



The Peace Corps
Performance and Accountability Report
Fiscal Year 2009

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Performance and Accountability Report
FISCAL YEAR 2009



Paul D. Coverdell Peace Corps Headquarters | 1111 20th Street NW | Washington, DC 20526

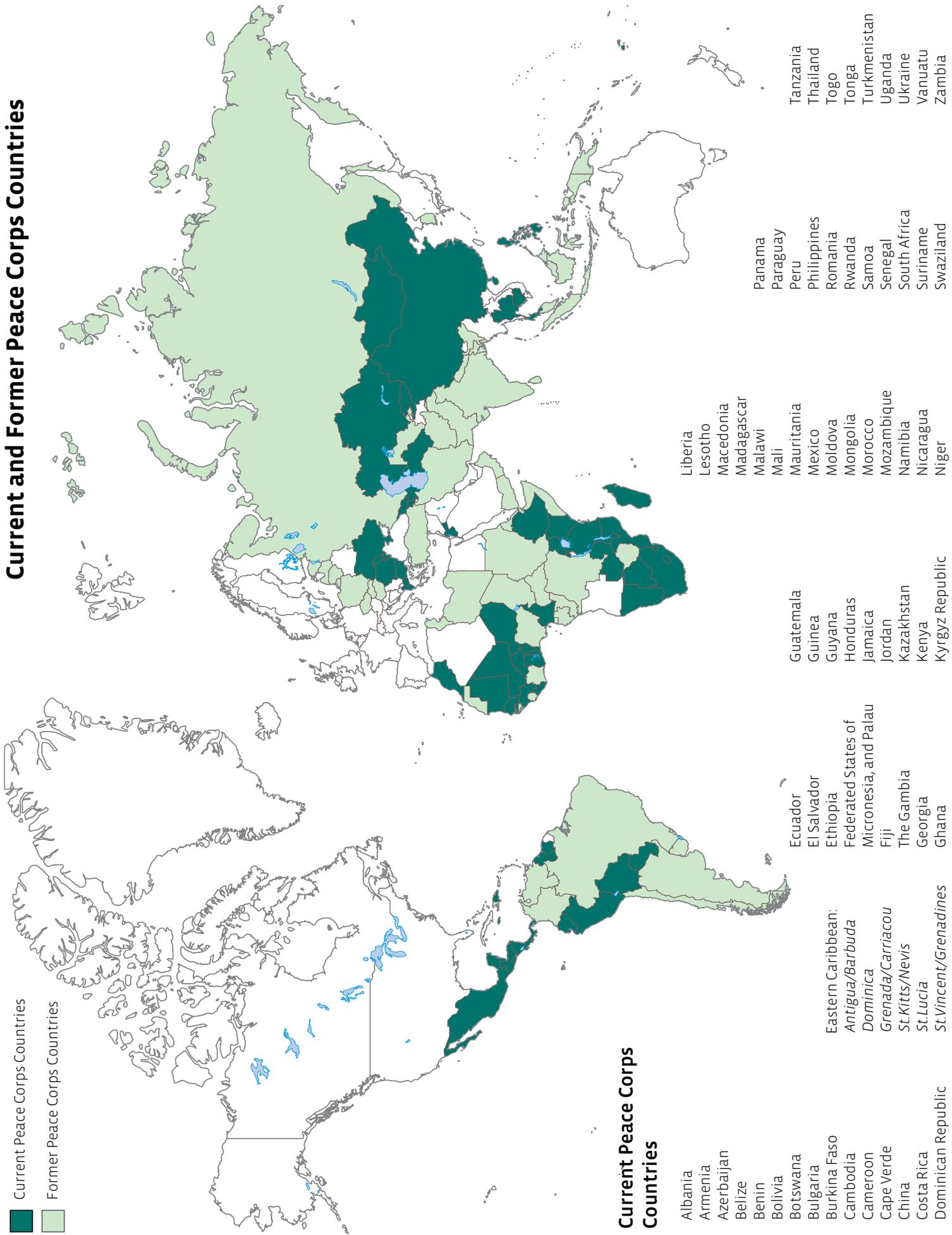


Environment Volunteer, Panama

Contents

Message from the Director	iii
Management's Discussion and Analysis	1
Overview of the Peace Corps	2
Mission and Organizational Structure	3
How Peace Corps Volunteers Serve Around the Globe	5
Overview of FY 2009 Goals and Results	10
Core Issues	23
Actions to Address Agency-Identified Prior Year Challenges	26
Agency-Identified Future Challenges	29
Analysis of Financial Statements	31
Analysis of Systems, Controls, and Legal Compliance	33
Management Assurances	33
Performance Section	36
Agency Performance	37
Annual Performance Results	39
Program Evaluation	57
Financial Section	64
Message from the Chief Financial Officer	65
Financial Statements	67
Notes to the Financial Statements	71
Inspector General's Audit Transmittal Letter	82
Auditor's Report	85
Other Accompanying Information	96
The Inspector General's Statement on the Peace Corps' Management and Performance Challenges	97
Agency Response to the Inspector General's Statement on the Peace Corps' Management and Performance Challenges	101
Summary of Financial Statement Audit and Management Assurances Tables	104
Appendices	108
Appendix 1: Summary of Audit Findings	109
Appendix 2: Glossary of Acronyms	110

- Current Peace Corps Countries
- Former Peace Corps Countries



Current Peace Corps Countries

- Albania
- Armenia
- Azerbaijan
- Belize
- Benin
- Bolivia
- Botswana
- Bulgaria
- Burkina Faso
- Cambodia
- Cameroon
- Cape Verde
- China
- Costa Rica
- Dominican Republic
- Eastern Caribbean: Antigua/Barbuda
- Dominica
- Grenada/Carriacou
- St. Kitts/Nevis
- St. Lucia
- St. Vincent/Grenadines
- Ecuador
- El Salvador
- Ethiopia
- Federated States of Micronesia, and Palau
- Fiji
- The Gambia
- Georgia
- Ghana
- Guatemala
- Guinea
- Guyana
- Honduras
- Jamaica
- Jordan
- Kazakhstan
- Kenya
- Kyrgyz Republic
- Liberia
- Lesotho
- Macedonia
- Madagascar
- Malawi
- Mali
- Mauritania
- Mexico
- Moldova
- Mongolia
- Morocco
- Mozambique
- Namibia
- Nicaragua
- Niger
- Panama
- Paraguay
- Peru
- Philippines
- Romania
- Rwanda
- Samoa
- Senegal
- South Africa
- Suriname
- Swaziland
- Tanzania
- Thailand
- Togo
- Tonga
- Turkmenistan
- Uganda
- Ukraine
- Vanuatu
- Zambia

THE DIRECTOR OF THE PEACE CORPS

WASHINGTON, D.C.

I am pleased to present the Peace Corps Performance and Accountability Report for fiscal year (FY) 2009. This report provides an overview of the agency's financial and performance results and accomplishments for the past fiscal year.

Originally conceived in 1961, the Peace Corps' mission is to promote world peace and friendship. Nearly 50 years later, the mission and the three goals of the Peace Corps remain the same. These three goals are an invaluable guiding light to those who serve:

1. Help the people of interested countries in meeting their need for trained men and women
2. Help promote a better understanding of Americans on the part of the peoples served
3. Help promote a better understanding of other peoples on the part of Americans

Today, nearly 7,700 Peace Corps Volunteers serve around the world in 74 countries. Volunteers face old and new challenges. Poverty, disease, famine, and illiteracy are issues that continue to challenge developing countries and, in some cases, are exacerbated by current problems like climate change, government instability, and terrorism. Living and working in communities around the world for 27 months creates hope and a cross-cultural understanding that is incomparable to any other life experience. As a former Peace Corps Volunteer in the Dominican Republic from 1967 to 1970, I know firsthand the impact such Americans have in the communities where they serve.

The issue of Volunteer health, safety, and security must remain an agency priority. There are inherent dangers in serving overseas, but with quality training, a committed staff, and clear systems in place, the health, safety, and security of Peace Corps Volunteers will be assured in a manner that allows enough flexibility for Volunteers to truly become a part of the community in which they serve.

The past year marked the first year of agency operations under the FY 2009–2014 Strategic Plan. The new plan uses the Peace Corps' three core goals as the focus of the agency's strategic planning efforts. Overall, the Peace Corps achieved success in 23 of its 36 measurable performance indicators. Of the 13 indicators where performance was not met, eight had substantive performance, nearly meeting the targets.

The Peace Corps FY 2010 budget request represents the first step in a strategic presidential initiative to increase the number of Peace Corps Volunteers. To ensure that the Peace Corps does the best possible job of recruiting, training, and supporting an expanded number of Volunteers, the agency must and will identify best practices and rigorously incorporate them in an efficient and cost-effective manner.

In FY 2010, the Peace Corps will continue to take significant steps to manage quality growth in both new countries and in countries where we already have a post. The agency will establish an Office of Innovation to encourage the pursuit of cutting edge ideas and agency best practices. Finally, the Peace Corps will place greater emphasis on the agency's third goal and encourage returned Peace Corps Volunteers to continue their service at the conclusion of their overseas tour.

The accompanying financial statements are reliable and complete. The appropriated funds from Congress totaled \$340 million in FY 2009 and \$330.8 million, net of rescission, in FY 2008. Budgetary resources available from all years and all sources for use by the agency totaled \$372.6 million in FY 2009 and \$356.2 million in FY 2008. The agency's total assets increased from \$158 million as of September 30, 2008, to the current level of \$177 million as of September 30, 2009.

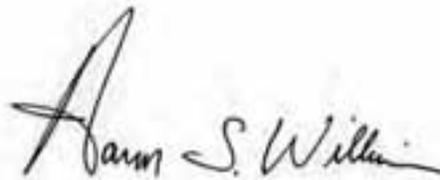
Improvements in financial management are reflected in the Message from the Chief Financial Officer that follows in the Financial Section of this report.

For the third consecutive year, independent external auditors rendered an unqualified (clean) audit opinion on the Peace Corps' financial statements. No material weaknesses were identified by the auditors or otherwise within the agency. Additionally, our success in reporting accountability was recognized by a second awarding to the Peace Corps of the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting. This was achieved through our fully certified and accredited financial system, our internal control program, and the tireless efforts of the agency's financial management and performance teams.

The agency's financial and performance data presented in this report is fundamentally complete and reliable. The enclosed annual management assurance statement concludes that the Peace Corps can provide reasonable assurance that its internal controls and financial management systems meet the specified objectives in sections two and four of the Federal Managers' Financial Integrity Act.

As the Peace Corps approaches its 50th anniversary, the agency continues to promote world peace and friendship through the outstanding efforts of the thousands of Americans who serve as Volunteers. Moreover, the number of new applicants continues to soar as thousands more Americans are inspired by President Obama's call to service. The Peace Corps stands ready to accept and support a new generation of Volunteers who will usher in the next 50 years of the agency.

Sincerely,

A handwritten signature in black ink that reads "Aaron S. Williams". The signature is written in a cursive style with a large initial "A".

Aaron S. Williams, Director

November 16, 2009





Overview of the Peace Corps

The Peace Corps works within a capacity building framework to provide human resources, rather than financial or material support, to other countries. Peace Corps Volunteers serve for two years in countries that have expressed interest in working in partnership to address host country development goals. The basic approach is to

- build capacity of individuals, local organizations, and communities
- emphasize appropriate technologies and sustainable practices and
- facilitate peer-to-peer sharing of information and skills

This framework provides the structure for planning and implementing sustainable development work in a number of different sectors. To assure a long-term impact, Peace Corps is responsive to host country goals, designs projects using a participatory process, carefully defines what Volunteers will contribute to national and local efforts, and trains Volunteers for their work with local counterparts and communities.

