account for variation in AVS results from year to year. In using AVS results, the agency reviews longer-term trends to account for normal, expected variations in responses.

GLOBAL COUNTERPART SURVEY

First launched in FY 2014, the Global Counterpart Survey is designed to provide information on the impact of Volunteers from the perspectives of

the individuals with whom Volunteers work most closely. For this survey, the agency has defined counterpart as the Volunteer's primary work partner as reflected in post records for his or her primary project.

The second and third Global Counterpart Surveys in FY 2015 and FY 2016 consisted of short interviews to a randomly selected group of 400 host country counterparts. This randomly selected sample represented Volunteers' primary work partners across all posts. Globally, much has been learned from these surveys. In FY 2018 and beyond, the survey and guidance were provided to posts to allow them to collect data for post-level management interests. During FY 2019, the Peace Corps will collect information from posts to identify additional opportunities for assessing counterpart perspectives.

EMPLOYEE VIEWPOINT SURVEY

The Employee Viewpoint Survey is administered annually to all U.S. direct hire staff. The survey measures employees' perceptions about how effectively the agency is managing its workforce. The agency utilizes the survey results to compare working conditions at the Peace Corps with other federal government agencies and to identify opportunities to improve workforce management.

The demographic profile of survey respondents is consistently representative of the U.S. direct hire staff. The survey is administered electronically and most questions are identical to the Federal Employee Viewpoint Survey fielded each year across the federal government by the Office of Personnel Management.

The survey is not administered to a random sample of Peace Corps employees; as a result, the survey is subject to non-response bias. Additionally, the survey represents the views of employees at a fixed point in time and can be influenced by external factors. The agency accounts for these data limitations by drawing conclusions from multiyear trends and by comparing the results with those of other federal agencies.

HOST COUNTRY STAFF SURVEY

This survey has been fielded every year since FY 2014 to systematically gather perspectives from host country staff. It is a short, confidential, voluntary survey designed to learn more about the agency's impact in the posts where it operates by gathering input from host country staff, and documenting achievements. The survey is comprised of questions covering the following: diversity and inclusion, staff training, contributions to the [strategic goals](#), of the Peace Corps development impact, job satisfaction, and comparability to other available jobs.

The primary data quality challenge with this survey is the development of the sampling frame. Identifying and contacting all host country staff is difficult due to the fact that some staff members in administrative or support positions do not have official email addresses. Due to this challenge, the sampling frame consists of the host country staff who can be reached via email. Additionally, while the Host Country Staff Survey is offered in English, French, Russian, and Spanish, limited literacy in those languages and factors such as lack of computer access or familiarity with online survey tools for some staff may contribute to non-response bias.

APPENDIX 3

GLOSSARY OF ACRONYMS

| | | | |
|-------|---|--------|---|
| AF | Africa Region | MO | Management Objective |
| AFR | Agency Financial Report | NPPD | National Protection and Programs Directorate |
| AVS | Annual Volunteer Survey | OCFO | Office of the Chief Financial Officer |
| CIO | Chief Information Officer | OCIO | Office of Chief Information Officer |
| CPR | Country Portfolio Review | OIG | Office of Inspector General |
| DOL | Department of Labor | OMB | Office of Management and Budget |
| DOS | Department of State | OPM | Office of Personnel Management |
| EMA | Europe, Mediterranean, and Asia Region | OSIRP | Office of Strategic Information, Research, and Planning |
| EPIC | Entry, Processing, Inquiry, and Correction | PCMO | Peace Corps Medical Officer |
| ERM | Enterprise Risk Management | PEPFAR | President's Emergency Plan for AIDS Relief |
| FAA | Foreign Assistance Act of 1961 | PG | Performance Goal |
| FASAB | Federal Accounting Standards Advisory Board | PP&E | Property, Plant, and Equipment |
| FBWT | Fund Balance with Treasury | PSC | Personal Services Contractor |
| FECA | Federal Employees Compensation Act | PT&E | Programming, Training, and Evaluation |
| FISMA | Federal Information Security Management Act | RPCV | Returned Peace Corps Volunteer |
| FMFIA | Federal Managers' Financial Integrity Act | RSI | Required Supplemental Information |
| FSN | Foreign Service National | SA&A | Security Assessment and Authorization |
| FY | Fiscal Year | SAR | Security Assessment Report |
| FYR | Five-Year Rule | SARRR | Sexual Assault Risk Reduction and Response Program |
| GAGAS | Generally Accepted Government Auditing Standards | SAT | Senior Assessment Team |
| GSA | General Services Administration | SBR | Statement of Budgetary Resources |
| HCN | Host Country National | SCNP | Statement of Changes in Net Position |
| HR | Human Resources | SF | Standard Form |
| IAP | Inter-America and the Pacific Region | SO | Strategic Objective |
| ICD&I | Intercultural Competence, Diversity and Inclusion | SPA | Small Project Assistance |
| IG | Inspector General | TEFL | Teaching English as a Foreign Language |
| IPBS | Integrated Planning and Budget System | ULO | Unliquidated Obligations |
| ISCM | Information Security Continuous Monitoring | USAID | U.S. Agency for International Development |
| IT | Information Technology | U.S.C. | United States Code |
| LPF | Logical Project Framework | | |



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