60TH ANNIVERSARY

Peace Corps

AGENCY FINANCIAL REPORT

FISCAL YEAR 2021

Peace Corps

AGENCY FINANCIAL REPORT
Fiscal Year 2021

Paul D. Coverdell Peace Corps Headquarters
1275 First Street NE, Washington, DC 20526

This report is available at peacecorps.gov/about/open-government/reports/budget-and-performance/
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ABOUT THIS REPORT

The Peace Corps Agency Financial Report (AFR) for fiscal year (FY) 2021 provides fiscal results and performance highlights for the reporting period between October 1, 2020 and September 30, 2021. This report demonstrates to the President, Congress, and the American public how fiscal funds entrusted to the Peace Corps have been used to achieve the agency's mission of promoting world peace and friendship through community-based development and intercultural understanding.

The Peace Corps' FY 2021 AFR is one of the reports required from federal agencies. It was prepared in accordance with Office of Management and Budget (OMB) Circulars A-136, Financial Reporting Requirements. The FY 2021 Annual Performance Report, the FY 2023 Annual Performance Plan (to be published with the FY 2023 Congressional Budget Justification in February 2022), and the FY 2021 AFR are made public and available online at peacecorps.gov (peacecorps.gov/about/open-government/budget-and-performance).

HOW THIS REPORT IS ORGANIZED

The FY 2021 AFR presents the agency's performance highlights and accomplishments, fiscal accountability, and operational achievements and challenges for FY 2021. It begins with a message from the Peace Corps Acting Director, Carol Spahn, followed by three sections and appendices:

Management's Discussion and Analysis
This section provides an overview of financial balances, summary-level performance information, and management assurances on internal controls. It showcases how the Peace Corps worked toward accomplishing its mission in FY 2021 and its impact on the agency's overall financial condition and results.

Financial Section
This section includes the audited financial statement and accompanying footnotes as of September 30, 2021 and 2020, and the Independent Auditor's Report on the Peace Corps financial statements.

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

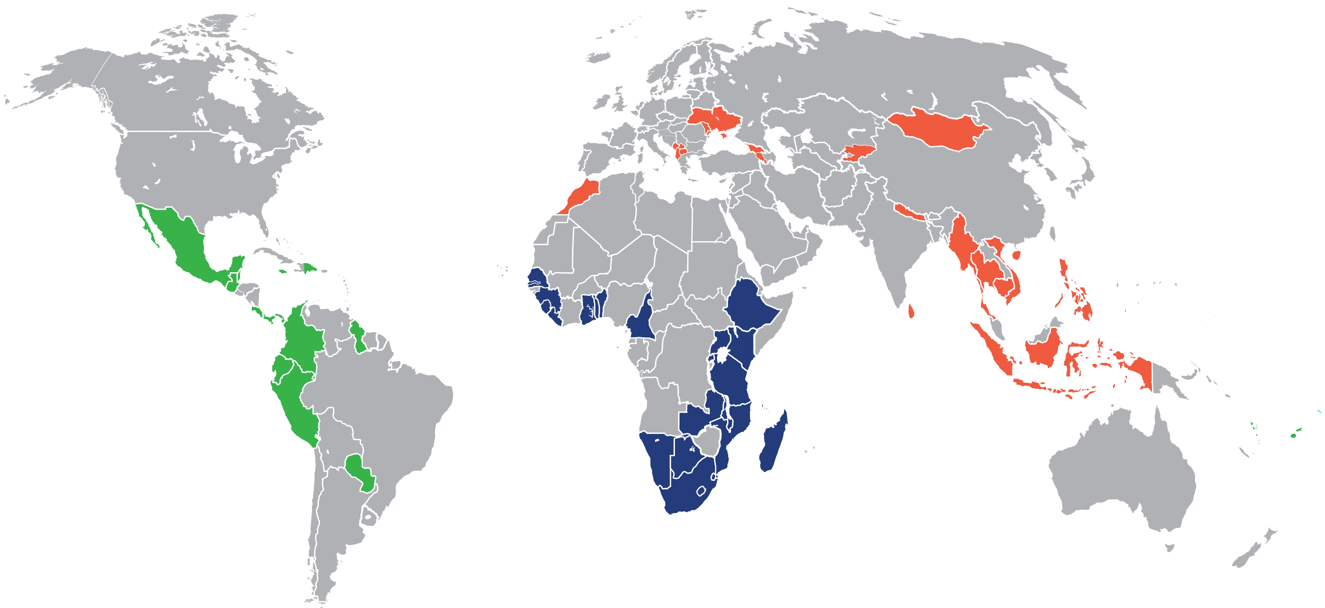
Appendices
This section provides additional information including a report on audit follow-up activity and a glossary of abbreviations used in this report.

AGA Certification of Excellence

The Peace Corps was awarded the Association of Government Accountants' Certificate of Excellence in Accountability and Reporting (CEAR) for 14 consecutive years. The CEAR is the highest form of recognition for Federal government management reports, and the award demonstrates the agency's commitment to transparent management reporting. The FY 2020 Peace Corps Agency Financial Report can be viewed at peacecorps.gov.

PEACE CORPS COUNTRIES IN FISCAL YEAR 2021

Peace Corps remains active and maintains collaborations with host country partners and local leaders in countries served by our Volunteers.[1]



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
Panama
Paraguay
Peru

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

North Africa and the Middle East
Morocco

Eastern Europe and Central Asia
Albania/Montenegro:
- Albania
- Montenegro

Armenia
Georgia
Kosovo
Kyrgyz Republic
North Macedonia
Moldova
Ukraine

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

Pacific Islands
Fiji
Samoa
Tonga
Vanuatu

[1]Due to COVID-19, Peace Corps temporarily suspended Volunteer operations at all Peace Corps posts in March 2020.

CONTENTS

A MESSAGE FROM THE ACTING DIRECTOR OF THE PEACE CORPS

On behalf of staff serving around the world, I am honored to present the Peace Corps Agency Financial Report for FY 2021. This report outlines the agency's financial information, enabling the President, Congress, and the public to evaluate our fiscal responsibility and performance during this year.

The Peace Corps was established in 1961 by then-President John F. Kennedy with a mission to promote world peace and friendship. Since that time, and only following the invitation of host governments, more than 241,000 Volunteers have served in 143 countries, working alongside community partners on locally prioritized projects. Sixty years after its creation and amid a global pandemic that has exposed many deepening divides and inequalities around the world and here in the United States, the mission of the Peace Corps remains as critical as ever.

In partnership with community members, Peace Corps Volunteers catalyze grassroots development with lasting and measurable impacts in the areas of agriculture, education, environment, health, community economic development, youth in development, and beyond. With intercultural competence and humility, our Volunteers immerse themselves in cultures abroad and collaborate with community members equally dedicated to service in order to tackle the shared challenges of our time. Together, they carry out the Peace Corps' mission and the three goals of the agency:

- To help the people of interested countries in meeting their need for trained men and women;
- To help promote a better understanding of Americans on the part of the peoples served; and
- To help promote a better understanding of other peoples on the part of Americans.

While the mission and goals have remained the same for the past 60 years, the Peace Corps has evolved to include more dynamic programming and multiple pathways to service, facilitating more inclusive and equitable opportunities to volunteer. This year, in particular, we have adapted to meet this historic moment and to address the compounding shocks to existing systems and the many emerging challenges attributable to the global pandemic. Our efforts include ongoing work to return Volunteers to service overseas; the launch of a robust Virtual Service Pilot (VSP); the second domestic deployment in our agency's history; the development of an ambitious FY 2022-2026 Strategic Plan; staff contributions to advance our mission; and the modernization and standardization of our systems.

Annual Updates, Highlights, and Areas of Focus

Preparing for the Return of Volunteers Overseas: During these unprecedented times, all Peace Corps posts have remained operational, countries from which Volunteers were evacuated have requested the return of Volunteers when conditions allow, and new countries have requested Peace Corps support. During the year, we continuously evaluated each post based on country-specific medical, security, programmatic, administrative, and logistical criteria designed to determine when Volunteers can safely return to service. This service will be different from the past, with specific COVID-19 protocols in place that will evolve based on the conditions at each post. Volunteers will be required to understand and accept the risks associated with volunteering in a pandemic and to comply with agency standards for mitigating these risks, wherever possible. Once at post, Volunteers will focus on supporting COVID-19 response and recovery efforts. These efforts will be integrated across the Peace Corps' six sectors, as most appropriate to the context.

We anticipate that up to twenty countries will receive initial reentry approval by the end of the calendar year and that the build up to pre-evacuation Volunteer levels will be gradual.

Meeting the Moment in the United States: From May to August of this year, more than 150 Peace Corps Response Volunteers contributed to the whole-of-government effort to address the COVID-19 pandemic in the United States. Volunteers who previously served at 52 posts worldwide and collectively speak 88 languages served in seven states and assisted the Federal Emergency Management Agency (FEMA) in vaccination distribution efforts. The Volunteers' service focused on underserved communities where vaccination rates lagged behind state averages and where they employed their interpersonal and language skills to honor the dignity of all the people they met. Their service required great adaptability and included administrative duties at major vaccination sites, door-to-door community outreach, and support at mobile vaccination units. The best practices and behavior change approaches utilized in this domestic deployment will be applied as Volunteers return to in-person service overseas and contribute to other countries' COVID-19 response and recovery efforts. This effort, only the second domestic deployment in the agency's history, was structured to inform Peace Corps' future work and to enable the agency to respond to future requests for assistance in a timely and efficient manner.

Leveraging Technology and New Modalities of Service: At the beginning of FY 2021, we launched an exciting pilot, VSP, connecting host country partners with Virtual Service Pilot Participants (VSPPs) who donate five to 15 hours per week to accomplish specific project goals as identified by host country partners. To date, more than 240 VSPPs, all of whom are also Returned Peace Corps Volunteers (RPCVs), have engaged in the first three phases of the pilot and have collaborated with partners in 27 countries. Engaged participants previously served in every decade of the Peace Corps' history, from the 1960s onward. With compelling evidence that virtual service can result in meaningful impact; offer service opportunities to those who may be unable to participate in traditional, in-person Volunteer programs; and reach areas where in-person Volunteer sites are not possible due to health, safety, or logistical concerns, we are exploring opportunities to expand, formalize, and offer virtual service as a standalone Volunteer program offering. To further demonstrate the way technology has been leveraged this year, more than 835 staff members have completed an eight-week Course Developer's Certificate program in which they were trained to design and deliver online and blended learning courses. These skills were immediately applied, with more than 60% of staff members already helping host

Carol Spahn
Acting Director

country partners to design and facilitate virtual learning themselves.

Planning for Our Future: This year, we have taken a whole-of-agency approach to the design and development of an ambitious strategic plan that will lay a strong foundation for the future of the Peace Corps, a future that can adapt seamlessly to evolving and fundamentally changed realities and development needs. The FY 2022-2026 Strategic Planning Process has involved nearly 70 agency-wide listening sessions and input from more than 600 staff from headquarters, domestic offices, and overseas posts – as well as input from external stakeholders. This strategic plan will be the roadmap to our next four years and will determine our future strategic investments and performance metrics.

Advancing Our Mission through the Efforts of Staff: More than 2,200 staff at our posts across the world continue to advance the Peace Corps mission by working alongside their communities, sometimes virtually, to address a variety of locally identified challenges. Our staff have developed new operating models and creatively utilized resources to address the local impact of COVID-19 and to promote volunteerism in host countries. Included in this ongoing work is the Peace Corps' contribution to the U.S. COVID-19 Global Response and Recover Framework, which focuses on mitigating the impacts of COVID-19 on society and building capacities for recovery and resilience. This includes helping communities recover from educational disruptions and working with partners to mitigate increased food insecurity and malnutrition attributable to the pandemic. Over 90% of our posts have already contributed to this framework and we are on track to have all posts contribute in some way by the end of the calendar year.

Modernizing and Standardizing Systems: The agency invested heavily in modernized and strengthened systems over the past year to prepare the agency for the future and for the return of Volunteers overseas. Critical attention has been given to systems that support the health and safety needs of Volunteers as well as those that contribute to the agency's overall commitment to Intercultural Competence, Diversity, Equity, Inclusion, and Accessibility (ICDEIA). Two systems of note that were launched during the year are the Security Incident Management System (SIMS) and the Programming, Training, and Evaluation (PT&E) Alignment System. As part of the agency's ongoing efforts to mitigate the risk of crimes against Volunteers, the newly rolled-out SIMS upgraded previous systems into a more streamlined, comprehensive, and accessible crime tracking tool. With more than 800 authorized users trained in the new system, this tool will help staff document and categorize crimes, record support services provided to Volunteer victims of crimes, and monitor related criminal proceedings in one location as well as ensure compliance and data quality. Ultimately, by helping us identify larger trends as well as determining the risks at individual Volunteer sites, SIMS will enable us to anticipate and potentially avoid crimes against Volunteers. Another major undertaking, the PT&E system is designed to help us better fulfill our service commitments to host countries and prepare Volunteers to meet the agency's mission and goals. With the involvement of more than 17 offices at Peace Corps headquarters and 60 posts overseas, PT&E has enabled us to modernize both the way our posts design and implement projects by outlining clear objectives and performance metrics and the way we design and deliver training for Volunteers. Through PT&E, Volunteers are assessed throughout their service on technical, health, safety and security, language, and other competencies that they are expected to develop. Among these clear, consistent performance standards are ICDEIA competencies aimed at fostering ICDEIA skills among the Volunteer corps, in turn building accountability to host communities and mutual respect and understanding among host communities and Volunteers.

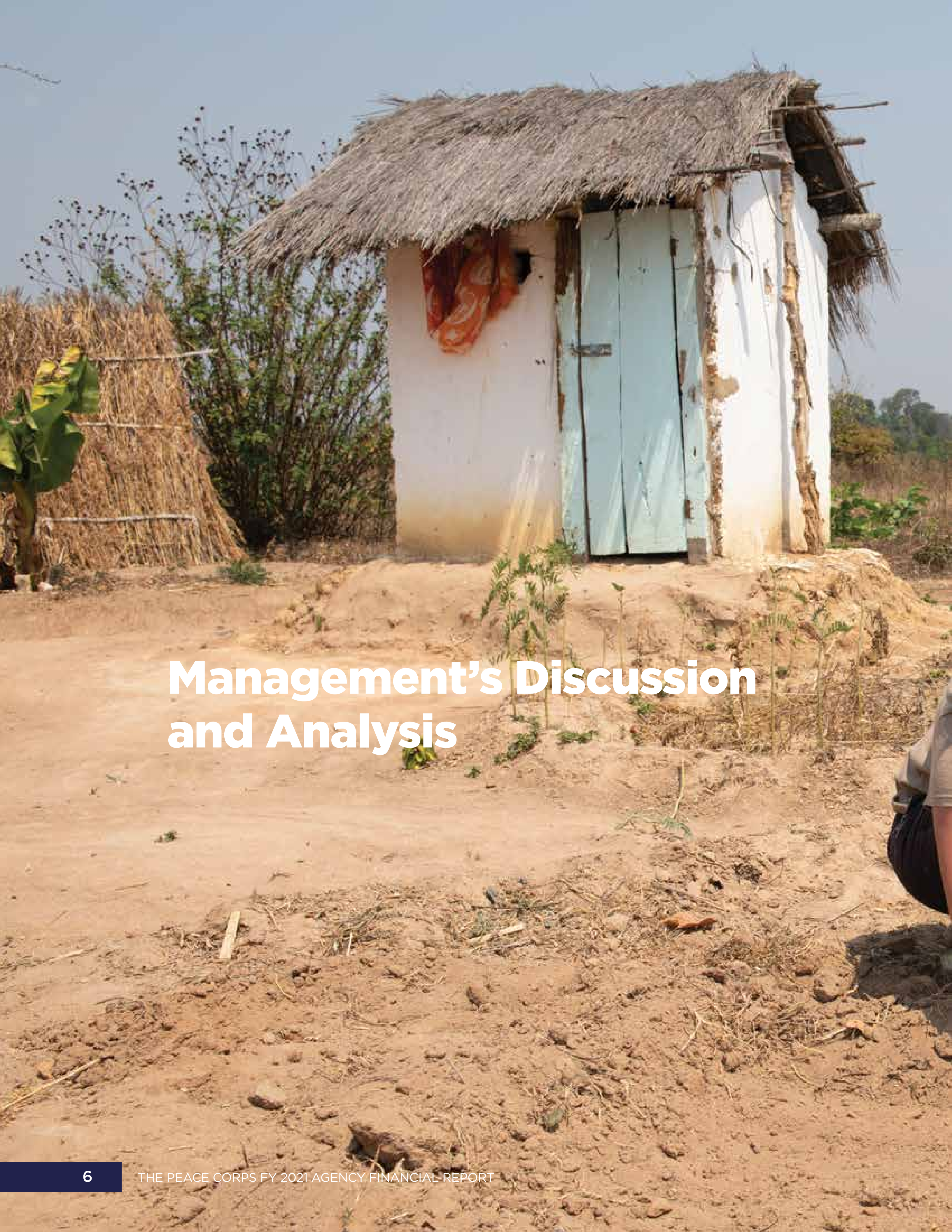
Exhibiting Financial Stewardship: We remain dedicated to prudent financial management, maintaining data integrity, and ensuring reliability of financial reports. For the 15th consecutive year, the external auditors issued an unmodified (clean) audit opinion on our FY 2021 financial statements. During their audit, they identified two significant deficiencies and one instance of noncompliance with laws and regulations. We take these findings seriously and are committed to addressing them for corrective action in FY 2022. With the exception of the audit findings, our assessment of internal controls and financial management systems meet the Federal Managers' Financial Integrity Act objectives as reflected in the Management Assurances. The Peace Corps remains committed to accountability and transparency in all facets of our agency operations, and we believe the performance and financial data in this report is reliable and complete.

Improving Our Management and Performance: The agency has worked extensively with the Office of Inspector General (OIG) to address recommendations toward agency improvements via audits, evaluations, and management advisory reports. In addition, the agency has rolled out new guidance and standards to proactively enhance safety, security, and accountability. For example, in addition to efforts to enhance the agency's Sexual Assault Risk Reduction and Response (SARRR) program through bolstered systems, policies, procedures, and trainings, in FY 2021, the agency has also formalized plans to enhance quality assurance and compliance structures beginning in FY 2022.