The Peace Corps brings a unique value-added role to development. Volunteers learn the local language and customs, adopt a modest lifestyle, and immerse themselves both professionally and socially into the lives of their communities for a period of two years. Peace Corps is the only U.S. government agency that takes this approach.

Volunteers are trained to speak the local language and to develop the cross-cultural and technical skills that enable them to build local capacity, often in underserved areas. Because they gain the trust and respect of the people they work with, Volunteers often serve as a functional link between communities and technical resources and information that otherwise might not reach their target audience. In this manner, Peace Corps complements the development efforts of other organizations and agencies.

By living within the communities where they work, Volunteers share American culture while acquiring a deep understanding of their host culture. As returned Peace Corps Volunteers (RPCVs), they bring that new understanding home, continuing to encourage cross-cultural dialogue and contributing to America's legacy of service by offering their time and skills to community volunteer programs and organizations around the country. Since the inception of the Peace Corps in 1961, nearly 200,000 Americans joined the Peace Corps, serving in 139 different countries.

The agency continues to balance growth, new initiatives, and improving operations to optimize its performance and remain relevant in meeting host country needs and the agency's mission and three core goals.



Mission and Organizational Structure

Mission Statement

The Peace Corps' mission to promote world peace and friendship is as critical today as it was when the agency was founded in 1961. The three core goals are:

1. Help the people of interested countries in meeting their need for trained men and women
2. Help promote a better understanding of Americans on the part of the peoples served
3. Help promote a better understanding of other peoples on the part of Americans

Through engagement in development work, the Peace Corps seeks to achieve a number of medium and long-term outcomes in the countries of service. These outcomes include: increasing individual and community awareness and aptitudes in the designated skill areas; changing individual and community practices to foster improved conditions; and strengthening the capacity of individuals and communities to address their problems and serve as role models for others.

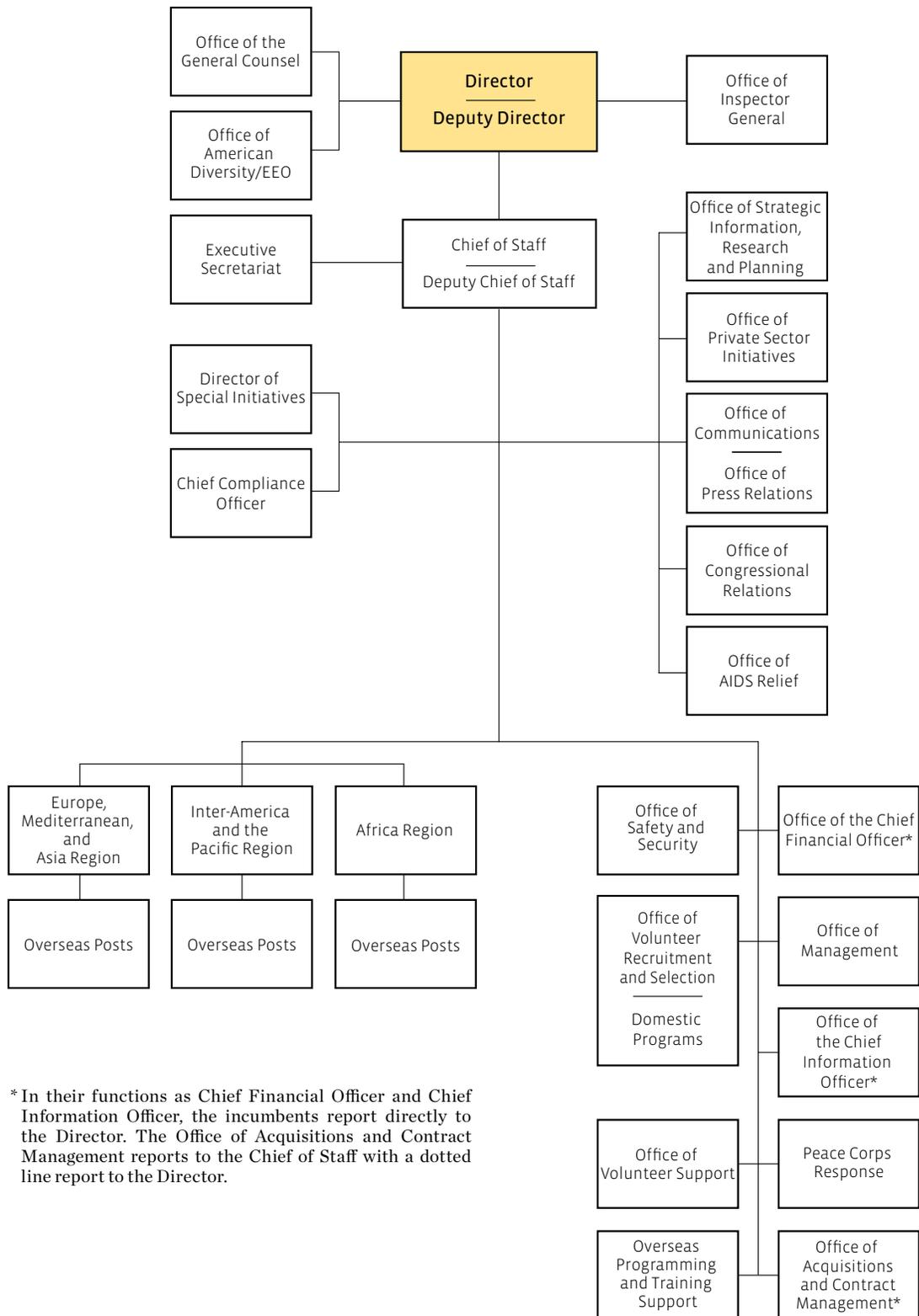
Achievement of these outcomes will lead to more stable communities and increase the number of sustainable partnerships between the U.S. and other countries. These partnerships will foster collaboration on critical global issues, which furthers the long-term goal of a more peaceful world.

By living and working within local communities, Peace Corps Volunteers foster positive relationships with host country nationals, dispel myths about Americans, and promote sustainable development. Volunteers reflect the diversity of the United States, and represent some of the finest characteristics of the American people: a generosity of spirit, a strong work ethic, a commitment to service, and an approach to problems that is both optimistic and pragmatic. Volunteers often live in remote, isolated communities where they speak local languages and learn the cultures and customs of the people they serve. During this process, Volunteers share and represent the culture and values of the American people and, in doing so, earn respect and admiration for the United States among people who may have limited contact or exposure to Americans or American culture.

Upon their return to the United States, Volunteers bring back to their communities and workplaces a rich and in-depth perspective about life overseas, the people they served, and the cultures they experienced.

The Peace Corps combines development with the strong people-to-people relationships that Volunteers forge with host country colleagues and communities, providing a crucial foundation for peace and friendship for years to come.

Peace Corps Organization



* In their functions as Chief Financial Officer and Chief Information Officer, the incumbents report directly to the Director. The Office of Acquisitions and Contract Management reports to the Chief of Staff with a dotted line report to the Director.



How Peace Corps Volunteers Serve Around the Globe

Volunteer projects and activities are the primary focus of the Peace Corps program. Volunteers are involved in a variety of host country projects because they speak the local languages, appreciate the cultural traditions, and are eager to respond to local community needs. Currently, the Peace Corps' work worldwide falls into six general sectors: agriculture, business development, education, environment, health and HIV/AIDS, and youth development. Additionally, Volunteers in all sectors incorporate meaningful work in information and communication technology, women in development/gender and development, HIV/AIDS, and youth development into their primary and secondary activities. A discussion of each sector's work objectives and examples of Volunteer activities follow.

Agriculture

The Peace Corps' agriculture projects are designed to promote environmentally sustainable farming practices. Along with their environment-sector counterparts, many agriculture Volunteers help farmers focus on the long-term productivity of their fields by maintaining and improving soils and managing water. They demonstrate the importance of working with local, natural inputs to control pests and erosion. Increasingly, Volunteers and their partners are promoting approaches to farming that are both sustainable and organic as they continue to work with a broad range of agricultural products. Volunteers are also helping their host country communities mitigate the adverse effects of the global food security crisis. For example, a project in Africa helped a community build silos to store corn and beans, increasing food security by enabling the community to prevent crop loss from rodents, securing higher market rates for their crops, and eliminating the need for pesticides to protect the crops.

Volunteers systematically include women and youth in their agriculture-extension activities.

Today, a Volunteer is as likely to be working with a women's association or youth club as with a male head of household.

Examples of Volunteer work include:

- Training farmers and extension agents to develop and disseminate successful farming practices
- Improving traditional field-crop systems by introducing farmers to better practices and technologies such as new soil conservation techniques, crop diversification, and agroforestry strategies
- Expanding the availability and acceptance of nontraditional crops by promoting and strengthening vegetable gardening and fruit tree production while raising awareness about the nutritional value of the foods produced
- Increasing knowledge and skills needed for small-animal husbandry, such as poultry, rabbits, fish, and honey production
- Helping producers increase the value of their agricultural products by developing new products, while improving storage, expanding distribution, and implementing more effective management and marketing

Nearly 10,000 followers are provided a glimpse of Peace Corps' daily activities through Twitter. Launched in 2009, twitter.com/peacecorps continues to attract a faithful following.

Business Development

The business development sector includes four subsectors: community, municipal, business, and organizational development. Volunteers with a variety of business education and professional experiences are assigned to projects that focus on

business, organizational, and communication skills in local government offices, nonprofit agencies, and for-profit businesses. Recently, the focus of work in this sector has shifted from business consulting to more community economic development, emphasizing sustainability, transparency, community volunteerism, and leadership training. In response to the needs of a global economy, the number of business Volunteers continues to grow as efforts intensify to assist underserved communities and to expand entrepreneurial skills for women and youth.

Examples of Volunteer work include:

- Training activities in computer and Internet use
- Training entrepreneurs in marketing, business planning, and bookkeeping
- Helping artisan cooperatives market their handmade goods
- Advising women's groups about access to credit
- Educating young people to enable them to enter the workforce and participate in the market economy
- Helping businesses find markets for traditional and value-added products
- Counseling businesses, including microfinance, on organizational issues
- Teaching financial management to nongovernmental organizations
- Working with ecotourism project planning through community-based resource management.

Education

Education remains the Peace Corps' largest program sector. In reality, all Volunteers are, to some extent, educators. Many host country nationals describe how the Peace Corps Volunteer who taught them years ago opened up new vistas for their future and empowered them to make a difference. Education

Peace Corps debuted on YouTube in 2009. Visitors can learn what service is like by watching Volunteers around the globe at www.youtube.com/user/peacecorps.

projects include team-teaching courses in math, science, health, environment, and civics, or skills-based classes in English and literacy. Education Volunteers strengthen local capacity by training and mentoring teachers in K-12 schools, teacher-training colleges, and universities. Based on the needs of host communities, Volunteers support programs for vulnerable, marginalized or other special-needs children. They also create after-school programs, clubs, and camps for boys and girls to promote HIV/AIDS prevention and life skills. Education Volunteers train teachers to expand learning opportunities through the use of Information and Communications Technology (ICT), including radio, video, and computers, which are increasingly important for accessing information, communicating professionally, and equipping students with 21st-century skills. Improved ICT broadens access to education, makes learning more interactive, provides teachers with access to classroom materials, and enables classrooms around the world to communicate and collaborate.