As we complete the fourth year of implementation of our FY 2018-2022 Strategic Plan with appropriated funding from Congress of $410.5 million for FY 2021, the agency continues to increase the efficiency and effectiveness of operations in support of the President's Management Agenda.

We will continue to build on our 60-year foundation of experience and rely on our trusted network of Volunteers, community members, staff, and partners as we navigate these uncertain times and prepare for the next 60 years of the Peace Corps.

Carol Spahn
Acting Director
November 12, 2021



Management's Discussion and Analysis

Returned Peace Corps Volunteer Colby Howell served as a Linking Income Food and Environment Volunteer. Among her many projects, Howell helped her host family incorporate beekeeping into their community.

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

Initially established by President John F. Kennedy by executive order on March 1, 1961, the Peace Corps was formally authorized by Congress on September 22, 1961, with the passage of the Peace Corps Act. The Peace Corps is an independent agency in the executive branch of the United States government.

> *"Nothing carries the spirit of American idealism and expresses our hopes better and more effectively to the far corners of the earth than the Peace Corps."*
>
> **President Kennedy's final State of the Union address January 14,1963**

President John F. Kennedy delivers remarks after signing the Peace Corps Act into law on September 22, 1961 in the Oval Office.

Photo: Abbie Rowe. White House Photographs, John F. Kennedy Presidential Library and Museum. Boston

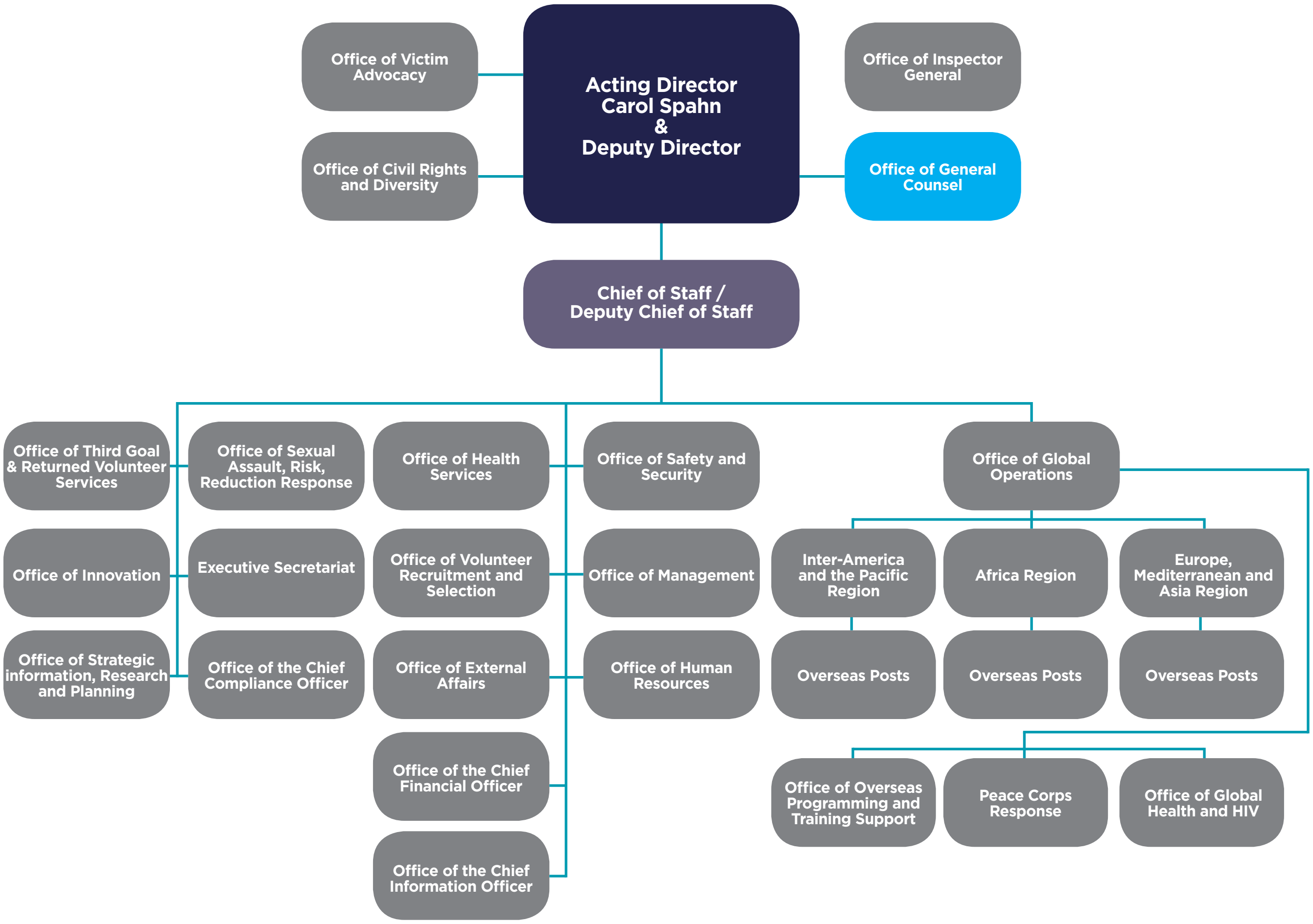
PEACE CORPS FACTS

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

Officially Established:	**March 1, 1961**
Americans Who Have Served:	**More than 241,000**[2]
Host Countries Served to Date:	**143**
Peace Corps Countries in FY 2021:	**64**
Peace Corps Acting Director:	**Carol Spahn (Romania, 1994 – 1996)**
Budget:	**$410.5 Million**

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

OUR ORGANIZATION



The Peace Corps headquarters is in Washington, D.C. with regional recruiting offices in Chicago, New York City, and Oakland. The Peace Corps organization is comprised of domestic offices and overseas posts. In FY 2021, the Peace Corps maintained active operations in 64 countries administered by 60 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). Peace Corps' greatest asset is its vibrant workforce, comprised of over 940 U.S. Direct-Hire (USDH) staff and around 2,500 host country staff (including short-term language and cross-cultural training staff).

WORK OF THE VOLUNTEERS

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

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

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

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

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

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

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

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

Megan Empowered Women in Mara

Megan Browder worked in the Maasai Mara region, where she helped a community establish a women self-help group through a small table banking club.

As part of special initiatives for Peace Corps intervention in gender, Megan also teamed up with her counterpart to nominate girls for reproductive health education and training. Such initiatives have helped girls make informed choices on their life and are an avenue for empowerment through peer learning.

As global demand for Peace Corps Volunteers abroad to help improve the lives and welfare of girls through education and empowerment increases, Peace Corps continues to support countries around the world through a Virtual Service Pilot Program (VSPP), where Volunteers provide technical skills to governments, local community organizations and population across health, education, agriculture, water and sanitation, agroforestry sectors.

Peace Corps Volunteer interventions also include small grants programs and initiatives such as PEPFAR and SPA, which help communities mainstream gender, HIV, empowerment and other inclusive activities that will enhance lives and livelihoods. Volunteers are trained to work with local counterparts to design interventions that effectively mitigate community challenges.

PERFORMANCE HIGHLIGHTS

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

- To help the people of interested countries in meeting their need for trained men and women;
- To help promote a better understanding of Americans on the part of the peoples served; and
- To help promote a better understanding of other peoples on the part of Americans.

These three core goals in the Peace Corps' legislation continue to serve as the foundation for the Peace Corps' approach to development and the three strategic goals that guide the FY 2018–2022 Strategic Plan.

Over the past year, the Peace Corps continued to experience unprecedented challenges due to the global COVID-19 pandemic and subsequent evacuation of nearly 7,000 Peace Corps Volunteers worldwide in March 2020. Progress toward meeting agency strategic objectives outlined in the FY 2018-2022 Strategic Plan was significantly impacted by the lack of Volunteer field presence and the shift of agency resources toward Volunteer re-entry efforts. However, the Peace Corps has demonstrated significant resilience in the face of such challenges, which has enabled the agency to achieve a number of noteworthy accomplishments as it closes out the FY 2018-2022 Strategic Plan and transitions into the FY 2022-2026 Strategic Plan.

The Peace Corps made significant progress in the areas of sustainable development, Volunteer effectiveness, and Volunteer resilience and adaptability. As an example, the agency completed the successful development of logical project frameworks, which help systematically measure Volunteers' contributions to community-based development on a global scale. Prior to the global evacuation, the Peace Corps also made significant progress in increasing the percentage of Volunteers who achieve advanced language levels when tested at their close of service. In addition, the agency worked to strengthen Volunteer resilience throughout the Volunteer lifecycle by setting realistic service expectations through consistent messaging and by developing resources to support Volunteer adjustment. These and other agency investments have positioned the Peace Corps to facilitate productive service for the Volunteers of tomorrow, ensuring that the agency is ready to further its global impact as soon as conditions for Volunteer re-entry permit.

During this year of transition, the Peace Corps was also able to leverage its volunteer model to support overseas and domestic communities. The agency was able to continue to support host country partners by piloting a new virtual service model. This enabled the continuation of such working relationships until Volunteers can return to the field and demonstrated that measurable impact can be achieved through partnerships spanning time zones and hinged on technology. Peace Corps post staff have also been working with host country partners to sustainably mitigate the harmful impacts of the COVID-19 pandemic. By adapting operating models and leveraging technology, field staff have been building transferrable skills for recovery and resilience in partnering host countries and laying a programmatic foundation on which Volunteers can continue to build when they return to service. Domestically, FEMA invited the agency to partner on COVID-19 vaccine distribution efforts across the United States. Domestic staff also volunteered to assist several whole-of-government efforts, such as supporting Afghan refugee arrival and resettlement work under the leadership of the U.S. Department of State (DOS) and the U.S. Agency for International Development (USAID). These efforts highlight the agency's continued commitment to promoting world peace and friendship in new and adaptive ways both in the United States and overseas and while working toward the priorities of the new administration.

For a more detailed discussion of agency performance information for FY 2021, please visit the Open Government page on the Peace Corps website. The agency will publish its FY 2022-2026 Strategic Plan, FY 2023 Annual Performance Plan, and the FY 2021 Annual Performance Report concurrent with the FY 2023 President's Budget in February 2022.

FORWARD-LOOKING INFORMATION

The Peace Corps develops its FY 2022-2026 Strategic Plan

As the COVID-19 pandemic continues, its impact is felt both in the United States and overseas. For the Peace Corps, the first and most significant change resulting from the pandemic came in March 2020 when nearly 7,000 Peace Corps Volunteers were evacuated from more than 60 countries worldwide. Host countries from which Volunteers were evacuated have requested their return and large numbers of evacuated Volunteers are eager to return to service; therefore, in FY 2022, the primary focus of the agency will be to safely return Volunteers to the field as soon as conditions permit. The dynamic nature of the pandemic – exacerbated by global inequities which disproportionately impact the countries where the Peace Corps is invited to serve – poses ongoing challenges to Volunteers' return. As a result, the global evacuation has challenged the agency to innovate, reimagine, and rise to meet this historic moment. In order to advance the agency's mission of promoting world peace and friendship, the Peace Corps' FY 2022-2026 Strategic Plan will focus on three major themes: reimagining service, advancing equity, and delivering quality.

The agency looks to reimagine service by piloting alternative service models, supporting COVID-19 response and recovery efforts abroad, and furthering host country efforts to combat climate change and its impacts. First, the Peace Corps plans to continue and expand the virtual service program it piloted in 2020. It will also explore additional service models that will not only increase access to service opportunities for Americans but also seek innovative ways to support host country partners. Additionally, given the magnitude of the COVID-19 crisis and its impact on host countries, the Peace Corps will prioritize COVID-19 programming and directly support the U.S. Government COVID-19 Global Response and Recovery Framework the Biden Administration issued in July 2021. Building on existing sector frameworks and leveraging current processes and systems, the Peace Corps will identify activities that align with this Framework while also adhering to the Peace Corps approach to development. Lastly, the agency will expand on current programming and leverage Volunteers' unique abilities in all sectors and service models to support host country communities in their efforts to adapt to climate change impacts, mitigate the severity of those impacts, and build resilience against future impacts. These collective efforts will push the agency in new and reimagined directions that will ultimately strengthen host country impact moving forward.

As a people-to-people development agency, advancing equity by understanding and working with other cultures—while representing the United States—is crucial to the Peace Corps' success. This is especially important while Volunteers are integrating into communities affected by a devastating pandemic. The agency has redoubled efforts to incorporate intercultural competence, diversity, equity, inclusion, and accessibility (ICDEIA) into its service model by comprehensively reviewing and developing agency-wide structures, programs, and policies. These efforts begin with recruitment and placement but continue throughout service to ensure the Peace Corps fully supports diverse cohorts of Volunteers and staff who represent the breadth and depth of American diversity. Moving forward, the agency will strengthen its actions to promote a culture of mutual respect and belonging among staff and Volunteers from all backgrounds so they are empowered to contribute to their full potential in service to the Peace Corps' mission and three goals.

The COVID-19 pandemic has also provided a unique opportunity for the Peace Corps to identify ways to consistently and efficiently deliver on health, safety, and service commitments to the agency, partner communities, and Volunteers. Peace Corps staff—at headquarters and around the world—continue to adapt to the evolving challenges that the pandemic poses. As the Peace Corps continues to develop its FY 2022-2026 Strategic Plan, the agency will comprehensively outline actions around these main themes in order to advance the Peace Corps' mission for our shared, global future.

Returning to service overseas

Since the global Volunteer evacuation, the Peace Corps has developed a robust strategy to return Volunteers to service overseas as soon as conditions permit. The agency's strategy for return to in-person service involves a rigorous process for evaluating each Peace Corps post based on medical, security, programmatic, administrative, and logistical criteria. Once at post, Peace Corps service will be different than in the past and will include specific COVID-19 protocols that may evolve based on the conditions in each country. Service will require Volunteers' understanding and acceptance of additional risks associated with volunteering in a pandemic and compliance with agency standards for mitigating these risks wherever possible.

The Peace Corps is preparing to resume Volunteer operations in 60 posts, covering 64 countries. This includes the re-establishment of Peace Corps programs in Kenya and Sri Lanka, and the establishment of a new Peace Corps program in Viet Nam. In every case where Volunteers return to a country, they return at the request of the host country. In addition to the aforementioned numbers provided, the Peace Corps is planning for new country entry in El Salvador and the Solomon Islands. Whether Volunteers return to posts operating before the pandemic or to newly established posts, the Peace Corps will rely on its decades of experience to continuously monitor conditions and make informed decisions throughout the ongoing and evolving COVID-19 pandemic.

Peace Corps Senegal supports Master Farmers during COVID-19 pandemic

As the COVID-19 pandemic continues, and in the absence of Volunteers, Peace Corps Senegal strives to support our program partners. Master Farmers are an important partner, and our Agriculture and Agroforestry teams are hard at work supporting them.

Since 2010, Peace Corps Senegal has supported the Master Farmer program with funding from Feed the Future via USAID. Peace Corps Senegal supports 65 Master Farmers across the country. These Master Farmers are critical to our goal of helping Senegal achieve food security by 2035.

Master Farmers are considered to be critical resources in their communities because of the knowledge they gain on agricultural and agroforestry technologies, which they then demonstrate in their fields. Neighboring farmers visit their fields frequently to see demonstrations, view implementation of demonstrated techniques, and access planting materials. Without Volunteers in the field due to COVID-19-related travel restrictions, the Peace Corps does not have the ability to provide on-site technical support to Master Farmers.

This situation prompted our Agriculture team to organize regular phone and video calls with Master Farmers to support them with technical guidance until Volunteers return. In a creative twist, Peace Corps staff also produced videos by and for farmers – in their own languages – to improve harvest, seed storage and vegetable nursery techniques. These videos allowed farmers to find answers to their questions and learn from other Master Farmers about what is working in their fields.

Peace Corps has also continued to provide critical inputs, delivering 139 mango and 162 citrus-grafted seedlings to 20 Master Farmers in six regions of Senegal last year, and is currently preparing for the distribution of additional seeds for field crops and cashew ahead of the rainy season. Master Farmers are working to disseminate sustainable agroforestry technologies to improve farm productivity and restore soil. These inputs will help to improve genetic diversity of trees, which Master Farmers will share with neighbors, while also diversifying their own income through the sale of fruit and grafted seedlings.

Peace Corps Senegal's efforts are aimed at ensuring that Master Farmers are ready when Volunteers return to Senegal and are able to continue to support other farmers in their communities to achieve food security.

FINANCIAL SUMMARY

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

Sound financial management is integral to executing the Peace Corps' mission, and begins with budget planning wherein domestic offices and overseas posts develop operational plans consistent with the broader agency strategic plan. Operating plans are developed during the agency's budget formulation process so that budgets reflect operational resource requirements. Through budget planning, 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. When office budgets are allocated and spent, OCFO ensures that monies appropriated to the agency are used for its designated purpose.

Financial results for the agency are presented in the principal statements: Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and Combined Statements of Budgetary Resources. These statements provide a financial picture of how the Peace Corps allocates and expends its resources to achieve the mission of the agency. Agency management is accountable for the integrity of the financial statements, which were prepared using Peace Corps' books and records in accordance with the standards prescribed for federal agencies by the Federal Accounting Standards Advisory Board. The Peace Corps' financial statements reflect agency-only financial activities and do not require consolidation.

The Peace Corps' audited financial statements are submitted to Congress, Treasury and OMB and U.S. Government Accountability Office (GAO), in compliance with the Accountability of Tax Dollars Act of 2002 (ATDA) and OMB Circular A-136. The Peace Corps' unmodified, "clean" audit opinion on these financial statements and corresponding Independent Auditor's Report are disclosed in the Financial Section. Internal controls, alongside risk management, remains an ongoing focus for the agency for identifying, assessing, and controlling risks that may impact financial management as the Peace Corps executes its mission and goals.

- **Audited Financial Statements –** For the 15th consecutive year, the Peace Corps received an unmodified "clean" audit opinion on its financial statements. This achievement underscores our commitment to reliability and data integrity in all phases of the financial management cycle.

- **CARES Act Audit –** In FY 2020, the Peace Corps received $88 million, available until September 30, 2022, under the Coronavirus Aid, Relief, and Economic Security (CARES) Act to prevent, prepare for and respond to the COVID-19 pandemic. The Peace Corps carried out activities covered by the CARES Act with urgency when it had to pay for the evacuation of Volunteers, Trainees, USDH worldwide and the necessary support when they returned to the United States. OIG conducted a compliance audit to assess our internal controls over the budget, obligation, and disbursements of CARES Act funds. Their assessment concluded that the Peace Corps complied with the provisions of the CARES Act and no recommendations were made in their report.

- **Payment Information Integrity Act (PIIA) Audit** - OIG conducted a review of the Peace Corps' compliance with PIIA. OIG agrees that the agency's methodology for reviewing and analyzing improper payments and its reporting in the FY 2020 AFR is consistent with the requirements of PIIA. Additionally, all previous OIG recommendations were addressed and closed in FY 2021.

ANALYSIS OF FINANCIAL POSITION

Condensed Balance Sheets	FY 2021 (In Thousands)	FY 2020 (In Thousands)	Variance (In Thousands)	Variance (In Percentage)
Fund Balance with Treasury	$ 279,510	$ 249,595	$ 29,915	12%
Accounts Receivable	4,687	1,068	3,619	339%
General Property, Plant, and Equipment	44,299	38,230	6,069	16%
Other Assets	6,388	4,129	2,259	55%
TOTAL ASSETS	**$ 334,884**	**$ 293,022**	**$ 41,822**	**14%**
Accounts Payable	$ 4,572	$ 4,108	$ 464	11%
Federal Employee and Veterans Benefits	160,295	165,283	(4,989)	-3%
FSN and PSC Severance Liability	39,221	35,590	3,631	10%
Payroll Related Liability	22,014	23,704	(1,690)	-7%
Non-Entity Funds	1,125	170	955	562%
Other Liabilities	8,748	9,596	(848)	-9%
TOTAL LIABILITIES	**$ 235,975**	**$ 238,451**	**$ (2,477)**	**-1%**
TOTAL NET POSITION	**$ 98,909**	**$ 54,571**	**$ 44,339**	**81%**
TOTAL LIABILITIES AND NET POSITION	**$ 334,884**	**$ 293,022**	**$ 41,862**	**14%**
Net Cost of Operations				
Gross Costs	$ 362,067	$ 481,999	$ (119,932)	-25%
Less: Earned Revenue	(5,894)	(1,968)	(3,926)	199%
NET COST OF OPERATIONS	**$ 356,173**	**$ 480,031**	**$ (123,858)**	**-26%**
Sources and Status of Budgetary Resources				
Unobligated Balance Brought Forward	$ 102,399	$ 59,476	$ 42,923	72%
Recoveries	25,519	16,325	9.194	56%
Appropriations	410,500	498,500	(88,000)	-18%
Rescission	(30,000)	-	(30,000)	-100%
Donations Received	869	726	143	20%
Funding for Severance Liability	8,983	18,551	(9,568)	-52%
Spending Authority from Offsetting Collections	2,470	3,045	(575)	-19%
TOTAL BUDGETARY RESOURCES	**$ 520,740**	**$ 596,623**	**$ (75,883)**	**-13%**
Obligations Incurred	$ 388,686	$ 492,429	$ (103,743)	-21%
Unobligated Balance, Unexpired and Expired	132,054	104,194	27,860	27%
STATUS OF BUDGETARY RESOURCES	**$ 520,740**	**$ 596,623**	**$ (75,883)**	**-13%**

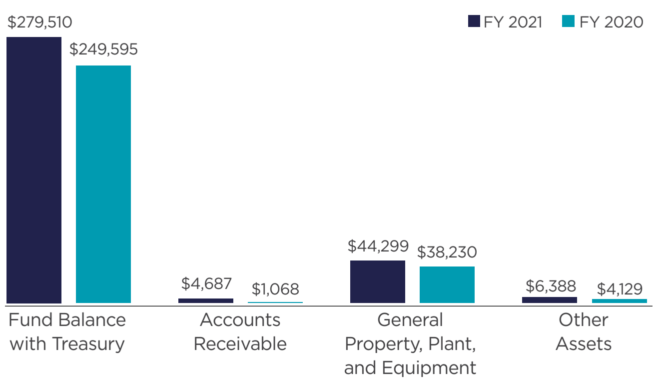
BALANCE SHEETS

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

Assets: What We Own and Manage

Assets are the amount of current and future economic benefits owned or managed by the Peace Corps and used to achieve its mission. Total Assets increased by 14 percent to $334.9 million at the end of September 30, 2021, compared to $293 million in September 30, 2020.

Comparative Assets (In Thousands)



- *Fund Balance with Treasury (FBwT)* represents monies held within the Treasury as agency resources available to pay liabilities and future expenditures. It is the largest asset of the agency, accounting for over 81 percent of the overall asset value. As of September 30, 2021, FBwT was at $279.5 million or 12 percent higher than previous fiscal year's balance of $249.6 million. Due to the COVID-19 pandemic and the absence of Volunteer presence overseas, the Peace Corps had an overall decrease in spending for Volunteer and program expenses during FY 2021.

- *Accounts Receivable* increased by over 300 percent from the September 30, 2020 balance of $1.07 million to $4.69 million in September 30, 2021. In March 2021 the Peace Corps partnered with FEMA to combat the COVID-19 pandemic. The Peace Corps deployed RPCVs as domestic Volunteers to aid COVID-19 response to FEMA-supported Community Vaccination Centers. The variance of $3.62 million is comprised of the interagency receivables from FEMA as part of this partnership agreement.

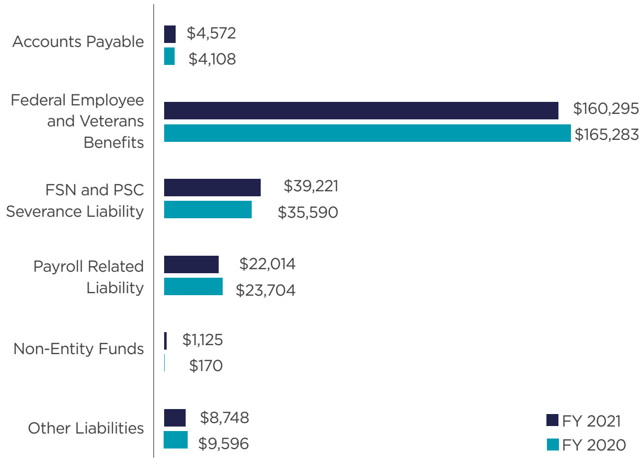
- *General Property, Plant, and Equipment (PP&E)* accounts for 13 percent of agency assets in FY 2021. PP&E is comprised of tangible assets like Information Technology (IT) hardware, internal-use software, leasehold improvements for the Peace Corps headquarters and overseas posts, and vehicles owned by the agency. PP&E increased by $6.1 million or 16 percent from $38.2 million in FY 2020 to $44.3 million in FY 2021 due to the acquisition of vehicles for post operations and the recognition of capital expenditures for leasehold improvements for the headquarters in Washington, DC and overseas posts.

- *Other Assets* include balances covering prepayments for rent, IT maintenance costs, and relocation advances to employees. As of September 30, 2021, Other Assets were at $6.4 million compared to $4.1 million in September 30, 2020. This variance of 55 percent is mostly due to relocation expenses paid for USDH.

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 over two years remained stagnant and only decreased by one percent or $2.5 million, from $238.5 million in FY 2020 down to $236 million in FY 2021.

Comparative Assets (In Thousands)



- *Accounts Payable* increased by $464 thousand or 11 percent from FY 2020 to FY 2021. This increase is due to higher rate of payables in FY 2021.

- *Foreign Service Nationals (FSN)* and Personal Service Contractors (PSC) Severance Liability increased by 10 percent from $35.6 million in FY 2020 to $39.2 million in FY 2021. Overseas Peace Corps staff is a combination of USDH and host country staff. Host country staff make up a majority of overseas support staff and are comprised of PSCs and FSNs. The Peace Corps is liable for separation and post-retirement benefits to eligible PSC and FSN who work in countries that require such payments under the host country's local labor laws. The liability for this benefit increased by $3.6 million or 10 percent from $35.6 million in FY 2020 to $39.2 million in FY 2021. The value of this account represents the funded portion of the agency's future liability. In FY 2021 and FY 2020, the Peace Corps funded the separation liability at approximately 100 percent, when in previous years it was funded around 60 percent.

- *Non-entity funds* represent future liability for readjustment allowances earned by Volunteers during their service with the Peace Corps. Non-entity funds also represents funds that the agency received for the sale of its assets or proceeds from sales. As of September 30, 2021, Non-Entity Funds increased by over 560 percent or $955 thousand, from $170 thousand in FY 2020 to $1.12 million in FY 2021. In FY 2021, the agency sold vehicles and other equipment and proceeds from these sales accounted for the balance in Non-Entity funds.

Net Position: What We Have Done Over Time

Net position is comprised of Unexpended Appropriations and Cumulative Results of Operations. The Peace Corps' Net Position increased by $44.3 million or 81 percent, from $54.6 million in FY 2020 to $98.9 million in FY 2021. The increase in Net Position is from appropriated funds given to Peace Corps that have yet to be expended.

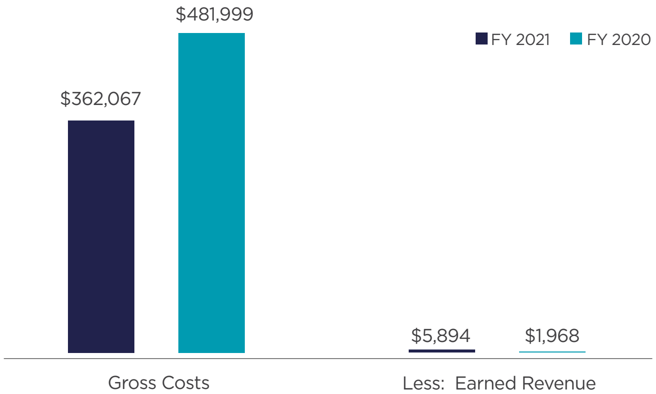
Statements of Net Cost

The Statements 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.

- Gross costs decreased by $119.9 million, from $481.9 million in FY 2020 to $362 million in FY 2021. In March 2020, the Peace Corps evacuated all Volunteers and suspended Volunteer programs overseas. The impact of the COVID-19 pandemic continues through FY 2021, which resulted in the agency incurring 25 percent less costs than in previous years.

- Earned Revenue increased from $2.0 million in FY 2020 to $5.9 million in FY 2021. The agency's earned revenue comes from federal sources, when the Peace Corps partners with other federal agencies to assist in their mission. In March 2021, the Peace Corps became one of FEMA's federal partners to aid in FEMA in its vaccine distribution effort. This increase of $3.9 million is a result of this partnership.

Comparative Gross Costs and Earned Revenues (In Thousands)



Combined Statements of Budgetary Resources

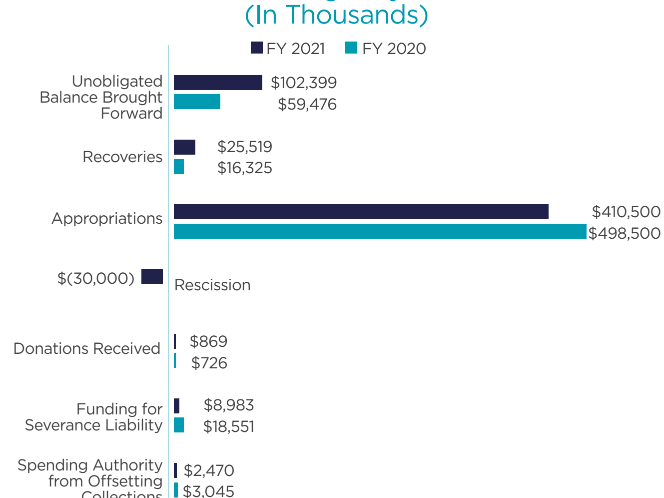
The Combined Statements of Budgetary Resources summarizes how varying sources of budgetary funding were made available during the year and their status at the end of the fiscal year. Agency resources primarily consist of funds appropriated by Congress and administered by the Department of the Treasury (Treasury). The agency has the authority to obligate these funds over a two-year period. In FY 2021, the agency received $410.5 million in regular appropriations. In addition to appropriated monies, the agency is authorized to receive donations from the public under 22 United States Code (U.S.C) § 2509(a)(4) of the Peace Corps Act to help further its mission. The agency is also authorized to receive additional funds under the Foreign Assistance Act of 1961 sections (a) and (b).

The agency ended FY 2021 with Budgetary Resources of $520.7 million, compared to $596.6 million in FY 2020, a decrease of $75.9 million (or 13 percent).

As presented in the Combined Statements of Budgetary Resources, appropriations are reported at $390.4 million— almost 75 percent of Peace Corps' budgetary resources in FY 2021. This amount is comprised of appropriations authorized by Congress of $410.5 million, donations to the Peace Corps of $869 thousand, and monies transferred within the agency to fund the PSC and FSN separation funds of $9 million, and a rescission from Congress of $30 million. Between FY 2020 and FY 2021, total appropriations decreased by 25 percent, or $127.4 million, mostly due to the $88 million in supplemental funding under the CARES Act received in FY 2020. CARES Act covers costs incurred in response to safely evacuating Volunteers, Trainees, and USDH from over 60 countries in response to the COVID-19 pandemic. There was also a rescission that further decreased the level of appropriated funds to the Peace Corps in FY 2021. Additionally, the PSC and FSN separation account was only funded by $9 million as of September 30, 2021, compared to $18.5 million as of September 30, 2020.

Unobligated Balance Brought Forward of $102.4 million includes funds carried over from FY 2020 that remain available for new obligations in FY 2021. This amount increased by 72 percent due to the remaining carryover from the CARES Act fund.

Sources of Budgetary Resources (In Thousands)



As of September 30, 2021, Recoveries of Prior Year Obligations was at $25.5 million compared to $16.3 million as of September 30, 2020. This increase of 56 percent or $9.1 million is due to Volunteer-related obligations that were no longer needed and the continued efforts of the Peace Corps to ensure obligation balances are reviewed on a regular basis.

Recoveries allow the agency to re-use monies before funds expire under the Peace Corps multi-year appropriation authority.

Additional sources of funding came from spending authority from offsetting collections, a type of budget authority financed by reimbursements, as authorized by law. The Peace Corps entered into eight partnership agreements, amounting to around $7.6 million with FEMA in support of COVID-19 vaccination efforts. Under the Foreign Assistance Act, section 632(b), the Peace Corps is authorized to perform work for the USAID on programs such as Small Project Assistance, Food Security, Global Education, and Maternal and Child Health which, in total, amounted to $9.3 million in FY 2021. Upon execution, the remaining balance on these agreements was $7.7 million at the end of September 30, 2021.

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 2021, the agency received $11.4 million in funds for PEPFAR from DOS through an allocation transfer, a legal delegation by one federal agency to another. The Peace Corps obligates and outlays funds for PEPFAR-related programs and submits required financial and performance data results to DOS. Financial results for PEPFAR activities are not reflected in the financial statements of the Peace Corps because they are reported by DOS.

Limitations of the Financial Statements

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

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Management Assurance

This section addresses the Peace Corps' compliance with the Federal Managers' Financial Integrity Act of 1982 (Public Law 97-255), presents the financial management system strategy, and addresses key internal control issues.

Federal Managers' Financial Integrity Act

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

The FMFIA also requires standards to ensure for the prompt resolution of all audit findings and mandates for agency heads to annually evaluate agency controls and provide an assurance statement on the adequacy of internal and administrative controls (Section 2) and conformance of systems with government-wide standards (Section 4).

Enterprise Risk Management, Internal Control System, and Implementation of Federal Managers' Financial Integrity Act

Guidance for implementing FMFIA (31 U.S.C. 3512) is provided through OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. The Peace Corps Manual Section 780—Enterprise Risk Management and Manual Section 784—Internal Control Systems, set out the agency's oversight role and strategic decision-making over enterprise risk management and policies and procedures for establishing, assessing, correcting, and reporting on internal control.

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

In FY 2021, associate directors evaluated existing internal controls for their corresponding offices and completed an assurance statement on the effectiveness of internal controls over their programs. Office-specific identified risk and control weaknesses were found. But none of the weaknesses, taken individually or in aggregate, rose to a level of a material weakness. In summary, with the exception of the audit findings, the agency's internal control program is effective and meets the objectives of FMFIA.

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

The ERMC produced the agency risk profile to capture operational risks and provide options for risk mitigation. The risk profile provides a prioritized inventory of the most significant risks identified in the office-level risk registers, and informs forward-looking risk management strategies. Each program office should have a comprehensive risk register. As of FY 2021, three of the highest, core-operational offices have completed their risk registers: OCFO, Office of Chief Information Officer, and Office of Safety and Security. The Peace Corps continues to work on the risk registers for the rest of the agency into FY 2022.

Fraud Reduction and Data Analytics Act of 2015

The Fraud Reduction and Data Analytics Act of 2015 (P.L. 114-186) was signed into law in June 2016 to improve financial and administrative controls and procedures to identify, assess, and address fraud risks. Application of the agency's Enterprise Risk Management program and internal control assessments strengthen agency effectiveness in meeting agency goals and objectives, while improving fraud prevention and federal resources detection. Further, the Peace Corps is a full participant in the Department of the Treasury's "Do Not Pay" program, operating through the Do Not Pay Business Center. Payees under consideration for payment are reviewed for eligibility through the pre-award component of the business center. Payments are then re-verified in the pre-payment component and followed by post-payment data matching reviews.

Anti-Deficiency Act

The Anti-Deficiency Act (31 U.S.C. §§ 1341 and 1517) prohibits federal agencies from obligating and expending federal funds in excess of its appropriation. The agency's financial system was designed to prevent Anti-Deficiency Act violations. This systematic control ensures obligations are not recorded until monies are authorized and allotted by the OCFO. Funds control is a critical tool for safeguarding that funds are managed effectively across all levels of the agency.

Payment Integrity Information Act

Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act (IPERA) of 2010 and the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 requires agencies to improve efforts to reduce and recover improper payments and requires Federal departments and agencies to expand their efforts to identify, recover, and prevent improper payments. The Peace Corps is a small agency operating under one program, with no activities that are susceptible to significant improper payments and threshold amounts under IPERA. Significant improper payments are defined as gross annual improper payments exceeding both 1.5 percent of program outlays and $10 million of all program or activity disbursements made during the fiscal year reported or $100 million (regardless of the improper payment percentage of total program outlays).