Volunteers are also making significant contributions to girls' education and gender awareness. Around the world, Volunteers promote activities that help expand educational opportunities for females in both formal and nonformal settings. For example, Volunteers conduct summer leadership camps for girls, support community awareness of girls' achievements and potential, encourage their participation in the classroom, establish safe environments for after-school study, and organize career fairs for women. Similarly, Volunteers are working with boys and men to explore gender roles, expectations, and opportunities in a rapidly changing world.

Examples of Volunteer work include:

- Teaching students through classes and extracurricular activities
- Mentoring counterparts and training teachers
- Advising in the development of curricula and teaching materials
- Promoting community and school-based resource centers
- Advising school-community organizations, parent-teacher groups, and community development projects
- Supporting adult education
- Promoting distance learning
- Supporting special-needs classes, such as deaf education
- Encouraging early childhood education
- Working with radio stations to teach English and HIV/ AIDS prevention

National and local media promote the positive influence the Peace Corps has had on so many lives. In its September 14, 2009, issue, *Business Week* named the agency as one of the best places to launch a career.

Environment

Volunteers working on environment projects help strengthen a community's ability to sustainably conserve and use natural resources. They work primarily at the grassroots level, focusing on human needs and sustainable alternatives. Volunteers focusing on agroforestry, for example, identify and train local leaders so they can teach other farmers how to use forestry to improve the productivity and resource sustainability of their fields and gardens. Similarly, Volunteers implement education activities outside the classroom through environmental clubs and eco-camps. At some posts, schools and communities are connected for

the first time as parents and youth work together to identify joint projects, such as bottle recycling or community cleanup days.

Examples of Volunteer work include:

- Promoting reforestation and soil and water conservation with individual farmers
- Co-teaching classes in schools, conducting teacher-training seminars, and developing curricula related to environmental topics
- Promoting nonformal environmental education (e.g., summer camps, eco-clubs, Earth Day events, and theater dramas)
- Working with entrepreneurs and associations to develop or strengthen alternatives to unsustainable harvesting and cultivation practices, such as generating income from renewable natural resources

Health and HIV/AIDS

Volunteers work in health projects to promote preventive health education, with an emphasis on overall health and well-being. The scope of these projects includes: hygiene and sanitation; water systems development and enhancement; food security; maternal and child health; communicable diseases; chronic illnesses; and healthy lifestyles, exercise, and decision making. Volunteers and their counterparts address these issues in a variety of ways, including formal classroom instruction from kindergarten to university level; materials development; training for health care providers; and nonformal health sessions using murals, theater, radio, television, and puppet shows.

Many Volunteers focus on HIV/AIDS prevention and care exclusively or as part of a comprehensive community health project. Life skills training continues to be at the center of Volunteers' HIV/AIDS prevention work, particularly when targeting youth. Increasingly, Volunteers are assigned to HIV/AIDS-related nongovernmental organizations and

assist in increasing the technical, managerial, and administrative capacities of these groups. Volunteers are uniquely suited to work in HIV/AIDS prevention because they live and work in local communities and can present information in culturally sensitive ways. The Peace Corps is collaborating with the U.S. Department of State's Office of the Global AIDS Coordinator to support the U.S. government's commitment to worldwide HIV/AIDS care, prevention, and treatment through the President's Emergency Plan for AIDS Relief (PEPFAR).

Examples of Volunteer work include:

- Teaching about health and HIV/ AIDS prevention and care
- Expanding peer education to urge youth and others to reduce risky behavior
- Promoting healthy lifestyles, especially for youth
- Supporting youth and orphan activities and care
- Providing nutrition and hygiene education classes in communities
- Promoting education about infectious disease prevention
- Assisting in maternal and child health clinics
- Strengthening nongovernmental health-delivery systems
- Constructing and managing water systems
- Supporting community sanitation efforts

Youth

Since the inception of the Peace Corps in 1961, Volunteers have had great success working with youth. It is often young people in a community who are the Volunteers' first language coaches and cultural interpreters. In turn, young people value the opportunity to learn from Peace Corps Volunteers. In many of the countries in which

The Peace Corps was formally recognized in 2009 by undergraduate college students as the #7 most ideal employer to meet their career goals in a UNIVERSUM survey.

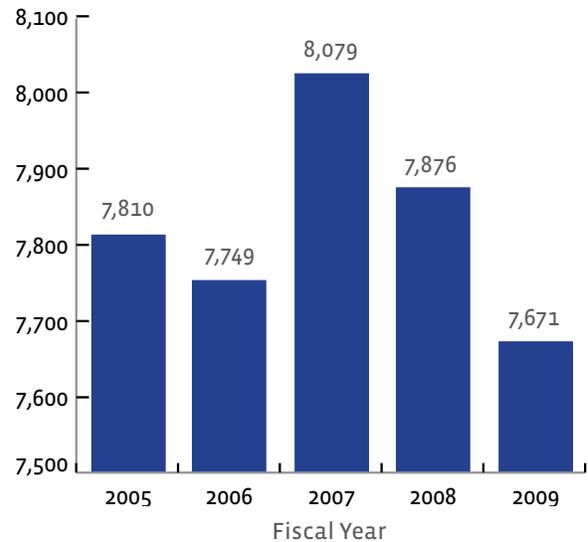
Peace Corps works, nearly 50 percent of the population is under the age of 25. Volunteers in the youth sector are guided by three key principles: promoting positive youth development, facilitating a greater level of youth participation, and approaching community development from an asset-based point of view. Volunteers and their partners integrate these approaches into stand-alone youth development projects and into projects that cross all program sectors. The Peace Corps' approach to youth development supports effective, sustainable work with young people, their families, and their communities. Projects also aim to build the capacity of youth-serving organizations and the host country professionals who work with young people. Critical issues affecting youth throughout the world include successfully making the transition from school to work, developing relevant skills to prepare them for family life, and becoming engaged and active citizens in their communities.

Volunteers also serve a valuable role in reaching special populations, such as children orphaned due to HIV/AIDS, street children, and other vulnerable young people. Volunteers work with their partners to improve employment skills for disenfranchised and out-of-school young men and women, and provide support to youth to help avoid drugs and prostitution. Many Volunteers serve as mentors for young people and as counterparts in youth service organizations. Volunteers are uniquely positioned to provide learning opportunities to girls and boys at the grassroots level. The overarching purpose of youth development work is to help young men and women maintain healthy lifestyles and prepare them for their roles and responsibilities in work life, family life, and as good citizens.

Examples of Volunteer work include:

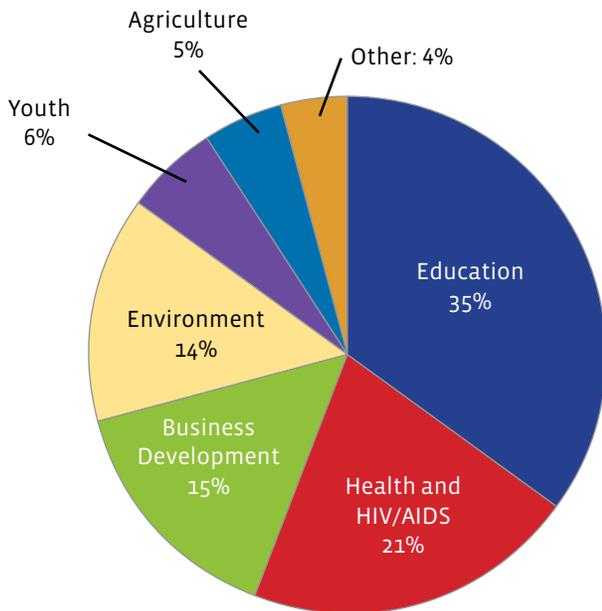
- Increasing employability skills, career planning, and entrepreneurship training
- Supporting training for computer skills and Internet use
- Developing leadership, communication, and teamwork skills through sports, recreation, drama, and arts opportunities
- Providing environmental education and community service opportunities
- Providing life skills through family life and healthy lifestyles training, including HIV/AIDS prevention
- Promoting positive leadership and citizenship development
- Developing the skills of teachers, youth promoters, and social workers to better facilitate participatory, asset-based learning opportunities for youth
- Working to encourage parents and other community adults to support youth priorities

Number of Volunteers



The on-board count for all Peace Corps Volunteers and trainees, and Peace Corps Response Volunteers, from all funding sources serving under the Peace Corps as of September 30, 2009, is 7,671. This number includes 339 Volunteers funded by the President's Emergency Plan for AIDS Relief. The on-board count includes 68 posts and 74 countries in which the Peace Corps is active or suspended, but not closed. Some posts cover more than one country.

Volunteer Projects





Overview of FY 2009 Goals and Results

FY 2009 Overview of Performance

The 1993 Government Performance and Results Act requires all federal agencies to issue a Strategic Plan that includes a mission statement and outlines long-term goals, an annual performance plan, which provides annual performance targets to achieve the goals and objectives in the Strategic Plan, and an annual performance report that evaluates the agency's progress toward achieving those performance targets. Since FY 2004, the Peace Corps has published a Performance and Accountability Report to transmit the annual performance information.

Strategic Goals and Agency Core Goals

This Performance and Accountability Report is based on the new FY 2009-2014 Strategic Plan and is the first report on performance of a new set of 38 indicators (two did not have targets in 2009, but were monitored). The FY 2009-2014 Strategic Plan is comprised of five strategic goals the Peace Corps seeks to achieve during that time period. The five goals align with the agency's three core goals and include two that address overall effective management and support of the Volunteers. The Peace Corps' Strategic Plan was developed with the help of over 100 staff members in each office and overseas post; nearly a year went into its creation.



Outcome Goals and Performance Goals

Each strategic goal is supported by one or more outcome goals that define the results the agency expects to achieve in order to reach its long-term strategic goal. In turn, each outcome goal is supported by one or more performance goals, which state tangible, measurable objectives the agency expects to carry out.

Peace Corps is reaching out to a diverse group of Americans. A 50+ initiative in 2009 contributed to the agency's impressive level of experience, with the oldest serving Volunteer being 85 years old.

Performance Indicators

Quantitative targets are set for each performance indicator, allowing the agency to measure and report on progress toward its long-term organizational goals.

The Peace Corps met 23 of 36 measurable performance indicators with targets for FY 2009¹. Despite overall agency resource challenges and other external constraints, the agency met 64 percent of its targets due to the dedicated staff around the world and the work of the Volunteers.

¹ In FY 2009 there are 38 performance indicators in the annual performance plan, two of which did not have targets in 2009 but were monitored. Targets will be set for FY 2010 and beyond.



Health Volunteer, Kenya

Performance Summary of Goals and Results

The Government Performance and Results Act requires all federal agencies to create performance measures to support its goals. The following tables provide an overview of the Peace Corps' performance measures for FY 2009. The measures are organized by the goals and objectives they support, as specified in the Peace Corps' Strategic Plan.