The above guidance has since been updated with the Payment Integrity Information Act (PIIA). Under PIIA, the Peace Corps continues to perform a combination of invoice review, post-audit verification, and sampling to ensure improper payments are minimal, identified, and recovered. In the next fiscal year, the agency will perform an assessment of FY 2021 disbursements to determine if the current methodology applied for the prevention, identification, and recovery of improper payments is sufficient and meet management requirements.

Digital Accountability and Transparency Act

The Digital Accountability and Transparency Act of 2014 (P.L. 113-101), or DATA Act, was signed into law in May 2014 to establish government-wide, financial data standards and to increase the availability, accuracy, and usefulness of Federal spending information. The Digital Accountability and Transparency Act implementation, led by the Treasury and OMB, mandate federal agencies report on procurement data to bring awareness to federal spending. Pursuant to the statutory reporting requirements, the Peace Corps uses the required standard data exchange, DATA Act Information Model Schema, to submit award-level information for posting on USASpending.gov.

Federal spending reported on USASpending.gov is derived from financial and contract award information. The Peace Corps financial system is updated with the most recent version of DATA Act Information Model Schema to ensure submission of all required financial data elements are complete and accurate. As for contract award data, the agency uses Procurement Information System for Management for domestic contracts, which automatically updates to Federal Procurement Data System-Next Generation, the central repository of information for Federal contracting. Overseas awards are updated manually into the repository on a monthly basis.

In FY 2021, OIG audited the agency's compliance with DATA Act submission as of quarter three of FY 2021. The OIG findings and recommendation can be found in Office of the Inspector General audits and reports. We continue to improve the accuracy and timeliness of reporting DATA Act and welcome OIG's recommendation to ensure that we provide accurate information, as we communicate spending of contract actions to the public.

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. 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. The Peace Corps has implemented the following modules: General Ledger and Federal Administrator (funds tracking, controls, and standard general ledger accounting), Purchasing (purchase requests, purchase orders, and financial tracking of contracts), Accounts Payable (invoice processing, payments, and tax reporting), Accounts Receivable (processing donations, billing for IAAs, and receivables), Project Accounting (tracking grants, and reimbursable funded projects), Fixed Assets (tracking and accounting of capital assets), and Human Resources Management System (HR tracking and payroll of Volunteers and overseas staff, and tax reporting).

The current version of Oracle EBS, which will be phased out by December 31, 2021, will be upgraded and deployed in November, 2021. The new Oracle EBS version 12.2 will extend support to the agency until 2031 and is based on Oracle's continuous innovation model, allowing for ongoing application updates, without requiring major upgrades for 9 years. This upgrade supports new federal functionality requirements, such as G-Invoicing and allows the agency to obtain production-level support and security compliance patch releases.

The Federal Managers' Financial Integrity Act Unmodified Management Assurance Statement that follows is consistent with the FY 2021 financial statement audit report.

FY 2021 FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT UNMODIFIED MANAGEMENT ASSURANCE STATEMENT

The management of the Peace Corps 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 controls to support effective and efficient programmatic operations, reliable reporting, and compliance with applicable laws and regulations in accordance with Office of Management and Budget Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control. Through this assessment, the Peace Corps can provide reasonable assurance for the soundness of its internal control over operations, reporting, and compliance with laws and regulations as of September 30, 2021, with the exception of one significant deficiency over Property, Plant, and Equipment.

The Peace Corps conducted its assessment of whether or not the financial management systems conform to government-wide financial systems requirements in accordance with FMFIA Section 4. Based on this assessment, the Peace Corps can provide reasonable assurance that its financial management systems are in compliance with the applicable provisions of Federal Managers' Financial Integrity Act Section 4 and Office of Management and Budget Circular A-123 for FY 2021. However, this excepts one significant deficiency over security management and one non-conformance with the Federal Information Security Modernization Act of 2014. In accordance with Office of Management and Budget Bulletin No. 21-04, Audit Requirements for Federal Financial Statements, this is not considered a material weakness.

Carol Spahn

Carol Spahn

Acting Director

November 12, 2021

Financial Section

During the Peace Corps Mali Nutrition Bike Tour, Returned Peace Corps Volunteer Micah bikes with other Volunteers and Malian counterparts across southern Mali, stopping in villages for nutrition skits and improved porridge demonstrations.

Peace Corps
Balance Sheets
As of September 30, 2021 and 2020
(In Thousands)

	2021	2020
Assets (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	$ 279,510	$ 249,595
Accounts Receivable, Net (Note 4)	4,190	190
Total Intragovernmental	283,700	249,785
Other than Intragovernmental/with the Public		
Accounts Receivable, Net (Note 4)	497	878
General Property, Plant, and Equipment, Net (Note 5)	44,299	38,230
Other Assets (Note 6)	6,388	4,129
Total Other than Intragovernmental/with the Public	51,184	43,237
Total Assets	$ 334,884	$ 293,022
Liabilities (Note 7)		
Intragovernmental		
Accounts Payable	$ 21	$ 1
Other Liabilities		
Unfunded FECA Liability (Note 7)	26,039	26,857
Other Unfunded Employment Related Liability (Note 7)	122	56
Liability for Advances and Prepayments (Note 8)	13	-
Total Intragovernmental	26,195	26,914
Other than Intragovernmental/with the Public		
Accounts Payable	4,551	4,107
Federal Employee and Veteran Benefits Payable (Note 7)	134,256	138,426
Other Liabilities		
Liability for Advances and Prepayments (Note 8)	8,520	9,540
Liability for Non-Entity Assets (Notes 2 and 7)	1,125	170
Other Unfunded Employment Related Liability (Note 7)	54	-
Commitments and Contingencies (Notes 8 and 10)	93	-
Accrued Funded Payroll and Leave (Note 8)	7,439	8,826
Unfunded Annual Leave (Note 7)	14,521	14,878
FSN and PSC Separation Liability (Note 8)	39,221	35,590
Total Other than Intragovernmental/with the Public	209,780	211,537
Total Liabilities	$ 235,975	$ 238,451
Net Position		
Unexpended Appropriations	$ 231,313	$ 199,374
Cumulative Results of Operations	(132,404)	(144,803)
Total Net Position	98,909	54,571
Total Liabilities and Net Position	$ 334,884	$ 293,022

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Net Cost
For the Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
Gross Program Costs (Note 11)		
Gross Costs	$ 362,067	$ 481,999
Less: Earned Revenue	(5,894)	(1,968)
Net Cost of Operations	$ 356,173	$ 480,031

The accompanying notes are an integral part of these statements.

Peace Corps
Statements of Changes in Net Position
For the Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
Unexpended Appropriations		
Beginning Balance	199,374	156,403
Appropriations Received	410,500	498,500
Other Adjustments	(31,796)	(2,935)
Appropriations Used	(346,765)	(452,594)
Change in Unexpended Appropriations	31,939	42,971
Total Unexpended Appropriations	231,313	199,374
Cumulative Results of Operations		
Beginning Balances	$ (144,803)	$ (145,704)
Appropriations Used	346,765	452,594
Donations and Forfeitures of Cash and Cash Equivalents	869	726
Transfers In/Out Without Reimbursement	66	167
Donations and Forfeitures of Property	143	-
Imputed Financing (Note 12)	11,746	8,894
Other	8,983	18,551
Net Cost of Operations	356,173	480,031
Change in Cumulative Results of Operations	12,399	901
Cumulative Results of Operations	(132,404)	(144,803)
Net Position	$ 98,909	$ 54,571

The accompanying notes are an integral part of these statements.

Peace Corps
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2021 and 2020
(In Thousands)

	2021	2020
Budgetary Resources		
Unobligated Balance from Prior Year Budget Authority, Net (Discretionary and Mandatory)	127,918	75,801
Appropriations (Discretionary and Mandatory)	390,352	517,777
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	2,470	3,045
Total Budgetary Resources	$ 520,740	$ 596,623
Status of Budgetary Resources		
New Obligations and Upward Adjustments (Total) (Note 13)	$ 388,686	$ 492,429
Unobligated Balance, End of Year		
Apportioned, Unexpired Accounts	109,232	80,876
Exempt from Apportionment, Unexpired Accounts	3,573	3,151
Unapportioned, Unexpired Accounts	5,010	9,733
Unexpired Unobligated Balance, End of Year	117,814	93,760
Expired Unobligated Balance, End of Year	14,240	10,434
Unobligated Balance, End of Year (Total)	132,054	104,194
Total Budgetary Resources	$ 520,740	$ 596,623
Outlays, Net		
Outlays, Net (Total) (Discretionary and Mandatory)	359,596	453,608
Distributed Offsetting Receipts	(1,716)	(1,321)
Agency Outlays, Net (Discretionary and Mandatory)	$ 357,880	$ 452,287

The accompanying notes are an integral part of these statements.

Note 1 Significant Accounting Policies

A. Reporting Entity

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

The Peace Corps' core mission is to promote world peace and friendship by fulfilling three goals: (1) to help the people of interested countries in meeting their 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 financial position, the net cost of operations, and changes in net position, along with budgetary resources activities of the agency pursuant to the requirements of 31 U.S.C. 3515(b). They have been prepared using the Peace Corps' books and records in accordance with agency accounting policies, the most significant of which are summarized in this note. The statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements are presented in accordance with the applicable form and content requirements of the Office of Management and Budget (OMB)'s Circular A-136. Financial Reporting Requirements, issued August 10, 2021. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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

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

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

C. Basis of Accounting

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

D. Fund Accounting Structure

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

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

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

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

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

E. Budget Authority

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

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

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

F. Revenues and Other Financing Sources

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

G. Fund Balance with Treasury

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.

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

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

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

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, and recognized as expenses when the related goods and services are received. Advances are made principally to agency employees for official travel and prepayments to Volunteers for living allowances.

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

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

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

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

During FY 2021, software purchased for $100,000 or developed for internal use at a cost of $100,000 or greater is capitalized and amortized over its expected life (currently three to nine years). Prior to FY 2021, software purchased for $25,000 or developed for internal use at a cost of $25,000 were capitalized. IT hardware is capitalized and amortized over its expected life of three to fifteen years. Vehicles in the amount of $10,000 and over are capitalized over their useful life of five years for assets acquired in FY 2013 and prior and six years for purchases made in or after FY 2014. The agency uses an estimated salvage value of 40 percent for vehicles. Land and anything attached to it, such as buildings located overseas, are capitalized at their fair market value at the time of transfer, regardless of their acquisition cost. Buildings are depreciated with a ten year useful asset life. Acquisitions that do not meet these criteria are recorded as operating expenses. Assets are capitalized at historical cost and depreciated using the straight-line method.

L. Accounts Payable and Other Liabilities

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

M. Employee Benefits

I. *Federal Employees' Compensation Act (FECA) Accrued Claims* - FECA provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases through the U.S. Department of Labor (DOL). The FECA liability consists of two components. The first component is based on actual claims paid by DOL but not yet reimbursed by the Peace Corps. The Peace Corps reimburses DOL as funds are appropriated for this purpose, generally resulting in a two-year lag in payment. This is the liability for the actual claims paid by DOL to be reimbursed by the Peace Corps.

II. *Future Workers Compensation Benefits* - The second component of FECA is the estimated actuarial liability for future benefit payments as a result of past events. This liability includes death, disability, medical, and miscellaneous costs. DOL determines this component annually as of September 30, and the Peace Corps recognizes an unfunded liability to DOL for estimated future payments.

III. *Accrued Leave* - A liability for annual leave is accrued as leave is earned and paid when leave is taken or employment terminates. Accrued annual leave is paid from future funding sources and is reflected as a liability not covered by budgetary resources. Sick and other leave is expensed as taken.

IV. *Employee Health Benefits and Life Insurance* - The agency's employees are eligible to participate in the contributory Federal Employees Health 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 could continue to do so during retirement. The Office of Personnel Management (OPM) has provided the agency with cost factors that estimate the true cost of providing the post-retirement benefit to current employees. The agency recognizes 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. 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 PSC, 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 the purposes of its mission. The donated monies received by the agency from non-federal sources meet the prescribed criteria of Funds from Dedicated Collections.

P. Use of Estimates

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

Q. Interest on Late Payments

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

R. Intragovernmental Net Costs

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

S. Adjustments to Maintain Inherent Account Relationship Integrity

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

T. Allocation Transfer

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

U. Fiduciary Activities

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

V. Classified Activities

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

W. CARES Act of 2020

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

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

The COVID-19 supplemental funding significantly impacted FY 2020 and FY 2021 financial reporting for the Peace Corps including: Balance Sheet, Statement of Changes in Net Position, Statement of Net Costs, and Statement of Budgetary Resources and various footnotes.

Y. Permanent Reduction - Prior-Year Balances

In May 2021, the Peace Corps processed a request for rescission warrants for budget FY 2020 unobligated balances in the amount of $30 million (pursuant to PL 116-260; 134 STAT 1814).

Z. Prepaid Volunteer Living Allowances

Payments of Volunteer living allowances are made prior to the entitlement month so the posts can ensure timely payments of the allowances to the Volunteers. These payments are arranged so that Volunteers will not incur a financial burden for their living costs. As of September 30, 2021 and September 30, 2020, there were no Volunteer living allowances provided due to COVID-19 and the evacuation of Volunteers from all posts.

Note 2 Non-Entity Assets

Non-Entity Assets	September 30, 2021 *(In Thousands)*	September 30, 2020 *(In Thousands)*
Deposit Fund	$ 39	$ (14)
Clearing Accounts	1,086	184
Total Non-Entity Assets	1,125	170
Total Entity Assets	333,759	292,852
Total Assets	$ 334,884	$ 293,022

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

Deposit Fund - The deposit fund comprises the Volunteer readjustment allowance earned by Volunteers for each month of satisfactory service and payable upon their return to the United States. The balance in this fund depleted as a result of the temporary suspension of overseas programs, with the complete evacuation of all Volunteers and Trainees from the field, in response to the COVID-19 pandemic.

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

Note 3 Fund Balance with Treasury

Status of Fund Balance with Treasury	September 30, 2021 *(In Thousands)*	September 30, 2020 *(In Thousands)*
Unobligated Balance		
Available	$ 112,804	$ 84,028
Unavailable	19,249	20,167
Obligated Balance Not Yet Disbursed	146,332	145,230
Non-Budgetary FBWT	1,125	170
Total	$ 279,510	$ 249,595

Fund Balance with Treasury is equal to the unobligated balance of funds plus the obligated balance not yet disbursed. As of September 30, 2021, Fund Balance with Treasury included CARES Act available unobligated balances and unavailable unobligated balances.

Available Unobligated Balance - Comprise apportionments available for allotment plus allotments available for commitment or obligation. In FY 2020, the Peace Corps received COVID-19 supplemental funding of $88 million, $18.5 million of which remained in this balance as of September 30, 2021.

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

Non-Budgetary Fund Balance with Treasury - This represents non-entity assets of the agency. In FY 2021, proceeds of sales related to vehicle and equipment sales increased by $1 million.

Note 4 Accounts Receivable, Net

Accounts Receivable as of September 30, 2021 (In Thousands)	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	$ 4,183	$ 7	$ 4,190
Other	504	(7)	497
Total	$ 4,687	$ -	$ 4,687

Accounts Receivable as of September 30, 2020 (In Thousands)	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	$ 190	$ -	$ 190
Other	878	-	$ 878
Total	$ 1,068	$ -	$ 1,068

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 the agency's policy, it was determined that the establishment of an Allowance for Doubtful Accounts was not necessary as of September 30, 2020.

Note 5 General Property, Plant, and Equipment, Net

Components of PP&E as of September 30, 2021 (In Thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 43	$ -	$ 43
Buildings	10	463	463	-
Construction in Progress	N/A	3,596	-	3,596
Equipment and Furniture	5-10	3,404	1,087	2,317
Vehicles	5-6	24,340	9,465	14,875
IT Hardware	3-15	33,448	17,018	16,430
Leasehold Improvements	2-10	11,046	4,651	6,395
Internal-Use Software	3-9	44,428	43,785	643
Total		$ 120,768	$ 76,469	$ 44,299

Components of Fixed Assets as of September 30, 2020 (In Thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
Land	N/A	$ 43	$ -	$ 43
Buildings	10	463	462	1
Construction in Progress	N/A	7,799	-	7,799
Equipment and Furniture	5-10	3,501	792	2,709
Vehicles	5-6	21,325	9,095	12,230
IT Hardware	3-15	26,934	14,175	12,759
Leasehold Improvements	2-10	4,180	3,754	426
Internal-Use Software	3-9	44,428	42,165	2,263
Total		$ 108,673	$ 70,443	$ 38,230

General Property, Plant, and Equipment (PP&E), as of September 30, 2021 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 in FY 2021. Internal use software represents software that was either developed internally or purchased from vendors off-the-shelf.

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

- Land and attached assets, such as buildings located overseas, are capitalized at their fair market value at the time of transfer, regardless of their acquisition cost. Buildings are depreciated with a ten year useful asset life. Acquisitions that do not meet these criteria are recorded as operating expenses
- Effective for FY 2019, costs incurred for major building renovations of $100,000 or greater are initially recorded as Construction in Progress (CIP). Upon project completion, costs are transferred to Leasehold Improvements and amortized over the remaining life of the lease. Prior to FY 2019, costs incurred and recorded in CIP were capitalized at a lower threshold value of $25,000 or greater.
- Effective for FY 2021, purchases of equipment and furniture with individual acquisition costs of $100,000 or greater and aggregate purchases in the amount of $100,000 or greater are capitalized. Prior to FY 2021, costs incurred from purchases of equipment and furniture were

capitalized for individual acquisition costs of $25,000 or greater and aggregate purchases in the amount of $100,000 or greater.

- Vehicles in the amount of $10,000 or greater are capitalized over their useful life of either five years. The agency uses an estimated salvage value of 40 percent for vehicles.
- Effective for FY 2021, purchases of IT hardware with individual acquisition costs of at least $100,000 or aggregate value of $100,000 or greater is capitalized and amortized over its expected life of three to fifteen years. Prior to FY 2021, costs incurred from purchases of IT hardware were capitalized for individual acquisition costs of at least $25,000 or greater and aggregate value of $100,000 or greater.
- Effective for FY 2021, software purchased or developed internally at a cost of $100,000 or greater is capitalized and amortized over its expected life (currently three to nine years). Prior to FY 2021, costs incurred for software purchased were capitalized at a cost of $25,000 or greater.

Note 6 Other Assets

	September 30, 2021 (In Thousands)	September 30, 2020 (In Thousands)
Other than Intragovernmental/with the Public		
Travel Advances to Employees	$ 83	$ 47
Relocation Advances to Employees	2,020	91
Prepaid Rent	3,450	3,417
Other Advances	835	574
Total Other than Intragovernmental/with the Public	$ 6,388	$ 4,129
Total Other Assets	$ 6,388	$ 4,129

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 the advance payment for some of the residential and commercial office spaces in support of overseas operations.

Other Advances – Other advances include PSC payroll and prepayments of expenses for IT costs.

Note 7 Liabilities Not Covered by Budgetary Resources	September 30, 2021 (In Thousands)	September 30, 2020 (In Thousands)
Intragovernmental Liabilities		
Unfunded FECA Liability	$ 26,039	$ 26,857
Other Unfunded Employment Related Liability	122	56
Total Intragovernmental Liabilities	26,161	26,913
Other than Intragovernmental with the Public Liabilities		
Unfunded Annual Leave	14,521	14,878
Other Unfunded Employment Related Liability	54	-
Federal Employee and Veteran Benefits Payable	134,256	138,426
Liability for Non-Entity Assets	1,125	170
Total Other than Intragovernmental with the Public Liabilities	149,956	153,474
Total Liabilities Not Covered by Budgetary Resources	$ 176,117	$ 180,387
Total Liabilities Covered by Budgetary Resources	$ 59,858	$ 58,064
Total Liabilities	$ 235,975	$ 238,451

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

Unfunded Employment Related Liability – A liability for the unfunded estimated separation of foreign national PSCs. Lump-sum payments are generally made to eligible international long-term PSCs based on local labor law requirements for separation. These payments are made when the individual terminates and are paid out of current appropriations. This liability was fully funded by September 30, 2020, thus the unfunded portion was $0.

Unfunded Annual Leave – A liability for annual leave is accrued as leave is earned and paid when leave is taken or when the individual terminates. The balance represents the estimated value of annual leave earned but not taken as of September 30, 2021 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 45 FSNs and 2,450 foreign national PSCs working for the Peace Corps at the end of September 30, 2021. 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 Payable – A liability for the actuarial value of future payments for FECA as estimated by DOL for the agency.

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

Liabilities Covered by Budgetary Resources – Liabilities covered by budgetary resources 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 8.

Note 8 Other Liabilities

	September 30, 2021 *(In Thousands)*	September 30, 2020 *(In Thousands)*
Intragovernmental		
Liability for Advances and Prepayments	$ 13	$ -
Total Intragovernmental	13	-
Other than Intragovernmental/with the Public		
Accrued Funded Payroll and Leave	7,439	8,826
Commitments and Contingencies (Note 10)	93	-
Liability for Advances and Prepayments	8,520	9,540
FSN and PSC Separation/Retirement Liability	39,221	35,590
Total Other than Intragovernmental/with the Public	55,273	53,956
Total Other Liabilities	$ 55,286	$ 53,956

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

Liability for Advances and Prepayments (Intragovernmental) – This liability contains deferred revenue for services provided under an intragovernmental reimbursable agreement.

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

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

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.

Liability for Advances and Prepayments (Other than Intragovernmental /with the Public) – This liability contains deferred rent costs to be amortized over the 15 year lease term for the new location of the Peace Corps headquarters.

Note 9 Leases

Fiscal Year	Future Lease Payments *(In Thousands)*
FY22	$ 10,240
FY23	10,334
FY24	10,468
FY25	10,606
FY26	10,748
After FY26	83,361
Total Future Lease Payments	$ 135,757

For overseas operations, the Peace Corps rents office space, residences, and training facilities. Leases overseas contain a termination clause, allowing the agency to terminate any lease with a 30-90 day notice. The Peace Corps' overseas leases are all considered cancellable operating leases, which do not require disclosure.

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

Note 10 Commitments and Contingencies

September 30, 2021 *(In Thousands)*	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies			
Probable	$ 93	$ 93	$ 93
Reasonably Possible		$ 10	$ 10

September 30, 2020 *(In Thousands)*	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies			
Probable	-	-	-
Reasonably Possible		$ 317	$ 317

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 $93,000 as of September 30, 2021 and $0 as of September 30, 2020. 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 were estimated to be $10,000 as of September 30, 2021 and $316,800 as of September 30, 2020.

Note 11 Suborganization Program Costs

	September 30, 2021 *(In Thousands)*	September 30, 2020 *(In Thousands)*
Intragovernmental Costs	$ 104,549	$ 93,603
Public Costs	257,518	388,396
Total Costs	$ 362,067	$ 481,999
Intragovernmental Earned Revenue	$ (5,596)	$ (1,966)
Public Earned Revenue	(298)	(2)
Total Earned Revenue	$ (5,894)	$ (1,968)
Total Net Cost of Operations	$ 356,173	$ 480,031

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. As of September 30, 2021, public costs included spending related to the CARES Act.

Exchange revenue represents 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 Small Project Assistance.

Note 12 Inter-Entity Costs	September 30, 2021 (In Thousands)	September 30, 2020 (In Thousands)
Federal Employees Health Benefit Program	$ 8,605	$ 8,048
Federal Employees Group Life Insurance Program	22	20
Civil Service Retirement System	146	190
Federal Employees Retirement System	2,953	611
Foreign Service Retirement and Disability System	20	25
Total Inter-Entity Costs	$ 11,746	$ 8,894

Goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed the Peace Corps are recognized as imputed costs in the Statement of Changes in Net Position and the Statement of Net Costs. Such imputed costs relate to Federal Employees Health Benefit Program, Federal Employees Group Life Insurance Program, and pension benefits paid by other federal entities.

Note 13 Apportionment Categories of New and Upward Obligations: Direct vs. Reimbursable Obligations	September 30, 2021 (In Thousands)		September 30, 2020 (In Thousands)	
	Direct	Reimbursable	Direct	Reimbursable
Category A	$ 373,068	$ 6,120	$ 470,966	$ 2,247
Exempt from Apportionment	9,498	-	19,216	-
Total Obligations Incurred	$ 382,566	$ 6,120	$ 490,182	$ 2,247

All obligations incurred are Category A (quarterly apportionments) or Exempt from Apportionment. At September 30, 2021 and September 30, 2020, Category A included obligations related to the CARES Act.

Note 14 Undelivered Orders at the End of the Period	September 30, 2021 (In Thousands)	September 30, 2020 (In Thousands)
Intragovernmental		
Unpaid Undelivered Orders	$ 8,023	$ 10,892
Total Intragovernmental Undelivered Orders	$ 8,023	$ 10,892
Public		
Unpaid Undelivered Orders	$ 92,034	$ 91,291
Paid Undelivered Orders	6,388	4,129
Total Public Undelivered Orders	$ 98,422	$ 95,420
Undelivered Orders - End of Period	$ 106,445	$ 106,312

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 2021, undelivered orders at the end of the period are presented to disclose balances that are paid and unpaid for intragovernmental and with the public. Undelivered orders as of September 30, 2021 and September 30, 2020, included orders related to the CARES Act.

Note 15 Explanation of Differences between the SBR and the Budget of the U.S. Government

(In Millions)	Budgetary Resources FY 2020	New Obligations and Upward Adjustments FY 2020	Net Outlays FY 2020
Combined Statement of Budgetary Resources	$ 597	$ 492	$ 454
Budget of the U.S. Government	469	-	453
Difference	$ 128	$ 492	$ 1

The Budget of the United States (also known as the President's Budget), with actual amounts for FY 2021 was not published at the time that these financial statements were issued. The President's Budget is expected to be published in February 2022, and can be located at the OMB website https://www.whitehouse.gov/omb/budget and will be available from the U.S. Government Printing Office. The above chart displays the differences between the Combined SBR in the FY 2020 Agency Financial Report and the actual FY 2020 balances included in the FY 2021 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, 2021 and 2020 (In Thousands)	HCC Cash 2021	HCC In-Kind 2021	Total Fiduciary Funds 2021	HCC Cash 2020	HCC In-Kind 2020	Total Fiduciary Funds 2020
Fiduciary Net Assets, Beginning of year	$ 561	$ -	$ 561	$ 655	$ -	$ 655
Contributions	90	583	673	310	2,064	2,374
Disbursements	(181)	(583)	(764)	(404)	(2,064)	(2,468)
Increase/(Decrease) in Fiduciary Net Assets	(91)	-	(91)	(94)	-	(94)
Fiduciary Net Assets, End of Year	$ 470	$ -	$ 470	$ 561	$ -	$ 561

Fiduciary Net Assets As of September 30, 2021 and 2020 (In Thousands)	HCC Cash 2021	HCC In-Kind 2021	Total Fiduciary Funds 2021	HCC Cash 2020	HCC In-Kind 2020	Total Fiduciary Funds 2020
Fiduciary Net Assets						
Cash and Cash Equivalents	$ 469	$ -	$ 469	$ 565	$ -	$ 565
Other Assets	-	-	-	-	-	-
Less: Liabilities	1	-	1	(4)	-	(4)
Total Fiduciary Net Assets	$ 470	$ -	$ 470	$ 561	$ -	$ 561

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, funds are returned to the host country. The agency receives cash and in-kind contributions from host countries for services, supplies, equipment, and facilities.

Note 17 Reconciliation of Net Cost to Net Outlays						
September 30, 2021 *(In Thousands)*		Intragovernmental		Public		Total FY 2021
Net Operating Cost (SNC)	$	98,953	$	257,220	$	356,173
Components Of Net Operating Cost Not Part Of The Budgetary Outlays						
Property, Plant & Equipment Depreciation	$	-	$	(9,050)	$	(9,050)
Property, Plant & Equipment Disposal & Reevaluation		-		131		131
Other		-		3,961		3,961
Increase/(Decrease) In Assets Not Affecting Budget Outlays:						
Accounts Receivable		3,992		(374)		3,618
Other Assets		-		2,259		2,259
(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:						
Accounts Payable		(33)		569		536
Salaries & Benefits		-		1,387		1,387
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)		752		698		1,450
Other Financing Sources						
Federal Employee Retirement Benefit Costs Paid By OPM And Imputed to Agency		(11,746)		-		(11,746)
Transfers Out (In) Without Reimbursement		1,303		-		1,303
Components Of Net Operating Cost Not Part Of The Budgetary Outlays Total	$	(5,732)	$	(419)	$	(6,151)
Components Of The Budget Outlays That Are Not Part Of Net Operating Cost						
Acquistion of Capital Assets	$	-	$	16,300	$	16,300
Other		(6178)		(2264)		(8,442)
Components Of The Budget Outlays That Are Not Part Of Net Operating Cost Total	$	(6,178)	$	14,036	$	7,858
Net Outlays (Calculated Total)	$	87,043	$	270,837	$	357,880
Related Amounts On The Statement of Budgetary Resouces						
Outlays, Net					$	359,596
Distributed Offsetting Receipts						(1,716)
Agency Outlays, Net					$	357,880

The Reconciliation of Net Cost to Net Outlays is a reconciliation of the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. As of September 30, 2021, the reconciliation includes activity related to the CARES Act.

Note 18 COVID-19 Activity	September 30, 2021 (In Thousands)	September 30, 2020 (In Thousands)
Budgetary Resources		
Unobligated Balance From Prior Year Budget Authority, Net	$ 20,672	$ 88,000
Total Budgetary Resources	$ 20,672	$ 88,000
Status of Budgetary Resources		
Obligations Incurred	$ 2,161	$ 67,353
Budgetary Resources Remaining Available Beyond Current Fiscal Year	18,511	20,647
Total Status of Budgetary Resources	$ 20,672	$ 88,000
Outlays, Net and Disbursements		
Outlays, Net	$ 6,063	$ 62,513

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

Unobligated Balance From Prior Year Budget Authority, Net - Unobligated Balance From Prior Year Budget Authority, Net includes budgetary resources remaining available as of prior-year FY 2021. This balance includes downward adjustments of prior-year unpaid undelivered orders - obligations, recoveries for $25,000.

Obligations Incurred – Obligations incurred as a result of COVID-19 included but was not limited to the following:

Evacuation Allowances: The Evacuation Allowance provided Volunteers who end service early with an allowance.

Quarantine Allowances: The Quarantine Allowance reimbursed funds to evacuated Volunteers for meal and lodging costs to self-quarantine for 14 days upon return to the United States.

Volunteer Wellness Stipend: The Volunteer Wellness Stipend provided an allowance to evacuated Volunteers for medical and wellness expenses upon return to United States

Volunteer Medical Coverage: Volunteer Medical Coverage provided short-term health care to Volunteers upon completion of service.

Evacuation Travel: The Peace Corps required the use of Charter Flights in order to safely evacuate Volunteers from posts where commercial flights were not available. Commercial Flights were used to safely evacuate remaining Volunteers not on Charter Flights. Other travel costs included funding for Volunteers to travel to consolidation points, exit conferences for Volunteers, and evacuated lodging and per diem.

Post Ancillary Costs: Post Ancillary Costs were unplanned costs at posts incurred as a result of COVID-19. Unplanned costs include the purchase of additional medical supplies and shipping evacuated Volunteer belongings from posts.

Volunteer Set Aside/Restart Costs: Volunteer Set Aside/Restart Costs consisted of unplanned costs related to re-entry of Volunteers to life in the US as well as one-time costs related to the Peace Corps re-entering at posts.

FECA/International Cooperative Administrative Support Services (ICASS) Costs: FECA/ICASS costs were used to cover the impact of COVID-19 evacuations to Peace Corps FECA and ICASS bills.

Budgetary Resources Remaining Available Beyond Current Fiscal Year – Budgetary Resources Remaining Available Beyond Current Fiscal Year reflects unobligated/unused COVID-19 supplemental funding that can be used in future fiscal years beyond current fiscal year.

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

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Online Contact Form
OIG@peacecorpsoig.gov

To: Carol Spahn, Acting Peace Corps Director

From: Kathy A. Buller, Inspector General

Date: November 12, 2021

Subject: Audit of the Peace Corps' Fiscal Year 2021 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) 2021 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with the 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, 2021 and 2020. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Generally Accepted Accounting Principles* (GAAP), issued by the Comptroller General of the United States; and the OMB Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

Williams Adley's report for FY 2021 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 GAAP.
- There were no material weaknesses in internal control.[1]
- Two significant deficiencies related to internal control were disclosed by Williams Adley:[2]
  - *Lack of effective information technology security.* Williams Adley cited a lack of a comprehensive risk management program.
  - *Inadequate internal controls over property, plant, and equipment.* Williams Adley cited gaps in the internal control framework in the areas of recording and tracking property and performing necessary reconciliations of property data.
- One instance of reportable noncompliance was found relating to compliance with applicable provisions of laws, regulations, contracts, and grant agreements which are

[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.
[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.

required to be reported under *Government Auditing Standards* (GAGAS) or OMB guidance. Williams Adley found that the Peace Corps did not fully comply with:

- The Federal Information Security Modernization Act of 2014 by not fully implementing information security continuous monitoring and the agency's risk management program.

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

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 12, 2021, and the auditor's conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply in all material respects with GAGAS.

If you or a member of the Peace Corps staff has any questions about Williams Adley's audit or our oversight of it, please contact Assistant Inspector General for Audit Judy Leonhardt at 202-692-2914.

Attachment

cc: Dave Noble, Chief of Staff
Andrew Pierce, Acting Chief Financial Officer
Thomas Peng, Chief Information Officer
Emily Haimowitz, Chief Compliance Officer
Colin Jones, Compliance Officer

WILLIAMS ADLEY

Independent Auditor's Report

Acting Director
United States Peace Corps

Inspector General
United States Peace Corps

In our audits of the fiscal years 2021 and 2020 financial statements of the Peace Corps, we found:

- the Peace Corps' financial statements as of and for the fiscal years ended September 30, 2021, and 2020, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting based on the limited procedures we performed; [1] and
- one reportable instance of noncompliance for fiscal year 2021 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections discuss in more detail (1) our report on the financial statements, which includes required supplementary information (RSI)[2] and other information included with the financial statements; [3] (2) our report on internal control over financial reporting; (3) our report on compliance with laws, regulations, contracts, and grant agreements; and (4) agency comments.

In accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, we have audited the Peace Corps' financial statements. The Peace Corps' financial statements comprise the balance sheets as of September 30, 2021, and 2020; the related statements of net cost, changes in net position, and the combined statements of budgetary resources for the fiscal years then ended; and the related notes to the financial statements.

We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by

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

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

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

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

the Comptroller General of the United States; and OMB Bulletin No. 21-04. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 audits. U.S. generally accepted auditing standards, U.S. generally accepted government auditing standards, and OMB Bulletin No. 21-04 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 audits 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, 2021, and 2020, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

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 audits 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, 2021, 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 deficiencies[4] or material weaknesses.

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

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**, our audit identified two deficiencies in the Peace Corps' controls pertaining to information security and property, plant, and equipment, that represent significant deficiencies in the Peace Corps' internal control over financial reporting.

Although the significant deficiencies in internal control did not affect our opinion on the Peace Corps' fiscal year 2021 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 matter discussed in the next section of this Audit Report is presented in **Appendix III**.

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 audits 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

As discussed in **Appendix II**, our audit noted one instance of noncompliance related to the Federal Information Security Modernization Act for fiscal year 2021 that would be reportable under U.S. generally accepted government auditing standards. 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

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

Williams, Adley & Company-DC, LLP

Washington, D.C.

November 12, 2021

Significant Deficiencies

A. Information Technology Security (Updated Repeat Finding)

The Peace Corps was not in compliance with the Federal Information Security Modernization Act of 2014 (FISMA). All five FISMA functions including nine domains did not meet Department of Homeland Security's required maturity level, managed and measurable. Specifically, design and operation weaknesses associated with key FISMA domains including Risk Management and Information Security Continuous Monitoring (ISCM) are summarized below:

- In Fiscal Year (FY) 2018, the Peace Corps had not finalized an information security continuous monitoring strategy. During FY 2019 to 2021, the Peace Corps worked on developing an information security continuous monitoring strategy; however, the strategy was not fully defined at the organization level as of September 30, 2021.
- The Peace Corps still does not have a robust agency-wide Risk Management Program to manage information security risks. In addition, the agency has not fully defined the agency's risk appetite and risk tolerance.
- The Peace Corps has not fully addressed the issues regarding its Peace Corps General Support System (GSS) assessment and authorization.
- The Office of Chief Information Officer (OCIO) has developed an information security architecture in FY 2021; however, it is not yet integrated with the risk management strategy.