STRATEGIC GOAL	Met	Not Met, but Substantive Performance Measured	Not Met
1. Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs	8	1	1
2. Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers	2	1	0
3. Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans	3	2	0
4. Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries	5	1	0
5. Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources	5	3	4
TOTAL INDICATORS	23	8	5

STRATEGIC GOAL 1: Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs

Outcome Goal 1.1: Country programs fulfill host country skill needs				
Performance Goal 1.1.1				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
1.1.1a	Percentage of project plans meeting the expressed needs of the host country	85%	97%	Y
1.1.1b	Percentage of posts providing annual progress reports to their host country agency sponsors and partners	75%	53%	N
1.1.1c	Enhance the average length of service of Volunteers to equal or exceed 21 months	21 months	22.1 months	Y

Outcome Goal 1.2: Volunteers have the competencies necessary to implement a country program				
Performance Goal 1.2.1				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
1.2.1a	Percentage of Volunteers meeting local language requirements for service, per post testing standards	85%	93%	Y
1.2.1b	Percentage of Volunteers reporting training as adequate or better in preparing them technically for service	70%	80%	Y
1.2.1c	Percentage of Volunteers reporting training as adequate or better in preparing them to work with counterparts	60%	79%	Y

Outcome Goal 1.3: Host country individuals, organizations, and communities demonstrate an enhanced capacity to meet their own needs				
Performance Goal 1.3.1				
PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved	
1.3.1a	Percentage of Volunteers reporting that their work transferred skills to host country individuals and organizations adequately or better	70%	88%	Y
1.3.1b	Percentage of Volunteers reporting their HIV/AIDS education and outreach is effective	75%	59%	N
1.3.1c	Percentage of projects documenting increases in host country national capacity	70%	91%	Y
1.3.1d	Percentage of partner organizations reporting their assigned Volunteers fulfilled their requested need for technical assistance	50%	52%	Y

Strategic Goal 2: Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers

Outcome Goal 2.1: Host country individuals and communities learn about Americans through shared experiences with Peace Corps Volunteers			
Performance Goal 2.1.1			
PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
2.1.1a Percentage of Volunteers reporting that training prepared them to manage cultural differences during service adequately or better	91%	92%	Y
2.1.1b Percentage of posts conducting supervisory/counterpart training on working effectively with Volunteers	95%	100%	Y
2.1.1c Percentage of host country nationals who have interacted with Volunteers who believe that Americans are committed to assisting other peoples	Target not set. Under development based on ongoing evaluations	44%	NA
2.1.1d Percentage of Volunteers reporting that their work helps promote a better understanding of Americans on the part of the peoples served	75%	74%	N

Strategic Goal 3: Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans

Outcome Goal 3.1: Americans have increased awareness and knowledge of other cultures and global issues				
Performance Goal 3.1.1				
PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved	
3.1.1a	Percentage of Volunteers participating in the Coverdell World Wise School program	60%	57%	N
3.1.1b	Number of individuals and organizations supporting the Peace Corps Partnership Program	8,000	10,595	Y
3.1.1c	Number of youth-serving programs hosting Volunteer activities	4,600.	4,700	Y
3.1.1d	Monitor the percentage of Volunteers who report sharing their experiences with family, friends, and the American public	No Target. Agency is monitoring the activities	99%	NA
Performance Goal 3.1.2				
PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved	
3.1.2a	Number of RPCVs participating in agency-initiated activities	7,700	9,102	Y
3.1.2b	Number of schools impacted by the activities of RPCVs	550	502	N

Strategic Goal 4: Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries

Outcome Goal 4.1: Volunteers provided at every post meet the evolving technical needs of host countries				
Performance Goal 4.1.1				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
4.1.1a	Maximize the number of Volunteers serving annually based on available funding and the provision of support to ensure their optimal effectiveness	7,300	7,671	Y
4.1.1b	At least 95% of the number of trainees and skills sought annually are met	95%	96%	Y
Performance Goal 4.1.2				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
4.1.2a	Redesign the Volunteer Delivery System and implement recommendations to improve its effectiveness	Complete redesign of critical processes and prioritize implementation of recommendations	Achieved	Y
4.1.2b	Reduce the response time to applicants from 100 days in FY 2009 to 80 days by the end of FY 2011	100 Days	123 Days	N
Outcome Goal 4.2: Trainees assigned to serve overseas represent the diversity of Americans				
Performance Goal 4.2.1				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
4.2.1a	Number of mid-career and age 50 and older applicants	1,500	2,041	Y
4.2.1b	Number of applicants of diverse ethnicities	2,100	3,070	Y

Strategic Goal 5: Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources

Outcome Goal 5.1: Volunteers are safe, healthy, and well supported to ensure their focus on Peace Corps' sustainable development and cross-cultural mission				
Performance Goal 5.1.1				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
5.1.1a	Percentage of Volunteers reporting that their safety and security training is adequate or better	95%	96%	Y
5.1.1b	Percentage of posts having their safety and security plans reviewed annually by Peace Corps safety and security officers	33%	21%	N
5.1.1c	Percentage of posts implementing critical recommendations focused on Volunteer/trainee safety and security on a timely basis	100%	84%	N
5.1.1d	Percentage of Volunteers reporting they feel "usually safe" or "very safe" where they live and work	90%	89%	N
Performance Goal 5.1.2				
	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
5.1.2a	Percentage of Volunteers rating their satisfaction with health care received from Peace Corps medical officers as adequate or better	90%	93%	Y
5.1.2b	Percentage of Volunteers reporting the emotional support received from Peace Corps staff as adequate or better	70%	81%	Y
5.1.2c	Percentage of Volunteers reporting adequate or better support in coping with stress issues of HIV/AIDS in their community	60%	73%	Y

Outcome Goal 5.2: Peace Corps continually improves its staff and critical work processes and manages its resources in an effective and efficient manner

Performance Goal 5.2.1

	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
5.2.1a	Percentage of posts and headquarters offices managing resources within approved budgets and operational plans	95%	83%	N
5.2.1b	Percentage of posts and headquarters offices that annually review resource management ratios for improvement	95%	Not fully implemented	N

Performance Goal 5.2.2

	PERFORMANCE INDICATORS	FY 2009 Target	FY 2009 Actual	Target Achieved
5.2.2a	Percentage of post projects engaging host country officials in their formulation and implementation	95%	94%	N
5.2.2b	Percentage of posts and headquarters offices with documented personnel practices that include staff development, performance management, and awards and recognition policies	70%	56%	N

Performance Goal 5.2.3

	PERFORMANCE INDICATOR	FY 2009 Target	FY 2009 Actual	Target Achieved
5.2.3a	Annually review, streamline, and implement improvements to at least one agency mission critical process	Minimum of one critical process a year	Achieved	Y

Performance Analysis

The specific performance of each of the five Peace Corps goals contained in the FY 2009–2014 Strategic Plan is discussed below.

Strategic Goal 1: Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs

Results: Met the goal for 8 of 10 measures

At the beginning of the year, Peace Corps projects worldwide numbered 204. Of these, 97 percent reflected the development needs of the country, exceeding the target. Two actions led to success: regional management emphasized to the field the importance of good project plans and provided training and technical assistance on the Peace Corps' approach to participatory development. The agency did not meet the target set for sharing annual reports with host country partners, due to budget constraints and staff shortages. Fifty-three percent prepared annual reports on all of their projects. Twenty percent nearly met the goal, having prepared reports on some, but not all, of their projects. The average length of service improved above the target in FY 2009 to 22.1 months and the resignation rate decreased to 7.3 percent. Continued review of resignation data, along with external factors such as economic conditions and increased interest in volunteerism and service, could be positive factors in helping the agency to retain Volunteers.

The agency is preparing Volunteers well in the key areas needed for them to competently undertake their work. Ninety-three percent of the Volunteers met the local language requirements for service, 80 percent reported that training prepared them technically for their service, and 79 percent reported being prepared to work with their counterparts. Several innovations contributed to successful achievement of the targets. The agency piloted an online language learning system, Rosetta Stone, held workshops and online training sessions for

Volunteers and staff, and increased post technical consultancies from the headquarters' staff.

Transferring skills and building the capacity of host country partners is the key result expected of all Peace Corps projects and Volunteer activities. In FY 2009, the number of Volunteers reporting they had transferred skills to host country individuals significantly exceeded the targets. Similarly, projects reporting that increases in host country capacity were documented exceeded the target by 21 percent and the number of partner organizations reporting the Volunteers met their needs for technical assistance exceeded the target by 2 percent.

Volunteers' activities in the HIV/AIDS area, however, fell short of the target. Many Volunteers reported challenges in measuring the effectiveness of their HIV/AIDS interventions. Volunteers know they taught the lessons, but are unsure if that knowledge results in behavior change. The Peace Corps will emphasize the integration of behavior change concepts into future programming and training.

Strategic Goal 2: Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers

Results: Met the goal for 2 of 3 measures

Two of the three performance measures were met. Volunteers reported high satisfaction with the cross-cultural training provided by the agency and reported they were well prepared to work with counterparts. Training increases the Volunteers' ability to live and work in their host community and teaches a set of skills and a framework to interpret cultural norms. Volunteers also reported their work promoted a better understanding of Americans on the part of peoples served. Furthermore, all posts conducted training for counterparts or partners of Volunteers.

Strategic Goal 3: Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans

Results: Met the goal for 3 of 5 measures

Returned Peace Corps Volunteers participating in agency-initiated activities are the strongest promoters of the third goal. Sharing Volunteer experiences helps to promote an increased awareness of other countries, cultures, and global issues on the part of Americans. These headquarters-sponsored programs exceeded the target in FY 2009.

The Peace Corps Partnership Program allows American students, clubs, individuals, and organizations to provide funds to assist a Volunteer and his or her host community in completing a community-driven project. In FY 2009, the number of individuals and organizations supporting this program greatly exceeded the target, and collectively contributed \$1.7 million to assist Volunteers and their communities to implement small scale projects.

Volunteers participated in the Coverdell World Wise Schools Correspondence Match, a program that links currently serving Volunteers with school children in the United States. Topics remain timely and relevant to today's challenges and teachers laud the program as a way to "open a window to the world" for their students. Additionally, returned Volunteers were successfully matched with external groups to share their Peace Corps experiences at home.

The Peace Corps is now on Facebook. Learn more at www.facebook.com/peacecorps

Strategic Goal 4: Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries

Results: Met the goal for 5 of 6 measures

A number of key management decisions were made in FY 2009 in order to improve recruitment effectiveness and efficiency. Organizational changes were made in order to bring leadership and innovation to recruitment activities and to redesign the system used to recruit, select, and place Americans interested in Peace Corps service. As applications continue to increase, the agency is taking steps to attract the best and the brightest and to ensure that the skills these Americans bring match the needs expressed by the countries in which the Volunteers are placed.

The Peace Corps is committed to recruiting as many qualified Americans as requested by our host countries to serve as Peace Corps Volunteers, including applicants over the age of 50 and people of diverse backgrounds and ethnicities. In addition, in FY 2009, the Peace Corps worked with federal agencies and other outside organizations to motivate applicants with specialized skills to apply. Those skills in high demand include more advanced language levels in French and Spanish.

The work the agency has done on assessing and mapping a strategy to redesign its Volunteer Delivery System (VDS) is one of the most important cross-cutting work activities of FY 2009. This modernization will bring the Peace Corps into the 21st century with an integrated, efficient, and comprehensive life cycle management system—from applicant to RPCV—providing new and better tools to attract and place highly qualified, service-oriented individuals.

Strategic Goal 5: Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources

Results: Met the goal for 5 of 12 measures

Supporting Volunteers in the field is a critical responsibility of every Peace Corps employee. Resources within the organization are allocated with the goal of delivering the best efficiency, effectiveness, and value to the operations that support the work of the Volunteer.