The Peace Corps' management has not implemented an Enterprise Risk Management process throughout the Peace Corp at the entity, business, and information system level. Specifically, the OCIO was not prioritized to develop a risk register and risk appetite as to help identify and mitigate information security risks across the agency. Additionally, OCIO did not have the resources required to complete the strategy and supporting documentation needed to transition to a defined information security continuous monitoring process.

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

Also, 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.

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

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

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

Appendix I – Significant Deficiencies

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

S.2521 - Federal Information Security Modernization Act of 2014 states: Agency heads to ensure that: (1) information security management processes are integrated with budgetary planning; (2) senior agency officials, including chief information officers, carry out their information security responsibilities; and (3) all personnel are held accountable for complying with the agency-wide information security program.

Recommendations: We recommend that:

1. The OCIO 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 the 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 the Peace Corps senior leadership, develop and implement an enterprise-wide risk management strategy to address how to identify, assess, respond to, and monitor information security related risks in a holistic approach across the organization, business process, and information system levels.
4. The OCIO perform all components of the Security Assessment and Authorization on all FISMA-reportable systems in accordance with the risk management strategy.
5. The OCIO develop an information security architecture that is integrated with the risk management strategy.

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

The Peace Corps' management is responsible for the design and operation of its Property, Plant, and Equipment (PP&E) internal control framework. The PP&E control framework should include policies, procedures, reviews, and approvals to ensure that long-lived assets are properly identified, and all acquisition costs are accurately captured. The absence of a comprehensive internal control framework may result in errors in the financial statements, theft, lack of accountability, waste, fraud, abuse, and lack of responsiveness to changing risk and threats.

The Peace Corps maintains several inventory tracking systems for various categories of PP&E. For example, the Peace Corps maintains a detailed vehicle tracking system (Vehicle Management Information System [VMIS]), and IT hardware, equipment, and furniture is maintained in the Property Management Software System (PMSS or Sunflower). Data from each of these property systems are reconciled with data in the asset management system (Odyssey Fixed Assets Module) on a monthly basis, specifically for assets that meet the capitalization threshold.

The Peace Corps' internal controls over PP&E needs improvements related to recording and tracking property.

Untimely Recording of Assets in Odyssey:

For FY 2021, there were a total of 83 additions that were made as of June 30, 2021. We identified some assets that remained in the clearing account for almost 2 years, accordingly depreciation was not being fully recognized in FY 2021. Specifically, out of the 83 additions, 31 were not entered in the fixed asset module between 90 and 414 days (average 199 days) after they were placed in-service. Furthermore, during our review we noted the 29 of the 31 assets had an impact on the FY 2020 Financial Statements:

- For 15 assets valued at $3.1 million, acquisition cost was reflected on the Balance Sheet, as part of the clearing account, but depreciation of $530,041 was not properly recorded in the accounting system.
- Fourteen other assets, with an acquisition cost of $481,194 and depreciation of $36,921, were not initially recorded on the Balance Sheet.

These errors resulted in the Peace Corps' net property assets at September 30, 2020 being overstated $85,768 ($530,041 accumulated depreciation less $444,273).

Assets Recorded in Sunflower but Not in Odyssey:

Monthly reconciliations between Sunflower and the Fixed Asset module identified assets within Sunflower but not within the Fixed Asset module; however, these issues were not remediated appropriately.

Our reconciliation of Sunflower and the Odyssey Fixed Asset Listing resulted in 12 assets which met the capitalization threshold reported in Sunflower, but were not reported in Odyssey. Out of these 12 assets, we noted:

- nine assets, valued at $344,450 relating to the old data center, were retired in Odyssey but were not retired in Sunflower; and

Appendix I – Significant Deficiencies

- three assets, valued at $87,553, located during an inventory count have not been entered into Odyssey due to missing invoices.

There are multiple offices involved with managing property, the Office of Management, Administrative Services (M/AS) and the OCIO are responsible for recording and managing the physical property, while the Office of the Chief Financial Officer (OCFO) is responsible for the financial implications of these assets. As mentioned, the agency utilizes different systems to achieve these goals. However, these offices must work together to ensure that the systems align, and that all property is properly recorded in all of the agency's official systems of record.

During our audit, we determined that there is a breakdown in the Peace Corps' internal controls around property. Specifically, there is a de-centralized process for bringing new assets into existence within both Sunflower and the Fixed Asset module. While the asset management and financial systems have controls in place, we determined that those procedures were not consistently being followed.

OCFO did not follow their policies and procedures to ensure that items were recorded timely in Odyssey. Newly acquired assets are recorded on the USSGL clearing account; however, these items should have been marked in the Fixed Asset module as "placed-in-service."

We determined that the assets recorded in Sunflower were not recorded in Odyssey because OCFO bypassed established internal controls, requiring adequate documentation for disposals, and instead marked the assets as disposed in the Fixed Asset module without verification from M/AS or OCIO.

Additionally, M/AS did not ensure items were disposed in Sunflower within 5 days of the disposal date, as required by policy.

Furthermore, OCFO was unable to capitalize transactions in Odyssey because the responsible office, Office of the Chief Information Officer, did not provide the required supporting documentation.

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

- Loss of asset accountability, which introduces operational risk related to the ability to execute the Peace Corps' mission.
- Decrease in the uniformity and standardization of procedures, resulting in inconsistent treatment of assets and increasing the difficulty in completing consolidated reports.
- Understatement in PP&E of $87,553 for fixed assets, not recorded in Odyssey as of June 30, 2021.
- Overstatement in the FY 2020 PP&E net balance of $ 85,768.

The Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government states:

> *"Management performs ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include*

automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions."

According to the Domestic Financial Management Handbook, Chapter 22 states, April 28, 2018 version:

- 22.5.3 Tracking and Reporting of the Capital Assets

  The office having custody must track a capitalized asset in all phases of it useful life, from the time the asset is delivered and accepted until disposal. All actions associate with capital assets must be monitored, tracked and recorded (including transfer between offices). Assets transfers must be initiated by the sending office and accordingly accepted by the receiving office.

- 22.5.3.3 IT hardware and General PP&E

  - Capitalization of new assets and corresponding changes to capital assets should be recorded withing 60 days from the invoice payment.
  - Disposal records should comply with requirements under MS 511, Personal Property Management and include Personal Property Loss Report, certificate of destruction, or sales receipts. Disposals should be entered in Sunflower within 5 days of the disposal date.

- 22.5.5 Retention of Supporting Documentation

  Although OCFO/AFR shall be the official record keeper of all PP&E or capital asset transactions, the Property Officer responsible for the asset should maintain supporting documentation for asset purchases, transfers, and disposals.

  Examples of supporting documentation include the following:

  - Obligating documents for item(s) and all associated in-service costs, e.g., contracts, purchase orders, travel authorizations
  - Payment documents for item(s) and all associated in-service costs, e.g., invoices, payment vouchers
  - Copy of signed receiving document
  - Disposal documents for item(s), e.g., record of sale, report of loss or theft

- 22.5.6 Internal Control

  The management controls for the PP&E process include the following:

  Recordation of capital asset and changes to capital assets are verified by OCFO/AFR against acceptable backup documentation, such as copy of approved invoice, proceed of sales information, Leasehold Tracking Spreadsheet, Labor Hours Tracking Spreadsheet, or disposal record.

MS 511, Personal Property Management states the following:

- 4.0 Property Asset System of Record

  The Peace Corps has a single system of record to track and report on property Assets, called Sunflower. Sunflower is our system of record or asset management system. It is connected to the Peace Corps' purchasing system (Odyssey and FOR

Post), online IT asset discovery systems (System Center and AirWatch) and the financial reporting system (Fixed Assets). These connections ensure property is managed and reported properly.

MS 511, Personal Property Management Handbook states the following:

- 15.0 Disposal of Personal Property

  ALL Assets tracked in Sunflower, whether Accountable Assets or Locally Tracked, must follow these procedures, unless otherwise directed by the IMS or PAL.

  Disposal methods may include:

  (a) Sale/Auction;

  (b) Abandon or Recycle;

  (c) Donation; or

  (d) External Transfer to another government agency.

  The IMS approves Disposals. The IMS will consult with the Chief of M/AS/FMD and/or OCIO CAO to confirm approval for Assets valued at over $1,000 for abandonment or donations.

  When the IMS makes the request for Disposal of PCHQ Assets, the request must be approved or rejected by the Chief of M/AS/FMD

Recommendations: We recommend the Peace Corps:

1. Update policies and procedures to clarify the roles of all responsible offices and establish timelines for proper recording of additions and disposal of assets in Sunflower and the Fixed Asset Module.
2. Require all staff with responsibilities in acquiring and recording assets to take periodic training, no less than once per year, on the Sunflower processes and procedures. Specifically, the training should include information on how to:
   - Add, remove/dispose, and update assets in the system in a timely manner.
   - Identify and provide documentation on capitalized assets to the OCFO.
3. Perform a reconciliation of source systems and Odyssey Fixed Assets and when differences are identified, inquire and document reasoning for the difference within a timely manner.
4. Review clearing accounts monthly to ensure items are place in service timely.

Appendix II – Non-Compliance Matter

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

Federal Information Security Modernization Act of 2014 (FISMA) requires agencies to provide information security controls commensurate with the risk and potential harm of not having those controls in place. The heads of agencies and Offices of Inspectors General (OIG) are required to annually report on the effectiveness of the agencies' security programs.

As noted in its Assurance Statement included in its Agency Financial Report, the Peace Corps disclosed an instance of noncompliance with FISMA that is required to be reported under Government Auditing Standards and Office of Management and Budget (OMB) Bulletin No. 21-04, *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 III - Status of Prior Year Findings and Recommendations

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

Prior Year Finding	Current Year Status
Information Technology Security (Significant Deficiency)	Open. Finding was updated and repeated as finding A in the Audit Report.
Inadequate Internal Controls over Property, Plant, and Equipment (Significant Deficiency)	Open. Finding was updated and repeated as finding B in the Audit Report.
FISMA (Noncompliance)	Open. Finding was updated and repeated as finding C in the Audit Report.

Appendix IV - Management Response

Peace Corps

November 10, 2021

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

Dear Mr. Isiaq,

This letter represents the response of the Peace Corps to your draft Independent Auditor's Report, received November 5, 2021. We are pleased with your issuance of an unmodified (clean) audit opinion. The Peace Corps management reviewed the Notice of Findings and Recommendations for the two deficiencies issued by Williams Adley in connection with the audit of our financial statements for fiscal year (FY) 2021. We concur with the condition, criteria, and level of control deficiency identified. We have established corrective action plans to address the root cause of these audit findings. We are dedicated to resolving these issues in FY 2022, as we strive for an effective and efficient internal control environment.

Information Technology Security

Response: Concur
In FY2021, the Office of the Chief Information Officer (OCIO) updated the Peace Corps' Information Security Program policy and in FY2022 will continue to execute Information Security Continuous Monitoring (ISCM) process, including the full development, integration, and implementation ISCM into the agency's risk management strategy. In addition, increased security resources will be put in place to ensure that Security Assessment and Authorization is performed in accordance with the risk management.

Estimated Completion Date: September 2022

Inadequate Internal Controls over Property, Plant, and Equipment

Response: Concur
In FY2021, the Office of Chief Financial Officer (OCFO) updated its policy and procedures over the accounting and reporting of capitalized assets, while the Office of Management (M) strengthened its training to property owners over personal property. These improvements will continue into FY2022, to ensure that roles and responsibilities between OCFO, M, and OCIO, are clearly defined and assets' status are accurately reflected between Sunflower, the agency's property management system and Odyssey, the agency's financial system of record. In FY2022, M and OCFO will ensure that discrepancies between the two systems (Sunflower and Odyssey) are identified and resolved in a timely manner. OCFO will record assets within its established policy and procedure.

Estimated Completion Date: September 2022

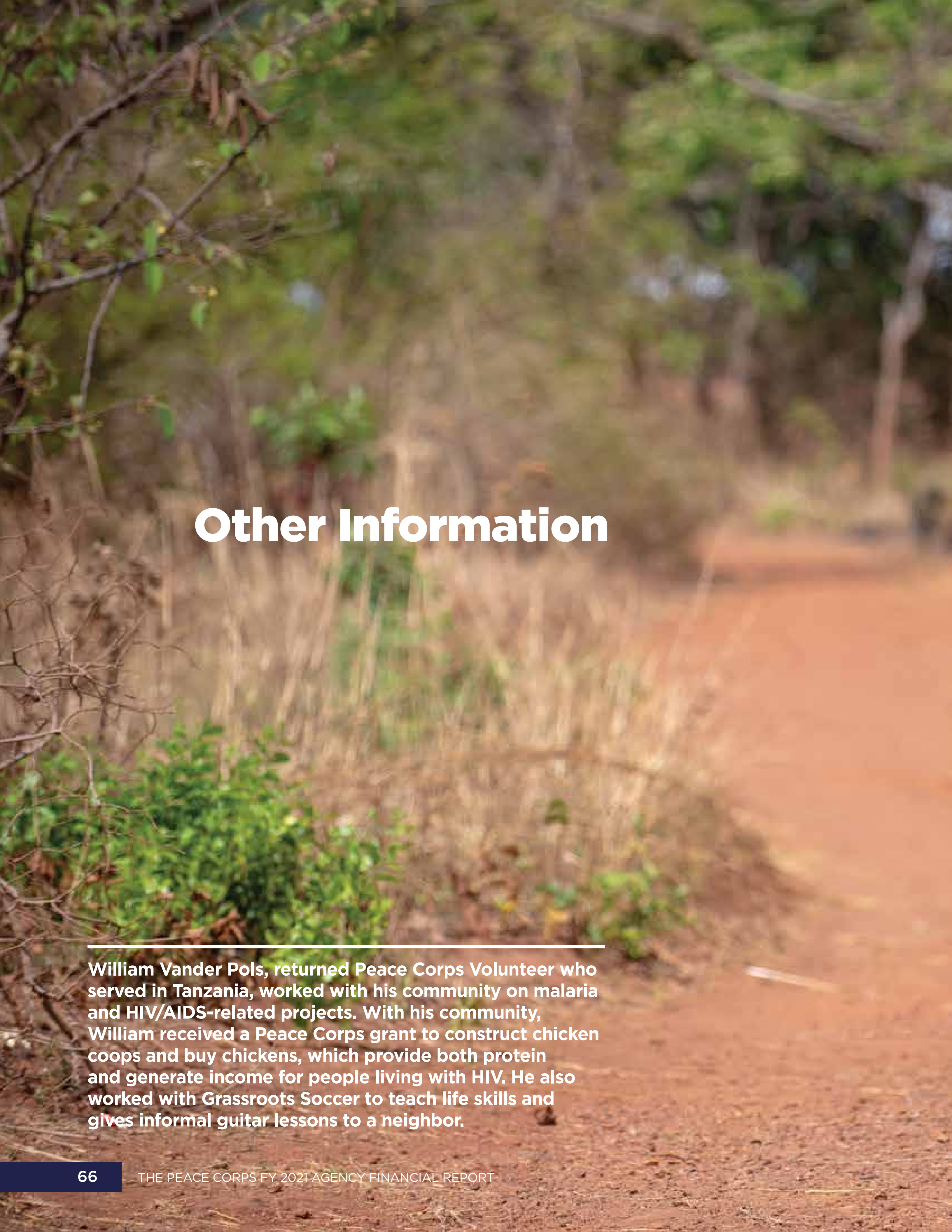
Thank you and we appreciate the opportunity to respond to the draft Independent Auditor's Report pertaining to the FY 2021 Financial Statements Audit.

Sincerely,

Dinneen, Jackie
Digitally signed by Dinneen, Jackie
Date: 2021.11.10 14:10:05 -05'00'

Jackie Dinneen
Acting Chief of Staff

Paul D. Coverdell Peace Corps Headquarters
1111 20th Street, NW | Washington, D.C. 20526 | 855.855.1961 | PEACECORPS.GOV



Other Information

William Vander Pols, returned Peace Corps Volunteer who served in Tanzania, worked with his community on malaria and HIV/AIDS-related projects. With his community, William received a Peace Corps grant to construct chicken coops and buy chickens, which provide both protein and generate income for people living with HIV. He also worked with Grassroots Soccer to teach life skills and gives informal guitar lessons to a neighbor.

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Management and Performance Challenges

Fiscal Year 2021

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

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

Extraordinary Developments Impacting the Peace Corps

In March 2020, the Peace Corps responded to the COVID-19 pandemic by suspending all Volunteer activities and evacuating nearly 6,900 Volunteers from approximately 60 countries of service. In a matter of a few weeks, the agency brought all of its Volunteers back to the United States. Evacuating all of its Volunteers at the same time was unprecedented and required the agency to take extraordinary steps, including the chartering of international flights, to complete the task. For the first time in its 60-year history, the Peace Corps does not have a single active overseas Volunteer. The agency faces the tremendous challenge of planning and executing the resumption of its overseas Volunteer programs in the uncertain environment created by the COVID-19 pandemic.

Significant Management Challenges Facing the Peace Corps:

- **Volunteer Health and Safety**
- **Human Capital Management**
- **Information Technology Security Management**
- **Planning and Implementation**
- **Diversity and Inclusion of Staff and Volunteers**

These areas illustrate the most significant challenges facing the Peace Corps to effectively manage its resources and minimize the potential for fraud, waste, and abuse occurring in its operations. Successfully addressing the issues related to these challenge areas will enable the agency to increase operational efficiencies and improve mission effectiveness.

Challenge: Volunteer Health and Safety

Why This Is a Challenge

Volunteer Medical Care

In a 2016 evaluation of Volunteer health care, OIG found that the agency's medical technical guidelines provided unclear and ambiguous oversight responsibilities. Although the agency updated the guidelines related to health unit oversight responsibilities, our oversight activities documented additional problems related to the medical technical guidelines. For example, a 2016 evaluation of the agency's sexual assault risk reduction and response program found that the agency lacked a communication plan to inform staff about changes to the medical technical guidelines. In our 2019 review of the death of a Volunteer in Comoros, we found that the medical technical guidelines for treatment of malaria were outdated and not aligned with guidelines from the World Health Organization. Our 2021 review of the death of a Volunteer in Ghana identified unclear medical technical guidelines related to medical action plans. Due to these ongoing issues, OIG included an evaluation of the medical technical guidelines on the OIG annual plan for FY 2022.