Balancing the need to keep Volunteers as safe as possible while maintaining the integrity of the Volunteer experience is one of the challenges facing the Peace Corps. The agency strives to integrate safety and security considerations into every stage of the Volunteer's service. From application to close-of-service, Volunteers receive the best information available about safety risks and how they can minimize them. While Volunteer service is not without risk and Volunteers must take on much of the responsibility for their own safety, the Peace Corps has an extensive, well-established, and effective support system focused on Volunteer safety.

The health of Volunteers is one of the agency's top priorities, with individuals serving around the world in a variety of challenging environments. Volunteer satisfaction is just one of many components of health that the agency monitors and evaluates. Peace Corps continues to provide the best possible medical and mental health care and support to its Volunteers. The agency promotes and enhances the well-being of Volunteers through the continuous evaluation of business processes and review of practices. Training for both staff and Volunteers, site visits to posts in need of specialized skills (such as countries that have experienced traumatic events), and constant review of available

data sources all contribute to Volunteers being healthy and productive.

A new area added to the agency's Strategic Plan focused on financial management and the review of business processes. With a global operation of 68 overseas posts, many different currencies, and thousands of monthly transactions, the agency places a priority on responsible management of its resources. The two indicators show that the agency has a strong record of managing its resources, but can still improve by implementing more reviews and comparisons to other organizations to ensure it is operating as well as its peers. In addition, by identifying, reviewing, and improving a business process each year, the agency should achieve tangible gains in most key functional areas over the life of the Strategic Plan.

Reporting Procedures and Data Quality

The Peace Corps is committed to providing transparent, reliable data for managerial decision-making and oversight. The Office of Strategic Information, Research, and Planning, created during FY 2007, continued its work in ensuring continuity and reliability of the performance data reported by the agency.

The agency continued the practice of reviewing performance results during the mid-year budget reviews to reinforce performance and budgeting alignment. This integrated mid-year assessment allows for the redirection of agency resources in consideration of challenges or achievements.

The Peace Corps' FY 2009 performance results are based on reliable and valid data complete as of the production of the results at the end of the fiscal year. Overall, the Peace Corps has made great progress in institutionalizing its performance reporting procedures and processes, and is well-positioned to provide solid results on its performance measures.



Core Issues

Agency Priorities

Quality Growth

As the Peace Corps approaches its 50th anniversary, the agency continues to capture the imagination of the American people and stands ready to accept and support a new generation of Volunteers inspired by President Obama's call to service. Quality growth will emphasize strategic recruitment, sustainable programming, exceptional Volunteer support, and strong leadership.

In preparation for growth in existing Peace Corps countries and in countries that do not currently have a Peace Corps program, all operations within the agency must identify best practices. This may include some centralization and reorganization of personnel to ensure efficient and cost-effective growth occurs.

Additionally, the redesign of the Volunteer Delivery System—the agencywide process to recruit, screen, place, and support Volunteers—is underway. Processes and technologies were examined in FY 2009 and new approaches recommended to modernize agency operations. These changes will allow for more efficient, flexible operations, as well as data-driven strategic decision-making.

Volunteer Safety and Security

The issue of Volunteer health, safety, and security must remain an agency priority. There are inherent dangers in serving overseas, but with quality training, a committed staff, and clear systems in place, the health, safety, and security of Peace Corps Volunteers will be assured in a manner that allows enough flexibility for Volunteers to truly become a part of the community in which they serve.

Peace Corps staff and Volunteers work together to create a framework that maximizes, to the extent

possible, Volunteers' well-being, enabling them to carry out their mission effectively. The Peace Corps incorporates safety and security information into all aspects of Volunteer recruitment, training, and service, and ensures that safety and security policies and training curricula are current. Volunteers are asked to do their part by taking responsibility for their behavior at all times and by integrating successfully into their host communities.

In FY 2009, among other changes, responsibilities were established to provide support and assistance in the aftermath of a serious crime against a Volunteer. The Criminal Incidence Reporting System, the mechanism by which posts report on the status of their safety and security programs, was revised, and the reporting system for safety and security incidents was upgraded. The agency continues to review its safety and security program and implement new measures to maximize its effectiveness.

HIV/AIDS Initiative

Today, one of the most serious worldwide threats to public health and development is the spread of HIV/AIDS. The impact from this global pandemic crosses all areas of community life. Peace Corps Volunteers provide hope and meaningful assistance to people affected by HIV/AIDS through work in public health education, health extension, and development with youth, communities, nongovernmental organizations, business advising, and information technology. Volunteers are uniquely suited to work in the field of HIV/AIDS because they are trained in the local language, live and work in the communities where they serve, and know how to share information in a culturally sensitive way.

Since 2004, the Peace Corps has been a key participant in the President's Emergency Plan for AIDS Relief (PEPFAR). As PEPFAR transitions from a focus on "emergency" to a focus on sustainability, the work of Peace Corps Volunteers

building human capacity at the grassroots level is especially valuable. In FY 2009, 25 Peace Corps posts received PEPFAR funds, while other posts benefited from activities organized by the headquarters using central PEPFAR funding. Support provided included training for Volunteers, staff, and counterparts; small grants for communities; technical assistance to posts; and funding for 339 HIV-focused Volunteers, including Peace Corps Response Volunteers who respond to sudden needs for aid such as tsunamis and earthquakes.

In FY 2009, the Peace Corps Global HIV/AIDS Strategy guided the agency's response to the HIV/AIDS pandemic. This strategy supports the agency's mission of providing an effective and satisfying Volunteer experience, contributes to the achievement of the Peace Corps' three core goals, and aligns with its FY 2009–2014 Strategic Plan.

Food Security

Peace Corps Volunteers live in communities throughout the world that have been hit hard by the world food crisis. The Peace Corps formed an agencywide food security task force in the spring of 2008 to explore the dimensions of the problem and identify appropriate responses in countries in which the Peace Corps is serving.

In early FY 2009, the Peace Corps hosted a food security summit. Guest experts discussed ways in which international organizations, including the Peace Corps, can collaborate and complement one another's efforts and contribute to possible solutions, while soliciting the participation of the public and private sectors. Twenty-eight recommendations and the creation of an informal advisory group resulted from the summit.

Additionally, the task force created an electronic food security toolkit for Peace Corps country directors and staff to help them identify methods to address food security issues and to help empower

Volunteers and their host country partners to continue to take action and effectively respond to the crisis. To raise awareness of the issue of food security to both internal and external audiences, the agency has taken actions like creating an informational video titled "The Silent Tsunami" and launching an internal "landing page" on its electronic knowledge management system, Guru.

Finally, the Peace Corps has been coordinating with other U.S. government partners on the food security issue. The U.S. Agency for International Development (USAID) Africa Bureau has assigned a senior food security advisor to work at Peace Corps for one year. The advisor will provide support for Peace Corps posts in Africa to strengthen programming and training in food security and to facilitate additional collaboration and coordination between Peace Corps and USAID in their food security efforts.

Volunteerism and United We Serve

In FY 2009, the agency continued its efforts to support Peace Corps Volunteers in promoting volunteerism, using a service learning approach. The newly developed Volunteerism Action Guide was distributed to all Volunteers to assist them in deepening their efforts to promote volunteerism and service learning in the communities in which they serve.

Field staff members were provided with virtual training opportunities, support materials, and online collaboration tools to support different models of service learning. Additionally, the agency conducted a story and photo contest to identify creative ways in which the Volunteers, staff, and posts are engaging young people to address community priorities in health, education, environmental action, and HIV/AIDS.

Returned Peace Corps Volunteers have a tradition of making a difference in their communities by selflessly contributing their skills and experience

through their dedication to service. In FY 2009, the Peace Corps actively participated in the summer phase of President Obama's service initiative—United We Serve—a call to all Americans to join a volunteer effort and be part of building a new foundation for America, one community at a time. United We Serve's summer phase culminated with the inaugural National Day of Service and Remembrance on September 11.

The entire Peace Corps community was encouraged to contribute to United We Serve. Information provided on the Peace Corps website detailed how returned Peace Corps Volunteers, applicants, invitees, and friends and families could become involved in the effort. In honor of the special day, Peace Corps Director Aaron Williams and Peace Corps employees in all nine Peace Corps regional recruiting offices across the country took time to volunteer for local service projects.

Smart Contracting

The Peace Corps continues to look for ways to reduce costs without impacting its mission capability. In FY 2009, the agency in-sourced significant portions of its information technology support services contract and completed the first phase of a strategic sourcing effort to reduce the cost of medical supplies and pharmaceuticals. This effort involves taking advantage of buying agreements implemented and managed by the Veterans Administration, as well as establishing new regional/international buying agreements to improve the efficiency and effectiveness of the medical supply chain. In FY 2010, the agency plans to in-source three major support service contracts and will also begin the process of converting a cost reimbursement training services contract to a firm fixed-price contract through competition.



Business Volunteer, Kazakhstan



Actions to Address Agency-Identified Prior Year Challenges

Positioning the Peace Corps for Growth and Impact in the 21st Century

During FY 2008, the agency identified some challenges to the Peace Corps' ability to position itself for growth and increased impact in the years ahead. In FY 2009, the agency took many substantive steps to address those challenges.

Impact Evaluation

Field evaluations began at nine posts during FY 2009 to assess the impact of Volunteer's work on transferring skills to host country individuals, communities, and organizations and promoting a better understanding of Americans on the part of the people that we serve. These evaluations of Peace Corps' first two core goals are taking place across many cultures and in three main program sectors: business development, education, and health and HIV/AIDS.

To ensure that the evaluations are carried out in a consistent and valid manner across the multicultural environments in which the Peace Corps operates, the agency took many proactive steps. Following the pilot evaluations in FY 2008, standard questionnaires were created for counterparts, beneficiaries, and host families to ensure that the concepts are measured in a consistent manner. The field evaluations are carried out by third-party host country interviewers, who help adjust the language of the questionnaires to respect host country norms.

Additionally, the Peace Corps developed an in-depth two-day training program taught by agency and post staff for the host country researchers, helping to ensure a standard methodology. The training includes seven training modules, complete with handouts and session outlines, to ensure consistent delivery of study expectations and implementation across posts. Further, a standard statement of work ensures that the evaluators meet

high standards for research and evaluation and have excellent qualifications for carrying out the work in-country.

The data has been gathered from the field evaluations to examine the work of Peace Corps Volunteers in HIV/AIDS prevention. Evaluation topics include the ways in which the individual, organization, or community changed as a result of the Peace Corps Volunteers' HIV/AIDS-related project and whether the changes in knowledge or behavior were still evident after the Volunteer's departure.

The agency began an evaluation of its third core goal activities by conducting focus groups with returned Peace Corps Volunteers (RPCVs) who are current federal employees. The focus groups included RPCVs from the 1960s through the 2000s, representing all geographic regions in which Peace Corps Volunteers serve. Discussions centered on the long-term career impact of Peace Corps service, as well as the effectiveness of services to RPCVs provided by the agency. The focus groups yielded findings concerning career motivations and choices. For instance, for nearly half of the RPCVs, career enhancement was the primary factor for joining the Peace Corps. A better understanding of motivations and career choices sheds light on recruitment strategies, as well as third goal activities. RPCVs sharing their international expertise and experience with other Americans in a variety of career settings can help U.S. organizations to adapt enhanced international focuses.

Additionally, the agency, through a collaborative process, developed a survey to be administered to RPCVs regarding a broad range of third goal issues. The survey and further focus groups will be completed in early FY 2010.