In August 2021, OIG issued a report on the death of Peace Corps/Ghana Volunteer Chidinma Ezeani, who was medically evacuated to South Africa for treatment of severe burns after the gas stove in her home exploded. Our review identified systemic failures that contributed to significant delays in PCV Ezeani's care. For example, our finding that Peace Corps/Ghana's medical action plan did not fully comply with agency guidelines reflected a common area of finding from previous OIG oversight activities. We also found that the Peace Corps' Root Cause Analysis of the incident did not detect critical vulnerabilities and did not comply with industry standards, which prompted us to reopen a previously closed finding in this area.

Recent OIG evaluations of Peace Corps posts identified problems related to Volunteer resilience and mental health as a persistent challenge for the agency. The OIG's 2020 review of recurring issues at Peace Corps posts found that, from FY 2016 through FY 2019, five post evaluations included findings related to Volunteer mental health. Two of these evaluations found that Volunteers avoided mental health support out of fear of being medically separated.

The COVID-19 pandemic will continue to pose an unprecedented challenge for maintaining the health of Volunteers. In June 2020, the agency issued the Country Re-Entry Guide (CREG) to provide guidance for returning Volunteers to service, with an emphasis on mitigating the risks of the COVID-19 pandemic. Areas of Peace Corps operations that are impacted by COVID-19 considerations include pre-departure and staging; Volunteer training; housing, communities, and worksites; travel and transportation; Peace Corps offices and the health unit; psychosocial stressors; and medical screening. In FY 2022, OIG plans to initiate health and safety compliance reviews of posts to ensure CREG requirements and relevant health and safety measures have been met.

Volunteer Site Development

The agency requires that posts use site selection criteria to ensure Volunteer sites, housing, and work assignments are appropriate. The OIG's 2020 review of recurring issues at Peace Corps posts found that all OIG post evaluation reports issued between FY 2016 to FY 2019 included findings related to site selection criteria. For example, OIG found that doors and windows were missing required locks or required mosquito screens in areas with malaria. OIG found housing without required access to treatable water. OIG also found that sites were not always approved by staff efficiently and effectively. In 2021, we conducted a follow-up review of an evaluation of Peace Corps/Moldova and found that staff did not properly document their housing inspections.

The agency requires that posts maintain site history files, which comprise programming and safety and security information about past and current sites that could affect a future decision to use a site. OIG findings related to site history files are a longstanding issue, and OIG has previously identified weaknesses with agency oversight, guidance, and systems that increase the risk that Volunteers may be placed in unsafe sites. In 2016, OIG issued a management advisory report to highlight systemic deficiencies with site history files that included a recommendation to improve the data management system for site history files. The OIG's 2020 review of recurring issues at Peace Corps posts found that between FY 2016 and FY 2019, 12 post evaluations contained findings related to site history files, including missing documentation and missing crime information. In 2021, we conducted a follow-up review of an evaluation of Peace Corps/Moldova and found that crime incidents were not documented in the site history files as required, the same finding we reported in our 2013 country program evaluation of Peace Corps/Moldova.

In 2021, the Peace Corps began recording Volunteer crime data in a new system. The Peace Corps archived the historical crime data from the previous system, and those records became inaccessible to staff. However, historical crime data are required to be included in site history files, and OIG raised concerns that this issue would impact staff's ability to select and approve appropriate sites. In response to OIG concerns, the agency agreed to migrate the historical crime data to the new system by the end of 2021.

OIG is concerned that the COVID-19 pandemic may increase the difficulty of Volunteer site development. Steps to mitigate the risks of COVID-19 transmission will likely impact decisions regarding appropriate Volunteer housing, communities, and worksites, in addition to travel and transportation.

Volunteer Drug Use

Due to the absence of Volunteers, OIG does not presently have concerns related to Volunteer drug use. In the past, OIG was concerned 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. OIG will continue to monitor this issue when Volunteers return to service. Five out of six recommendations issued in a 2018 OIG management advisory report on Volunteer drug use remain open.[1]

Progress in Addressing the Challenge

Volunteer Medical Care

As mentioned above, the agency developed the CREG in June 2020, which includes tools and deliverables for returning Volunteers to service and reducing the risk of COVID-19 transmission once there. See the Planning and Implementation challenge for more information on the CREG.

In September 2021, the agency updated manual section 261 to provide at least two qualified medical officers at all posts with an active Volunteer population. Moreover, OIG closed two recommendations from a 2016 evaluation of Volunteer health care after the agency updated agency guidance related to health unit oversight responsibilities and ensured CDs receive clear guidance on their oversight responsibilities.

Volunteer Site Development

In 2021, OIG closed recommendations at three Peace Corps posts related to Volunteer housing and site development, such as

1 Management Advisory Report: Volunteer Drug Use (2018)

improving compliance with housing safety criteria and providing staff more time to conduct housing checks. In addition, OIG closed a global site development recommendation related to cooking safety. OIG also closed recommendations at five Peace Corps posts related to improving the quality of site history files.

What Needs to Be Done

Ensuring the health of Volunteers as they return to the field will require extensive coordination between work units at posts and between posts and headquarters. In addition to CREG requirements, the agency is requiring posts to complete a COVID-19 response plan as part of their emergency action plan. Posts should implement these requirements to ensure the health of Volunteers during the pandemic.

Volunteer Medical Care

To improve the Volunteer health care program, the agency should implement the open recommendations from the 2016 Follow-Up Evaluation of Issues Identified in the 2010 Peace Corps/Morocco Assessment of Medical Care. We also recommended in this report that the agency ensure patient safety event reviews include key components like root cause and effect statements and outcome measures. The agency should provide sufficient and appropriate staffing for case reviews. To achieve the agency's strategic objective on increased Volunteer resiliency, the agency should: (1) provide clear communication to Volunteers on how to access counseling and support, (2) improve training for Volunteers on managing the challenges of service, and (3) intensify efforts to increase the capacity of non-clinical staff to support Volunteer resiliency.

The CREG requires each post to conduct a comprehensive review of their medical action plan, and the agency should improve its oversight to ensure each post has complete and updated medical action plans.

Volunteer Site Development

Furthermore, posts must ensure that site selection criteria are clear, that Volunteers' sites, housing, and work assignments meet their criteria, and that appropriate staff inspect and approve housing and properly document the results. The agency should continue to provide training and technical assistance to overseas field staff to improve the use of the electronic system to manage site history files.

To mitigate the risks associated with operating during the COVID-19 pandemic, the agency has established a broad set of considerations for field staff concerning the selection of Volunteer sites. Posts will need to implement a site development process that accounts for these considerations while also avoiding the longstanding issues with site development that OIG has identified during oversight activities.

Key OIG Resources

Follow up Evaluation of Peace Corps/Moldova (2021)

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

Recurring Issues Report: Common Challenges Facing Peace Corps Posts, FYs 2016-2019 (2020)

Management Advisory Report: Peace Corps/Ghana Gas Tank Cooking Safety (2020)

Evaluation of Peace Corps/Eastern Caribbean (2020)

Evaluation of Peace Corps/Tanzania (2020)

Evaluation of Peace Corps/Panama (2020)

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

Evaluation of Peace Corps/Kyrgyz Republic (2019)

Evaluation of Peace Corps/Paraguay (2019)

Evaluation of Peace Corps/Comoros (2019)

Evaluation of Peace Corps/Thailand (2019)

Evaluation of Peace Corps/Mozambique (2019)

Review of New Country Entry Guidance for Conflict-Affected Countries (2019)

Follow-Up Review of Peace Corps/Namibia (2019)

Follow-Up Review of Peace Corps/Nepal (2019)

Evaluation on Homestay Impact (2019)

Evaluation of Peace Corps/Senegal (2018)

Management Advisory Report: Volunteer Drug Use (2018)

Evaluation of Peace Corps/Albania (2018)

Case Study of Effective Site Development Practices (2018)

Follow-Up Review of Peace Corps/Uganda (2018)

Follow-up Review of Peace Corps/Peru (2018)

Management Advisory Report: Managing the Suspension of Peace Corps/Kenya (2018)

Evaluation of Peace Corps/South Africa (2017)

Evaluation of Peace Corps/Costa Rica (2017)

Management Implication Report: Challenges Associated with Staff Turnover (2017)

Evaluation of Peace Corps/Kosovo (2017)

Management Advisory Report: Site History Files (2016)

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

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

Evaluation of Peace Corps/Rwanda (2016)

Evaluation on Training Peace Corps' Overseas Staff (2014)

Evaluation of Peace Corps Sexual Assault Risk-Reduction and Response Training (2013)

Challenge: Human Capital Management

Why This is a Challenge

OIG oversight activities have frequently identified concerns with staff hiring and retention and knowledge management, which are pillars of human capital management.

Nearly all Peace Corps U.S. direct-hire (USDH) staff are subject to a 5-year term limit called the "5-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, an OIG evaluation of the FYR in 2012 found that it resulted in high turnover – the rate was quadruple the government-wide average – compromised the agency's ability to attract and retain qualified personnel for core management functions and contributed to brief staff tenures. These factors impaired the agency's institutional memory and knowledge management practices.

Hiring and Retaining Qualified Staff

The OIG's 2020 review of recurring issues at Peace Corps posts found that, from FY 2016 to FY 2019, staff turnover and staffing gaps impaired emergency medical preparedness, led to ineffective Volunteer technical training, and resulted in heavy staff workloads that in some cases left required tasks incomplete. A 2019 Office of Personnel Management (OPM) assessment of the agency's organizational design and performance found that the FYR contributed to increased turnover and extended vacancies that resulted in a lack of continuity and curtailed the agency's productivity.

Available data demonstrates that staff do not wait five years to take other positions, rather they abbreviate their tenure. High turnover can also lead to vacancy gaps. For example, the key HR leadership role of Chief Human Capital Officer (CHCO) position for the agency remained unfilled for the entirety of FY2021. The CHCO role was occupied by the previous incumbent from May 2018 until September 2020; a 2-year 4-month tenure. In its FY 2018 to 2022 Strategic Plan, Peace Corps acknowledged that vacancy gaps decrease the agency's knowledge management capabilities, decrease staff and volunteer engagement and satisfaction, and complicate project management.

Knowledge Management

Knowledge management, defined as capturing, distributing, and effectively using knowledge, becomes critical in environments with high turnover. OIG's 2012 evaluation of the FYR unearthed a trove of internal and external reviews and studies from as early as 1974 that documented the agency's dearth of institutional memory caused by the FYR. The 2019 OPM assessment also identified work process inefficiencies caused by inadequate documentation of past problem-solving and initiatives and siloed work practices.

As the agency updates business processes to improve core infrastructure, the OIG is concerned that it has not adequately ensured that all users receive sufficient training on new processes and systems. The agency launched a new talent acquisition system in June 2021 that included vendor-provided intensive training for HR staff that contributed to delays in processing staffing actions. Supervisors and non-HR staff will receive ad-hoc training on the new system from HR staff rather than training specialists. This approach may further burden HR staff. According to the Peace Corps, process improvements should lead to a decrease in the time it takes for vacancies to be filled. This is a critical outcome because vacancy gaps are considered a major risk factor for domestic and overseas operations.

Progress in Addressing the Challenge

Staff training is one aspect of human capital management that has improved since the previous management challenges report. In FY 2021, OIG closed 9 recommendations related to improving and tracking staff training in the areas of sexual assault and risk reduction; safety and security; annual training; and supervisory training. OIG no longer considers staff training a management challenge.

Hiring and Retaining Qualified Staff

The 2018 Sam Farr and Nick Castle Peace Corps Reform Act authorized the agency to extend the appointments of positions designated by the Director as management or management support positions that require specialized technical or professional skills and knowledge of agency operations. The authority provides for additional five-year terms beyond the term limits provided in the Peace Corps Act. The agency has designated a total of 41 positions. In April 2021, the agency designated 30 positions critical to the agency's goals to redeploy Volunteers and support their health and well-being and the critical CHCO position in May 2021.

Knowledge Management

In January 2021, the agency launched an offboarding process in SharePoint to replace a paper-based system. The agency has reported that in 2022 it will begin using a global onboarding program for new hires. One of the goals of this program is to ensure all staff regardless of position or location receive organized, motivational, and impactful onboarding when they begin at the Peace Corps.

What Needs To Be Done

Hiring and Retaining Qualified Staff

The agency has not addressed two recommendations (recommendations 2 and 3) from our 2012 evaluation of the FYR relating to better management of turnover and retention of qualified personnel in core business functions. Although the agency has in effect exempted 41 positions from the 5-year term limit as authorized by the 2018 Peace Corps Reform Act, OIG believes that additional designations could increase the agency's ability to attract and retain qualified personnel for core management functions, such as contracting, financial management, information technology management, and human resources management. Moreover, the agency should consider offering additional workplace flexibilities and employment incentives to lengthen staff's tenure closer to five years.

The agency should continue its efforts to improve employee satisfaction to reduce vacancies and attract and retain qualified staff. Results of the 2020 Federal Viewpoint Survey (FEVS) show that, among small agencies, the Peace Corps ranks 6th as one of the best places to work. The FEVS indicates that employee satisfaction at the Peace Corps remains high and continues to increase year-over-year. However, just 68 percent of respondents believe that the Peace Corps' senior leaders are effective. While an improvement from previous years, this category is still the lowest scored, and remains an area of employee satisfaction that could be improved.

Knowledge Management

Peace Corps leadership should develop and enact an agency-wide strategy to formalize knowledge management practices related to recording institutional memory, developing standard operating procedures for key processes, and ensuring information accessibility. Also, the agency should consider and where appropriate implement the recommendations from the 2019 OPM assessment of the agency's organizational design and performance.

Key OIG Resources

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

Fiscal Year 2018-2022 Strategic Plan (2018)

Management Implication Report: Challenges Associated with Staff Turnover (2017)

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

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

Challenge: Information Technology Security Management

Why This Is a Challenge

Effective information technology (IT) security programs help protect agency data from being misused by internal and external actors 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 overall operations. They also provide significant guidance to help prevent serious information security incidents. The Federal Information Security Modernization Act of 2014 (FISMA) is central to the Federal IT security program. The objective of FISMA is to ensure agencies develop, document, and implement an agency-wide program to provide information security for the information and systems that support their operations and assets.

While the agency has worked to get some formalized policies and procedures in place, such as an Information Security Continuous Monitoring strategy, the Peace Corps continues to lack an effective information security program. Foundational IT elements, such as having clearly defined boundaries and a complete listing of hardware, are missing. Some of the identified issues have been outstanding for over a decade, and the agency has struggled to implement corrective actions. Weaknesses across all five FISMA reportable areas exist because the agency has not integrated information security into business operations. OIG is concerned about the quality of the agency's IT security program, especially considering the sensitive data that the Peace Corps maintains, notably employee personnel records, Volunteer health records, and Volunteer sexual assault incident information.

Implementing change at the organizational level requires a serious and sustained undertaking with involvement and dedication from agency leadership. However, it also requires that those making decisions have access to and understand pertinent information security risks and impacts that could result from business decisions. Unfortunately, the agency does not have the appropriate planning, resource, and communications structures in place to facilitate those conversations. Specifically, the Chief Information Security Officer (CISO) position has been vacant for the majority of this fiscal year. The Deputy Chief Information Officer has been serving as Acting CISO, but the lack of an independent voice within the Office of the Chief Information Officer (OCIO) to advocate for security focused decisions continues to negatively impact IT security. For yet another year, the OCIO failed to fully assess the security controls around its General Support System, which is the backbone of the agency's IT infrastructure. Since this system supports all operations within the organization, this leaves all aspects of agency operations vulnerable to attacks and puts Volunteer data at risk.

A key foundational issue 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. See the Planning and Implementation challenge. Without a robust risk management process, the Peace Corps is exposed to risk of attacks, environmental disruptions, and business failures.

Progress in Addressing the Challenge

As part of our annual review of the agency's compliance with FISMA, a score is assessed to provide a consistent and comparable metric across government agencies. The five-level scale ranges from Level 1, Ad-hoc to Level 5, Optimized. A Level 4, Managed and Measurable is considered to be an effective level of security.

In FY 2021, the agency advanced to Level 2, Defined. Since we began reporting IT security as a management challenge in 2009, the agency's cybersecurity posture was at Level 1 Ad-hoc, indicating a reactive program without formalized policies and procedures. Moving to Level 2 indicates policies, procedures, and strategy are formalized and documented but not consistently implemented. During the past year, the Peace Corps has made progress in formalizing several core policies and procedures, such as an Information Security Continuous Monitoring strategy.

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. Our reviews of the Peace Corps' Information Security Program have contained several actionable steps that the agency should take to improve its security program. However, over the last decade, the agency has failed to make systemic changes to fully address these recommendations.

The Peace Corps will need to focus on improving its IT security program by elevating IT security decision making, ensuring agency policies are comprehensive; fostering individual and organizational accountability for poor program implementation; and prioritizing the time and resources necessary to become fully FISMA compliant and eliminate weaknesses. Also, a fully implemented, comprehensive risk management program would establish a platform for the Peace Corps to evaluate information security risks that could impact the agency's ability to fulfill its mission and conduct critical business processes. Moreover, elevating the role and responsibilities of critical information security positions, including the CISO, will help ensure that information security risks will be integrated into operational decisions. Until senior leadership is sufficiently involved and provided the full picture of IT security risks, the Peace Corps will not make notable progress in securing its information systems.

Key OIG Resources

Review of the Peace Corps' Information Security Program (2021)

Summary of Internal Control Issues Over the Peace Corps Financial Reporting (FY 2020)

Challenge: Planning and Implementation

Why This Is a Challenge

OIG's 2019 management challenges reported concerns about the agency's struggle to plan for the long-term impacts of risk and resource needs of the organization. Specifically, OIG highlighted areas of concern where the agency did not apply sufficient time and resources to document decisions, ensure the appropriate assignment of resources, and establish oversight to comprehensively consider risks to plan and implement new initiatives and programs.