*Integrating Organizational
Performance Management*

The agency's development of its new Strategic Plan for FY 2009–2014 was a very inclusive effort that solicited input from hundreds of staff members at headquarters and all posts throughout the world. As a part of budget and performance integration, managers understand their responsibility for meeting their performance goals and that their progress will be assessed at regular intervals, including during mid-year and year-end reviews.

In FY 2009, the agency focused on implementing the new Strategic Plan at all levels and significantly strengthened the alignment of office and field-level performance with new agency-level performance goals, creating a more integrated approach to Peace Corps work. As a result of the review process undertaken during the budget and performance planning cycle in February 2009, with overseas staff reviewing the agency plan and agency-level reviews

of the field plans, both goal alignment and indicator consistency have been improved. For instance, the first quarter performance review in January 2009 and the mid-year budget and performance reviews that took place in May 2009 were an opportunity to reallocate funding and human resources to correct a course of action if there were challenges in meeting performance goals or to validate positive actions taken to meet performance goals.

Furthermore, the development and refinement of performance indicator data sheets for indicators in the FY 2009–2014 Strategic Plan incorporated clarifications from the 2009 mid-year reviews and will help ensure consistent performance reporting in the future. In FY 2009, particular attention was given to the refinement and articulation of data collection processes for specific indicators, as needed. The data sheets provide important accountability, transparency, and consistency in performance reporting.



Youth Volunteer, Nicaragua

Growth in the Number of Volunteers

The agency remains poised for growth while working within the realities of budget uncertainties and constraints. In FY 2009, the agency received more than 15,000 applications from Americans interested in serving overseas as Peace Corps Volunteers, an 18 percent increase over FY 2008. While the funding level in FY 2009 did not allow for an expansion in the number of Volunteers serving overseas, the agency, nonetheless, worked on streamlining its processes for delivering Volunteers to the field to effectively meet host country needs.

The agency has made the Volunteer Delivery System (VDS) modernization initiative a priority. The Volunteer life cycle refers to the agency's recruitment, placement, and support of Volunteers throughout their service and continued engagement with returned Peace Corps Volunteers. To manage this life cycle, the agency employs a number of cumbersome, disjointed systems of forms, databases, and business processes developed over many years and reflecting shifting priorities. Together, these systems comprise the VDS and the modernization effort will generate a single, electronic, coherent system through which the agency will manage the Volunteer life cycle from awareness and application to service and return.

Financial Challenge

The major financial challenge anticipated in FY 2008 was not overcome during FY 2009. As expected, the long-term effect of the escalations in overseas costs and the unfunded drop in the value of the U.S. dollar experienced throughout FY 2008 commanded a significant share of the agency resources, forcing strategic reductions in staff, in the number of Volunteers, and in services across the agency during FY 2009, despite an overall increase in agency resources. The agency, though, is poised to be in a much more favorable resource position during FY 2010, with an anticipated increase in

funding appropriated by Congress.

Finding more effective and less costly ways to prepare country directors and other personnel for their assignments at posts around the world is an ongoing challenge. Transmitting the critical elements of financial management information successfully to new country directors and others is a process that is continually refined.



Agriculture Volunteer, Cape Verde



Agency-Identified Future Challenges

The development and implementation of the FY 2009–2014 Strategic Plan has helped position the Peace Corps for growth and impact in the 21st century. As the Peace Corps approaches its 50th anniversary, the agency continues to capture the imagination of the American people and stands ready to accept and support a new generation of Volunteers inspired by President Obama's call to service.

Managing Growth Quality

In preparation for growth in existing Peace Corps countries and in countries that do not currently have a Peace Corps program, all operations within the agency must identify best practices to ensure that growth occurs in an efficient and cost-effective manner. The key to Peace Corps growth will be to ensure the agency can both support the Volunteers currently in the field and to recruit the best qualified applicants. Although the Peace Corps is fortunate to have strong support from President Obama, the Congress, and the American people, competition for sufficient funding is always a challenge. Additionally, the Peace Corps operates in a dynamic international environment. Shifting political, economic, or social conditions can hinder Volunteer effectiveness on the ground or result in the agency having to suspend or close operations in certain countries.

Supporting and Utilizing Innovation

To support quality growth, the agency's new management team plans to place added emphasis on innovation through the creation of an Office of Innovation. This office will encourage the pursuit of cutting edge ideas and best practices through the utilization of new technology, and the modernization of the agency's information technology platform. Investments in information technology will improve communication and the transfer of information among posts and between posts

and headquarters, enabling staff and Volunteers worldwide to work as global teams.

Innovation and modernization of technologies can also be applied to the Peace Corps recruitment practices. Investments in the Volunteer Delivery System (VDS) will integrate all formal and informal Volunteer-related business processes, currently encompassing disconnected databases, organizational divisions, and business systems. Full integration of the core business processes of the Peace Corps, from recruitment and selection through deployment, training, support, and medical care, will better prepare the agency for growth, promote efficiency, and protect federally-mandated privacy information. The Peace Corps will be able to more quickly and accurately match recruits to Volunteer positions, thereby simultaneously increasing Volunteer satisfaction and host country benefit. More efficient recruitment processing also ensures higher recruiting yield. An integrated system is a vital and overdue asset for promoting effectiveness and business continuity, essential for an agency that limits employment to five years.

Promoting the Agency's Third Goal

The third goal of the Peace Corps is to help promote a better understanding of other peoples on the part of Americans. When Volunteers and friends of the Peace Corps support and engage in third goal activities, they help Americans gain a greater understanding of the world. They foster the spirit of world peace and friendship and inspire Americans to be civic minded by example.

Peace Corps service is a life-defining leadership experience. Since 1961, nearly 200,000 Americans joined the Peace Corps. However, evaluating the impact of the agency's third goal is challenging. The agency must seek new and innovative ways to encourage more returned Volunteers to share their experiences with their fellow Americans to

promote a better understanding of other cultures and countries.

The Peace Corps is currently finalizing plans to implement the first extensive survey of returned Peace Corps Volunteers since 1996. This survey

will provide the agency new perspectives on the returned Volunteer community, on agency outreach programs, and concerning its efforts to bring a better understanding of other peoples to the American people.



Education Volunteer, Tanzania



Analysis of Financial Statements

Overview

The external auditor awarded an unqualified (clean) audit opinion on the financial statements for FY 2009. This was the third clean audit opinion in the last three fiscal years. The financial statements were generated from Odyssey, the agency's certified and accredited financial system. The Congressional appropriation totaled \$340 million in FY 2009 and \$330.8 million, net of rescission, in fiscal year 2008, an increase of \$9.2 million. Budgetary resources available from all years and all sources for use by the agency totaled \$372.6 million in FY 2009 and \$356.2 million in FY 2008. The agency has two years in which to obligate appropriated funds and five years in which to complete the payout process.

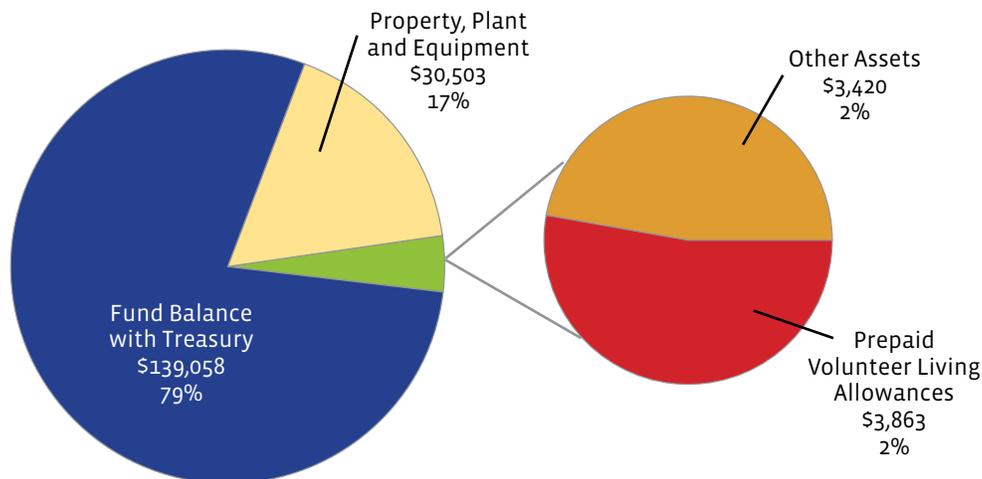
Analysis of Financial Condition

The Balance Sheet indicates total agency assets of \$176.8 million at the end of fiscal year 2009. This represents an overall increase of more than 10 percent over FY 2008 total assets of \$158 million. The \$21.1 million increase in the Fund Balance with Treasury was due to a \$13 million increase in the cash balance for unexpended appropriations and an \$8.3 million increase in non-entity funding for personal services contractors' separation pay. Partially offsetting those increases was a net \$1.9 million decrease in the Property, Plant, and Equipment (PP&E) primarily due to activating two software applications late in FY 2008 that were fully depreciated during FY 2009, reducing the overall net book value reported in the financial statements.

Assets. Total assets of the Peace Corps reflected in the Balance Sheet were \$176.8 million as of September 30, 2009. The most significant assets were the Fund Balance with Treasury at 79 percent and PP&E at 17 percent as shown in the chart below.

FY 2009 Assets by Type

(Dollars in Thousands)



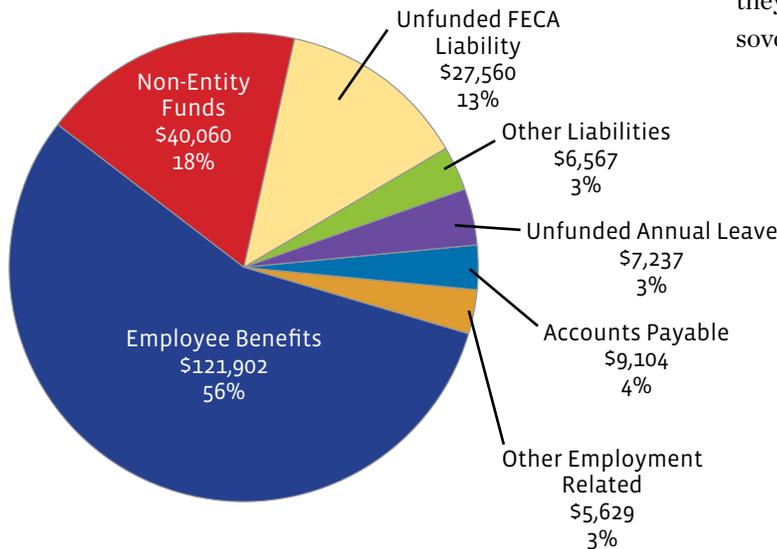
Liabilities. The Peace Corps had total liabilities of \$218.1 million at the end of fiscal year 2009, as reported on the Balance Sheet. The increase in liabilities of \$1.4 million from the FY 2008 level of \$216.7 million was due to a \$2.6 million increase in the federal employee benefits actuarial projection as calculated by the Department of Labor, and a \$1.2 million decrease in contingent liabilities for administrative proceedings, legal actions, or claims reported at the end of FY 2009. Areas of significant change include an \$8.3 million increase in non-entity fund liability for the personal services contractors' separation and a decrease of \$8.8 million to the unfunded employment related liability for the personal services contractors.

The net cost of operations at \$323.6 million indicates the gross costs of the Peace Corps decreased by \$33.8 million during FY 2009 due to the full year's impact of the FY 2008 reduction in the agency's personnel, the favorable effect of the U.S. dollar on global currencies, and an increase in earned revenues from other governmental agencies.

Limitations of the Principal Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the Peace Corps, pursuant to the requirements of 31 U.S.C.3515 (b). While the statements have been prepared from the entity's books and records in accordance with generally accepted accounting principles for federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

FY 2009 Liabilities by Type
(Dollars in Thousands)





Analysis of Systems, Controls, and Legal Compliance

Management Assurances

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act of 1982 (FMFIA) requires agencies to establish accounting and administrative controls to include program, operational and administrative areas, in addition to accounting and financial management. The implementation of internal accounting and administrative controls must provide reasonable assurance that (i) obligations and costs are in compliance with applicable law; (ii) funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and (iii) 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. The FMFIA establishes overall requirements for internal control and requires that the agency head evaluate and report annually on the control and financial systems that protect the integrity of federal programs (Section 2 and Section 4 of FMFIA, respectively). OMB Circular A-123, Management's Responsibility for Internal Control, implements the FMFIA and defines management's responsibility for internal control in federal agencies. The three objectives of internal control are to ensure the effectiveness and efficiency of operations, reliability of financial reporting, and compliance with applicable laws and regulations. The safeguarding of assets is a subset of all of these objectives. OMB Circular A-127, Financial Management Systems, prescribes policies and standards to follow in managing financial management systems.

Internal Control within the Peace Corps

The agency's senior assessment team established during FY 2006 and led by the Chief Financial Officer continued to conduct oversight of the Peace

FY 2009 Annual FMFIA Assurance Statement

The Peace Corps assessed the effectiveness of the internal controls to support effective and efficient operations, reliable financial reporting, and compliance with applicable laws and regulations in accordance with the Federal Managers' Financial Integrity Act of 1982 (FMFIA) Section 2 and OMB Circular A-123. Based on this assessment, the Peace Corps can provide reasonable assurance for FY 2009 that its internal control over the effectiveness and efficiency of operations, financial reporting, and compliance with applicable laws and regulations was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

The Peace Corps conducted its assessment of whether the financial management systems conform to governmentwide 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 the FMFIA Section 4 and OMB Circular A-127 for FY 2009.

Aaron S. Williams, Director
November 16, 2009

Thomas Bellamy
Acting Chief Financial Officer
November 16, 2009

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Agency Performance

Introduction

In FY 2009, Peace Corps focused on translating the new Strategic Plan into action. The agency was re-energized at all levels to achieve the three core goals of the agency, in particular by strengthening the collaboration, communication, and partnerships with the countries in which Volunteers serve. In an environment of resource challenges and other external constraints, the agency also strove to create effective management mechanisms and support for Volunteers.

The agency met 23 of the 36 measurable performance indicators for FY 2009 due to the dedicated work of the Volunteers and the staff around the world who support them. Of the 13 indicators where performance was not met, eight achieved substantial results. Two monitoring indicators also achieved substantial results and gave the agency new baseline data in order to set future targets.

Status of FY 2009 Performance Measures

FY 2009 is the first year the agency is reporting on the new set of performance goals and indicator targets outlined in the Peace Corps' FY 2009–2014 Strategic Plan. Overall, the agency achieved success in four of the five strategic goals, and met or exceeded targets in 64 percent of the 36 performance indicators.² The analysis of the indicators by performance goal is provided in this Agency Performance Section. The agency will continue to examine and hone its performance management system in FY 2010 to best measure and report on its work.

The chart below presents the agency's FY 2009 achievements as measured by performance goals and indicators.

² The agency established success in a strategic goal by achieving targets in two-thirds of the performance indicators under each strategic goal.

PERFORMANCE GOAL		Indicators	Reached
1.1.1	Ensure the effectiveness of in-country programs	3	2
1.2.1	Ensure the effectiveness of in-country training	3	3
1.3.1	Increase the effectiveness of skills transfer to host country individuals, organizations, and communities	4	3
2.1.1	The work and life experiences of Volunteers in-country promote host country national learning about Americans	3	2
3.1.1	Volunteers share their in-country experiences with family, friends, and the American public	3	2
3.1.2	Increase returned Peace Corps Volunteers' cultural outreach to the American public through Peace Corps programs	2	1
4.1.1	Recruit Volunteers who balance the needed manpower and technical needs at posts with the available applicant pool and its skills	2	2

PERFORMANCE GOAL		Indicators	Reached
4.1.2	Manage Volunteer recruitment functions in an effective and efficient manner	2	1
4.2.1	Recruitment and Volunteer placement efforts reflect the diversity of Americans	2	2
5.1.1	Enhance the safety and security of Volunteers	4	1
5.1.2	Provide quality medical and mental health services to trainees and Volunteers	3	3
5.2.1	Provide effective and responsive financial management that accurately reflects domestic and overseas operations	2	0
5.2.2	Ensure the effective management of Peace Corps resources	2	0
5.2.3	Review and improve critical Peace Corps work processes to ensure optimal performance	1	1
TOTAL INDICATORS		36	23



Business Volunteer, Mongolia



Annual Performance Results

Strategic Goal 1: Enhance the capacity of host country individuals, organizations, and communities to meet their skill needs.

In order to enhance the capacity of host country individuals, organizations, and communities, the agency must first work with the host country to identify its needs. To do this, the agency must have open communication and a positive working relationship at all levels—with the host country governments, partner organizations, communities, and counterparts.

The project framework and activities are designed, in collaboration with national sponsoring agencies, to meet the development needs of the country. Additionally, numerous cross-cutting initiatives are integrated into all sectors, as appropriate, and allow for agility in recognizing shifts in skills needed on the ground. During the time horizon of this Strategic Plan, the agency will place greater attention on the environmental, educational, and food security issues that are critically important and interrelated to addressing the basic development issues in the countries served by Peace Corps. Once country needs are identified, the agency must provide appropriate Volunteers who are trained to effectively build individual and organizational capacity through the transfer of skills. Thus, it is essential to provide Volunteers with adequate language, cultural, technical, and capacity-building training.

Throughout the year, Peace Corps posts collect detailed qualitative and quantitative data from all Volunteers about their activities via the Volunteer reporting tool, an electronic data management system. Each Volunteer reports on his/her activities and the outcomes, with the objectives in the sector-specific projects. Measuring host country capacity building is a major activity within each project and Volunteers report on these results in the reporting tool.

Additionally, the Peace Corps is conducting field evaluations to assess Peace Corps' success in transferring needed skills to, and building the capacity of, host country nationals. The evaluations identify in what way and to what degree skills transfer and capacity building occur as Volunteers work alongside their host country counterparts and community members.

Outcome Goals:

- 1.1 Country programs fulfill host country skill needs.
- 1.2 Volunteers have the competencies necessary to implement a country program.
- 1.3 Host country individuals, organizations, and communities demonstrate an enhanced capacity to meet their own needs.

Performance Goal 1.1.1:

Ensure the effectiveness of in-country programs.

Agency Level Performance Indicators:

Performance Indicators 1.1.1	FY 09 Target	FY 09 Result
a. Percentage of project plans meeting the expressed needs of the host country	85%	97%
b. Percentage of posts providing annual progress reports to their host country agency sponsors and partners	75%	53%
c. Enhance the average length of service of Volunteers to equal or exceed 21 months	21 months	22.1 months

Results and Analysis:

A well-designed development program should include active participation and collaboration on the part of host country agency sponsors. This practice is the foundation of Peace Corps' work, beginning with the invitation from the host country to Peace Corps to work with them and continuing through the community-based participatory assessments of assets and needs with local partners.

At the beginning of the fiscal year, Peace Corps posts reported a total of 204 projects worldwide. Of those, 97 percent report that the plans reflect the development needs of the country, thus exceeding the target. The reasons for achieving this high number are twofold: first, regional management emphasized to the field the importance of completing the project documentation, and second, the agency provided training and technical assistance to project managers and other staff on ways to achieve compliance with the Peace Corps' approach to participatory development for capacity building. In August 2008, the agency reviewed all project plans and identified those that required a more detailed explanation of the consultation process with host country partners. Throughout the year, headquarters technical staff worked with Peace Corps overseas staff to both improve the consultative process and improve the description of the process.

Reporting annually to host country agency sponsors on the progress of the program is another important aspect of collaboration and increases accountability of the Peace Corps to the host country. The agency did not meet the target for this indicator. In 2009, 53 percent of posts shared with host country partners the annual reports that described all post projects. An additional 20 percent prepared reports on some, but not of all their projects. Annual reports are prepared in the host country language and English, are often shared on post websites, and are welcomed by host country agencies.

Typically, posts reported they combined information from firsthand Volunteer reports, site visits by in-country technical staff, and photos and vignettes to produce a printed brochure that was shared with government ministries and other host country sponsors. An alternate approach used by one post was to ask all Volunteers leaving service during the year to prepare a booklet of photos and descriptions of their work for the sponsoring agencies and their host communities. Some posts that previously had shared annual program achievements informally moved in FY 2009 to more structured reports and used the opportunity to engage in a dialogue with partners.

Two constraints were reported by posts that did not prepare annual reports: budgetary limits and staff shortages.

The effectiveness of Peace Corps' in-country programs is directly related to the length of service of a Volunteer. Longer-serving Volunteers are more fully integrated into their communities, have acquired greater language proficiency, and report higher rates of satisfaction with their work as they have become more comfortable with, and rewarded by, their Peace Corps service.

The average length of service in FY 2009 improved above the target to 22.1 months and the annual resignation rate decreased to 7.3 percent, the lowest in 10 years.

Performance Goal 1.2.1:

Ensure the effectiveness of in-country training.

Agency Level Performance Indicators:

Performance Indicators 1.2.1	FY 09 Target	FY 09 Result
a. Percentage of Volunteers meeting local language requirements for service, per post testing standards	85%	93%
b. Percentage of Volunteers reporting training as adequate or better in preparing them technically for service	70%	80%
c. Percentage of Volunteers reporting training as adequate or better in preparing them to work with counterparts	60%	79%

Results and Analysis:

Proficiency in the language of the host community is a core competency for all Volunteers. Peace Corps' certified language instructors test Volunteers on language training at the end of the pre-service training. The agency language scores show that the agency met its target.

In FY 2009, Volunteer satisfaction with technical training exceeded the target. Eighty percent of Volunteers reported technical training as adequate or better. Technical training to prepare Volunteers to meet the specific needs of their communities is a key component of the preparation Peace Corps provides trainees prior to beginning service in-country. Volunteers participate in additional technical training sessions throughout their service, through formal and informal workshops and site visits from staff and technical experts.

The target was exceeded because of the efforts of the training staffs at post and at headquarters. In early FY 2009, several agencywide workshops were held to respond to the findings of the FY 2008 Volunteer survey. The Peace Corps held development and evaluation workshops in the field for overseas staff in all geographic regions, and increased post technical consultancies from the headquarters' sector specialists. Guidance provided to posts via electronic workshops, additional support through e-learning portals, and the conduct of workshops in training design and evaluation contributed to this improvement. Additionally, the agency created a partnership with USAID to provide a senior food security advisor to strengthen training in food security, an area of increasing importance in Peace Corps programming.

Volunteers report they are well prepared to work with counterparts during their service, demonstrating that training has been effective in enabling them to gain critical skills needed for their assignments. Working with host country counterparts can be a rewarding and challenging aspect of a Peace Corps Volunteer's experience. Volunteers and counterparts connect through their jobs and community activities and the counterparts are key community members with whom Volunteers share knowledge and skills.

Volunteers' satisfaction with the training on how to work with their host country counterparts significantly exceeded the target. Three regional workshops sponsored by headquarters brought overseas training staff together to share best practices among posts. The Strategic Plan indicators were featured at the workshops and staff members were encouraged to identify practical ways posts had developed to train Volunteers.