Informed decision making involves consideration of data quality and consultation with those with applicable knowledge. Decisions should be documented for future consultation, to assign responsibility, and to ensure accountability as management develops programs and policies. 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 the country.[2] In addition, our management advisory report on Volunteer drug use found that an important obstacle to prioritizing and addressing Volunteer drug use was the agency's inadequate approach to maintaining the information it needs to understand the scope of the problem and ensuring data quality of the information it collected.[3]

Establishing sufficient oversight should be a key consideration when planning and implementing programs. Our management implication report on Peace Corps/Ukraine's PEPFAR Food Voucher Program communicated concerns that there was insufficient management awareness and oversight at headquarters for Peace Corps staff implementing PEPFAR-funded activities without Volunteers. Proper oversight helps to identify and address risks and ensure that programmatic activities are consistent with the Peace Corps Act and further the agency's mission and goals. Our recurring issues report also highlighted how programmatic issues could be addressed by strengthening oversight over internal control systems and assigning responsibility or delegating authority appropriately. In addition, when investing resources, the agency focuses on functions that directly relate to its mission and priorities, which largely revolve around direct Volunteer support, but management should also consider the administrative functions that enable the Peace Corps to provide that support. Namely, enterprise risk management (ERM) and information technology security are critical programs for efficient business processes, effective programming, and the safeguarding of data. The agency committed to developing an ERM program in 2018. Information technology security meanwhile suffers from inadequate action and resources. See the Information Technology Security Management challenge.

The COVID-19 pandemic continues to pose unique challenges for the Peace Corps that affect every aspect of operation as the agency attempts to resume normal operations by redeploying Volunteers to over 60 countries with varying pandemic responses, supporting infrastructure, and data reliability. Effective planning and implementation will be key to success. Even in countries with fewer COVID-19 cases, the agency must carefully consider the reliability of transportation and the quality of medical care. Re-entry has proven complicated since part of the Peace Corps mission is to provide resources to countries in need where infrastructure may not be as well developed for protecting Volunteer and staff health and safety during the pandemic. Moreover, the changing nature of the pandemic, including new variants, have forced the agency to reconsider plans it had

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2 Management Advisory Report: Managing the Suspension of Peace Corps/Kenya: A Case Study (2018)

3 Management Advisory Report: Volunteer Drug Use (2018)

initially developed for Volunteer re-entry.

In addition, on September 9, 2021, the White House issued an executive order (EO) mandating Federal agencies to implement a program to require COVID-19 vaccination of all employees and contractors. The order applies to all USDHs, experts, and applicable contractors regardless of duty station, location, schedule, or remote/telework status and requires full vaccination by November 22, 2021, except in cases of reasonable exception. Employees who do not satisfy the requirements may be subject to disciplinary measures. Given the worldwide presence of Peace Corps staff, implementing this EO and other related mitigation measures will have broad impact on the agency.

Progress in Addressing the Challenge

As part of its effort to implement an ERM framework, the agency developed risk registers for several large offices critical to its business processes. The agency also added risk management responsibilities to the Chief Compliance Officer's job description and is in the process of hiring additional personnel to support advancement of the ERM program.

In response to the COVID-19 pandemic, the agency has taken some important steps, particularly in implementing President Biden's executive mandates that Federal agencies require Federal personnel and onsite contractors to attest to their vaccination status initially, and then demonstrate proof of vaccination. In accordance with the Presidential mandate, the Peace Corps required all domestic USDH staff to submit certification of vaccination forms by August 20, 2021, then established a portal for employees to submit proof of vaccination. In addition, the Peace Corps notified employees that anyone accessing Federal buildings at headquarters and U.S. regional offices must always wear a mask regardless of vaccination status.

The agency has expended significant amounts of time and resources in planning re-entry and continuation of Peace Corps activities. The COVID-19 Continuity of Operations Working Group has actively monitored multiple sources to implement a data-driven, phased approach to return to optimal domestic operations. The group has made timely decisions about the headquarters re-entry plan and coordinates with office directors to implement changes and next steps. The agency developed key planning documents collected in the CREG, which guides management decision-making with the purpose of mitigating the risks of the global COVID-19 pandemic to staff and Volunteers. In April 2021, the agency issued CREG 2.0 which extended review of the external factors checklist during the approval process, added new criteria related to the vaccine rollout, and streamlined the review process. The agency also launched the re-entry portal which provides a platform for posts to update the external and internal checklists and agency leadership to view the completion status for all posts. In the past year, the Peace Corps completed the approval process and sent congressional notification for re-entry for five posts, but continued assessment of complicated and changing environmental factors, including new variants, halted efforts to re-enter these countries. Lastly, the agency administered a survey to gauge staff preferences for the future of telework and continues to monitor the changing environment and practices of other Federal agencies while assessing the ability to return to facilities.

What Needs to Be Done

The Peace Corps must take critical steps to ensure appropriate planning and implementation of their programs and operations. Decisions about Peace Corps priorities and initiatives should be consistently assessed at the agency level and properly documented to support appropriate planning. Implementation of agency policies and procedures should be timely, fully integrated with the program or function, and ensure sufficient oversight. Additionally, the Peace Corps should continue to prioritize development of an ERM program to improve the agency's ability to successfully plan and implement new programs while properly considering possible setbacks and how to address them.

These considerations are especially pertinent to resumption of Volunteer operations and the return to facilities. The agency will have to define exceptions and disciplinary actions for noncompliance with the vaccine mandate and determine appropriate ways to incorporate staff feedback about returning to facilities while ensuring their safety. The challenge moving forward is to ensure effective and agile implementation of internal and external requirements.

Key OIG Resources

2019 Review of the Peace Corps' Information Security Program

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

Management Advisory Report: Volunteer Drug Use (2018)

Recurring Issues Report: Common Challenges Facing Peace Corps Posts - FYs 2016-2019 (2020)

Management Implication Report: Peace Corps/Ukraine's PEPFAR Food Voucher Program (2021)

Executive Order on Requiring Coronavirus Disease 2019 Vaccination for Federal Employees

Challenge: Diversity and Inclusion of Staff and Volunteers

Why This Is a Challenge

In 2020, the Peace Corps identified and prioritized the need to improve diversity and inclusion within the agency to better achieve the mission of promoting understanding of Americans on the part of the peoples served. The inclusion of a diverse workforce, leadership, and Volunteer corps is integral to the agency's ability to accurately represent America around the world. While the agency's mission and work incorporate these concepts, Peace Corps leadership recognized outstanding needs, especially considering the U.S. social climate in 2020.

Upon taking office, President Biden issued an EO mandating that the federal government pursue a comprehensive approach to advancing equity for all, including people of color and others who have been historically underserved, marginalized, and adversely affected by persistent poverty and inequality. Through directives and implementing guidance, the administration has placed equity at the center of its agenda with a government-wide approach to embed racial justice across Federal agencies, policies, and programs. In FY 2021, the agency continued to prioritize and expand activities that address this challenge. OIG is including diversity and inclusion in this statement of management challenges because of the significant focus of agency leadership and resources on this topic, and to provide a summary of the diversity and inclusion efforts underway.

In response to concerns about the agency's commitment to racial and social justice, former Director Olsen committed resources on multiple fronts to address this challenge. She established a Diversity and Inclusion Taskforce, hired a senior advisor to strengthen strategies to support diversity, and designated funds for multiple activities supporting diversity initiatives among staff and Volunteers. Peace Corps leadership communicated the importance of minority representation of historically underrepresented groups in post leadership, especially when supporting Volunteers of color. Peace Corps staff also stated that while Volunteers serve overseas, their effectiveness personally and professionally is dependent on understanding the environment of the countries in which they serve. Even before this initiative, the agency had taken steps to address this challenge. In September 2019, the agency approved a plan and funding to conduct a comprehensive barrier analysis to satisfy the Management Directive 715[4] requirement instead of the perfunctory analysis usually performed by agencies' Equal Employment Opportunity functions. The government-wide directive instructs agencies to uncover and examine barriers to equal participation at all levels of the workforce and develop strategic plans to eliminate them.[5]

Data from the agency and OIG activities supports the need for increased inclusion and support of under-represented staff and Volunteers. Historically, one source of agency data showed a lower prevalence of racial and ethnic minorities in senior positions at headquarters (FP 1 and 2, and experts) and USDHs at posts than at lower grades of employment and in the Federal government at-large. During our oversight activities, several senior leaders at the Peace Corps have voiced concerns over the way racial inequality and bias impacts the agency, its effectiveness, and its ability to support diverse Volunteers. In fact, results of the Annual Volunteer Survey show that an increasing number of Volunteers do not think that the Peace Corps is sufficiently inclusive and supportive of people of diverse backgrounds, the percentage rising from 6 percent in 2014 to 17 percent in 2019.

To improve diversity and inclusion, the Peace Corps has implemented initiatives in the past with varying effects and degrees of longevity. One of the most enduring is Intercultural

4 Management Directive 715 (MD-715) is the policy guidance which the Equal Employment Opportunity Commission (EEOC) provides to federal agencies for their use in establishing and maintaining effective programs of equal employment opportunity.

5 https://www.eeoc.gov/federal-sector/management-directive/instructions-federal-agencies-eeo-md-715-1

Competence, Diversity, Equity, Inclusion, and Accessibility (ICDEIA) training delivered to post staff and Volunteers. This training was created in 2014 to help build understanding of cultural differences among local staff and U.S. citizens, including values and perceptions of Americans going overseas. The ICDEIA team, in conjunction with local staff, tailors each training to the post and its historical and cultural context to better enable post staff to support people from different backgrounds. This training had been delivered to 80 percent of posts by the end of FY 21. Another initiative is the Agency Equity Council, which advises the agency's ICDEIA strategic planning. Some other initiatives in the past did not produce sustained action or results largely due to a lack of follow-through related to personnel turnover and insufficient knowledge management. See the Human Capital Management challenge.

Progress in Addressing the Challenge

The Peace Corps has prioritized diversity, equity, inclusion, and accessibility in several ways over the last fiscal year. ICDEIA was a key component of the most recent strategic planning process. The Chief Diversity Officer was added as a voting member of the Senior Policy Committee to have an ICDEIA lens on all policy initiatives within the Agency. In addition, the agency's senior leadership doubled from six to 12 people of color—increasing the racial diversity of the leadership from 16 to 32 percent.

This year, the Office of Civil Rights and Diversity (OCRD) completed the second stage of the comprehensive barrier analysis: identify specific barriers. Their analysis uncovered three issues: lack of transparency and consistency in the expert appointment process; insufficient processes to increase hiring of people with targeted disabilities; and lack of a formal recruitment plan to reach potential applicants from underserved communities. In the next phases of the process, OCRD will develop a plan to address and eliminate identified barriers.

The purpose of the Diversity and Inclusion Taskforce is to receive information and recommendations from the Peace Corps community, develop short-, medium-, and long-term action plans, and determine which offices should have ownership to move initiatives forward. The taskforce consists of three working groups: one focused on staff recommendations and two focused on Volunteers, from recruitment to completion of service and Third Goal.[6] In the past fiscal year, the taskforce has analyzed feedback and is scheduled to submit its final report to leadership in early FY 22.

The Biden administration issued four EO's and two Presidential Memos with requirements affecting the Peace Corps. The agency designated the Deputy Chief of Staff as the primary point of contact to coordinate fulfillment of deliverables, update senior leadership, and implement a communication strategy. The agency is tracking these deliverables to help align critical resources and funding that will be needed to advance this work in the future. For example, in compliance with EO 14035 (Diversity, Equity, Inclusion, and Accessibility of the Federal Workforce), agency leadership completed a survey on the agency's use of inclusive practices. Leaders used this tool to identify gaps and short to long-term goals to enhance the agency's strategy.

What Needs to Be Done

Besides including and supporting Volunteers and staff of diverse backgrounds, another goal communicated by agency leadership is to embed inclusion-oriented practices in all aspects of operations such as human resources, recruitment, Volunteer training, and program evaluation, instead of discrete or siloed programs. Staff further expressed that this is especially important to the Peace Corps' future as Volunteers and applicants look further into the Peace Corps' responsible and inclusive community engagement around the world. Agency leadership communicated the need to ensure sustainability by investing in long-term solutions, institutionalizing processes

6 "Third Goal" refers to the third goal of the Peace Corps mission "to help promote a better understanding of other peoples on the part of Americans."

to continuously gather and use data, and determining how the Peace Corps' workforce will be involved in ongoing implementation.

The barrier analysis team will begin its third stage in October 2021. The fourth stage, which involves assessing and adjusting the action plan to increase effectiveness, is planned to begin in December 2021.

Key OIG Resources

The Peace Corps' Commitment to Addressing Racial and Social Injustice (Press Release 2020)

The Peace Corps Welcomes New Senior Advisor to the Director Dr. Darlene Grant (Press Release 2020)

Executive Order 13950 on Combating Race and Sex Stereotyping

Executive Order 14035 on Diversity, Equity, Inclusion, and Accessibility in the Federal Workforce

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

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

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Unmodified					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
FISMA	1	0	0	0	0	1
Total Non-Conformance	1	0	0	0	0	1

Definition of Terms

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

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

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

Consolidated: The combining of two or more findings.

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

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

Appendices

Returned Peace Corps Volunteer Tumanah Wulukau served in South Africa within the Health sector as a Community HIV outreach specialist. On this day we visited her at worksite for a day of GrassRoots Soccer with local students ranging in age from 13-17 years old.

STATUS OF AUDIT WEAKNESSES

PART I - SIGNIFICANT DEFICIENCY FINDINGS	STATUS AS OF FY 2021	PROJECTED RESOLUTION DATE
INFORMATION TECHNOLOGY SECURITY	DELAYED RESOLUTION	SEPTEMBER 2022

FY 2021 Completed Corrective Actions

• Updated and implemented the Peace Corps Information Security Policy and Continuous Monitoring Strategy.

• Implemented Risk Management Strategy, detailing both the information security architecture and its integration into the agency's overall risk management strategy.

FY 2022 Planned Corrective Actions

• Continue performing Continuous Monitoring Strategy; integrate Continuous Monitoring into agency's risk management strategy.

• Update agency policy over "Managing IT Risk" to detail process for communicating IT risk to the organization, business process and system levels via the ERM process.

• Commit additional resources to the ERM program to complete information security risk register, tolerance, and profile; identify procedures for the measurement of risk tolerance and risk profile.

INADEQUATE INTERNAL CONTROLS OVER PROPERTY, PLANT, AND EQUIPMENT (PP&E)	DELAYED	SEPTEMBER 2022

FY 2021 Completed Corrective Actions

• Updated policy and procedures for the recording and capitalization of fixed assets.

• Strengthened training for property owners over personal property and effective use of the property management system software.

FY 2022 Planned Corrective Actions

• Update policies and procedures to ensure that roles and responsibilities between responsible offices are clearly defined and assets' status are accurately reflected between Sunflower, the agency's property management system and Odyssey, the agency's financial system of record.

• Ensure reconciliations between the two systems, Sunflower and Odyssey, are performed on a regularly basis; reconciliation differences should addressed timely.

• Ensure capital assets are recorded within the timelines established within agency policy and procedures.

• Continue to provide the necessary training to those responsible for accounting for property in Sunflower; require annual training on Sunflower process and procedures.

PART II - NONCOMPLIANCE FINDINGS	STATUS AS OF FY 2021	PROJECTED RESOLUTION DATE
FEDERAL INFORMATION SECURITY MODERNIZATION ACT (FISMA) OF 2014	DELAYED RESOLUTION	SEPTEMBER 2022

FY 2021 Completed Corrective Actions

• Updated agency policy over Information Security Program, InfoSec Program Requirements, and Continuous Monitoring Strategy.

• Completed updates to contingency plans.

• Implemented Risk Management Strategy detailing both information security architecture and its integration into overall risk management strategy.

FY 2022 Planned Corrective Actions

• Update Continuous Monitoring Strategy to identify control weaknesses.

• Further define and implement the agency ERM program to ensure information security risks are communicated and monitored at the system, business process, and entity levels.

• Improve business process over the inventory of its IT management processes.

GLOSSARY OF ACRONYMS

AF	Africa Region
AFR	Agency Financial Report
ATDA	Accountability of Tax Dollars Act of 2002
CARES Act	Coronavirus Aid, Relief, and Economic Security Act
CDM	Continuous Diagnostic Monitoring
CIP	Construction in Progress
CHCO	Chief Human Capital Officer
CISO	Chief Information Security Officer
COVID-19	Coronavirus Disease 2019
CREG	Country Re-Entry Guide
DATA Act	Digital Accountability and Transparency Act
DOL	Department of Labor
DOS	Department of State
EEOC	Equal Employment Opportunity Commission
EMA	Europe, Mediterranean, and Asia Region
EO	Executive Order
ERM	Enterprise Risk Management
ERMC	Enterprise Risk Management Council
FASAB	Federal Accounting Standards Advisory Board
FBwT	Fund Balance with Treasury
FECA	Federal Employees Compensation Act
FEMA	Federal Emergency Management Agency
FEVS	Federal Employment Viewpoint Survey
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FSN	Foreign Service National
FY	Fiscal Year
FYR	Five-Year Rule
GAGAS	Generally Accepted Government Auditing Standards
GAO	Government Accounting Office
GSA	General Services Administration
GSS	General Support System
HCC	Host Country Contribution
HR	Office of Human Resources
IAP	Inter-America and the Pacific Region
ICDEIA	Intercultural Competence, Diversity, Equity, Inclusion, and Accessibility
IG	Inspector General
ISCM	Information Security Continuous Monitoring
IT	Information Technology
MD	Management Directive
M/AS	Management/Administrative Services
OCIO	Office of Chief Information Officer
OCFO	Office of Chief Financial Officer
OCFO/AFR	Office of Chief Financial Officer/ Accounting and Financial Reporting
OCRD	Office of Civil Rights and Diversity
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PEPFAR	President's Emergency Plan for AIDS Relief
PCMO	Peace Corps Medical Officer
PMSS	Property Management System Software
PP&E	Property, Plant, and Equipment
PSC	Personal Services Contractor
PT&E	Programming, Training, and Evaluation
RPCV	Returned Peace Corps Volunteer
RSI	Required Supplemental Information
SBR	Statement of Budgetary Resources
USAID	U.S. Agency for International Development
U.S.C.	United States Code
USDH	U.S. Direct Hire
VMIS	Vehicle Management Information System
VSP	Virtual Service Pilot
VSPP	Virtual Service Pilot Participant

In March 2021, the Peace Corps and FEMA announced a historic partnership to combat the COVID-19 pandemic. For the second time in the agency's history, Peace Corps volunteers will serve a domestic deployment, at FEMA's request – the first following Hurricane Katrina and now at federally supported Community Vaccination Centers across the country.