The agency also made improvements in FY 2009 in the way it measures, assesses, and supports overseas staff capacity and performance. This was done to improve the training of Volunteers, as the Volunteers work directly to build the capacity of host country staff, organizations, and communities. Moreover, the agency conducted an internal assessment of the effectiveness of the office responsible for providing programming and training support to overseas staff at post. In response to the assessment, the agency is implementing numerous recommendations, including substantial organizational and functional changes so the office engages in overseas staff capacity building in addition to traditional functions of supporting Volunteer programming and training. Specifically, overseas staff training shifted from a four-week general orientation to more targeted training for different categories of overseas staff.

The agency continues to look to technology to assist in effectively leveraging expertise and knowledge through online collaboration and knowledge management platforms. The agency is exploring pre-departure online training for "invitees" to enhance language, cross-cultural, and other skills prior to departing for their country of service. Additionally, the agency's new online collaboration program is used by staff worldwide to share best practices and acquire information.

Performance Goal 1.3.1:

Increase the effectiveness of skills transfer to host country individuals, organizations, and communities.

Agency Level Performance Indicators:

Performance Indicators 1.3.1	FY 09 Target	FY 09 Result
a. Percentage of Volunteers reporting that their work transferred skills to host country individuals and organizations adequately or better	70%	88%
b. Percentage of Volunteers reporting their HIV/AIDS education and outreach is effective	75%	59%
c. Percentage of projects documenting increases in host country national capacity	70%	91%
d. Percentage of partner organizations reporting their assigned Volunteers fulfilled their requested need for technical assistance	50%	52%

Results and Analysis:

Transferring skills and building the capacity of host country partners is the key result expected of Peace Corps work. In order to build sustainable local capacity, Peace Corps Volunteers' assignments focus on transfer of skills to host country individuals and organizations in such areas as teaching and teacher training, community development, and health.

In FY 2009, the number of Volunteers reporting in the agency's annual survey of Volunteers that they had transferred skills to host country individuals significantly exceeded the target. The agency emphasized to Volunteers and overseas staff the importance not only of achieving results, but measuring the outcomes of the activities. Volunteers received additional training through evaluation workshops and WebEx sessions. In FY 2009, the new electronic Volunteer reporting tool was deployed, which greatly increased Volunteers' ability to track the number of individuals who may have gained new skills and knowledge. Significant training was provided during the roll-out of this tool, which also included training on methods to measure capacity building and skills transfer.

The target established for Volunteer achievements in HIV/AIDS activities was not reached. In FY 2009, all Volunteers were encouraged to conduct activities related to education and outreach on HIV/AIDS. Results from the Volunteer survey show that Volunteers whose primary assignment was in the health/HIV/AIDS sector reported being more effective than Volunteers who participated in HIV/AIDS activities after work and on weekends.

Nevertheless, prevention outreach and education is a difficult assignment for all Volunteers because of the taboo of discussing sex and sexuality in the communities in which they work. More than one-third of Peace Corps posts (26) reported their Volunteers face difficulties discussing HIV/AIDS because of stigma and/or religious beliefs and cultural sensitivities surrounding the disease and sexuality in general. A Peace Corps staff member in one African post wrote, "In rural communities, HIV/AIDS is still a taboo subject. ... It is difficult for [Volunteers] to easily talk about it with target populations." The stigma that people living with HIV/AIDS encounter also makes effective engagement with these vulnerable populations very difficult for Volunteers.

Even when Volunteers are able to impart HIV/AIDS information, they are not able to predict how effectively the students will use the information. Said one Volunteer, "While students involved seem enthusiastic about the (HIV/AIDS) message and grasp the material, it is difficult to tell what they will do with it."

Many Volunteers report challenges in measuring the effectiveness of their HIV/AIDS interventions; they know they taught the lesson, but are unsure if that knowledge results in behavior change. To address this, Peace Corps is placing an emphasis on integrating behavior change concepts into programming and training. Beginning in FY 2009, Peace Corps strengthened field staff capacity to train Volunteers in behavior change communication. In FY 2009, the Peace Corps organized six subregional workshops to introduce the concept of behavior change communication to staff. In FY 2010, additional behavior change communication workshops, using a training-of-trainer model, are planned. In addition to focusing on how to train Volunteers to design and implement appropriate HIV/AIDS outreach activities, these workshops will incorporate monitoring and evaluation methods to enable Volunteers and their counterparts to more ably measure the effectiveness of their work.

All project plans have indicators for measuring capacity building. The methods used to measure capacity building, however, are different across the six sectors in which Peace Corps operates. Some have yet to identify

the most effective ways to measure skills transfer. Of those reporting that they document capacity building, all rely on Volunteers' reports. Seventy-two percent used "documented observations" to demonstrate changes; 47 percent conducted project evaluations. Another 30 percent used pre- and post- tests, most often in the English language programs, though not exclusively. In some countries, Peace Corps works within the national testing system, such as in Ukraine, where the government requires Peace Corps to collect this information from Volunteers' worksites.

Constraints to documenting capacity building and skills transfer exist. Cultural barriers sometimes restrict the type of information that can be collected and partner organization feedback is often not timely. Nevertheless, the Peace Corps staff in one country creatively overcame this reluctance and developed a culturally sensitive questionnaire for host schools that allowed counterparts and school directors to assess Volunteers' impact.

Finally, a Peace Corps Volunteer serves for two years and may not observe the changes resulting from his/her work within that period. The agency's impact studies report that host country nationals, many of whom are interviewed several years after a Volunteer served in their community, are more positive about the new skills learned and maintained than the Volunteer observed.

The agency met the target for requesting information concerning the degree to which Volunteers fulfilled the organization's needs. Most frequently (98 percent) posts sought the partners' feedback during visits to the Volunteers' worksites, a Peace Corps best practice. Post staff also solicited feedback during training courses that partners were invited to join (88 percent). Nearly half (42 percent) of posts convened project advisory committees—a working group of host country sponsors, such as government ministries and district officials, Volunteers, and Peace Corps staff.

Strategic Goal 2: Promote a better understanding of Americans on the part of host country individuals, organizations, and communities served by Volunteers.

The Peace Corps sends Volunteers to countries around the globe to help promote a better understanding of Americans on the part of the host country individuals, organizations, and communities they serve. A key to effectively sharing about Americans is to ensure that Volunteers learn the local language, customs, and culture, and can live and work alongside host country nationals in a manner that builds trust and a willingness to work together. Thus, the Peace Corps structures its program to maximize a Volunteer's ability to integrate into the local community, earning a trust and ability to share a better understanding of Americans.

Cross-cultural training for both the Volunteers and their counterparts, the specific host country nationals with whom the Volunteers work on a regular basis, is another key factor in providing the groundwork for positive interactions in which Volunteers share a better understanding of Americans. Effective training can break down cultural barriers that exist through lack of knowledge of cultural norms. The Peace Corps strives to ensure that the pre-service and in-service training prepares Volunteers to integrate into their communities and work with their counterparts to build cross-cultural understanding, in addition to carrying out development projects.

Volunteers help promote a better understanding of Americans through their service in host country communities. While Volunteers experience the same living conditions as the host people they serve, Volunteers also exemplify the diversity, characteristics, and values of the American people. As one of the expectations set out for Volunteers, they realize they represent Americans in their community and are mindful of that responsibility.

Outcome Goal:

2.1 Host country individuals and communities learn about Americans through shared experiences with Peace Corps Volunteers.

Performance Goal 2.1.1:

The work and life experiences of Volunteers in-country promote host country national learning about Americans.

Agency Level Performance Indicators:

Performance Indicators 2.1.1	FY 09 Target	FY 09 Result
a. Percentage of Volunteers reporting that training prepared them to manage cultural differences during service adequately or better	91%	92%
b. Percentage of posts conducting supervisory/counterpart training on working effectively with Volunteers	95%	100%
c. Percentage of host country nationals who have interacted with Volunteers who believe that Americans are committed to assisting other peoples	Target not set. Under development based on ongoing field evaluations	44%
d. Percentage of Volunteers reporting that their work helps promote a better understanding of Americans on the part of the peoples served	75%	74%

Results and Analysis:

In FY 2009, two of the three measurable targets set for this outcome goal were met. A high number of Volunteers report they feel well-prepared for the cross-cultural part of their service, that they have observed changes in their counterparts' attitudes toward Americans, and that their perceptions of the host country individuals with whom they interacted have changed.

Volunteers reported high satisfaction with cross-cultural training provided by the agency. Such training increases the Volunteers' understanding of the culture in which they will live and work and teaches a set of skills and establishes a framework so they can make sense of what is experienced. Volunteers who report that they are well prepared to work with counterparts demonstrate that training was effective in enabling them to gain critical skills needed for their assignment.

Of equal importance for the Peace Corps is providing training for the counterparts or partners of the Volunteers, so they can understand American culture to better understand the Volunteer, and to help the Volunteers adjust to the local culture and integrate into their communities. All posts conducted training for counterparts and supervisors. The training ranged from a counterpart orientation when Volunteers moved to their sites to technical training conducted jointly with the Volunteers.

The Peace Corps began conducting field evaluations in FY 2009 to obtain host country national perspectives of their understanding of Americans as a result of interacting with Peace Corps Volunteers. The goal of the research is to learn the extent to which host country partners, with whom Volunteers live and work, exhibit a willingness to learn from the Volunteer, observe and learn about Americans, have new perceptions about Americans, and increasingly trust the Volunteer. The evaluations examine the experience from various

angles, seeking to understand the knowledge, attitude, and behavior changes that occur within host country populations through their work and contact with Volunteers.

Baseline data from the FY 2008 pilot phase (144 individuals from three countries) indicated that 81 percent spontaneously reported they thought Volunteers exhibited a caring attitude toward the community.

Nine studies were initiated in 2009. At the end of FY 2009, complete data had been analyzed from three country studies (Bulgaria, Burkina Faso, and Nicaragua) and partial data from two (Jamaica and Romania). Of the 339 individuals for whom data are available, 44 percent spontaneously mentioned that after living or working with Volunteers, they thought Volunteers exhibited a caring attitude toward the community. This data should be read with caution because the data is based on host country nationals' responses to a general question: "Can you briefly describe what you think of Americans as a result of working with Peace Corps Volunteers?" Eighty-six percent reported having a more positive view as a result.

Peace Corps Volunteers promoted a better understanding of Americans in a variety of ways, from sharing the customs of American holidays and food to discussing current events and geography. One said, "I think the issue of time and accountability are good examples of how host country nationals have gained a better understanding of Americans. There are also the general cultural differences in terms of food, music, language, and dress that are good examples. Host country nationals are constantly surprised by my ability to eat the local food. I am often asked questions about the geographical makeup of America or if Americans own cattle. I have been given many opportunities to talk about my upbringing; how the school system operates in America. Host country nationals have shown interest in these broad details, as well as wanting to know about my personal life."

Strategic Goal 3: Foster outreach to Americans through agency programs that assist Volunteers and returned Peace Corps Volunteers to help promote a better understanding of other peoples on the part of Americans.

Volunteers and returned Peace Corps Volunteers (RPCVs) support Peace Corps' third goal "to promote a better understanding of other peoples on the part of Americans," through formal and informal interactions during and after their Peace Corps service. The agency supports such interactions by establishing programs that encourage outreach to the American public through a variety of means, such as personal interaction, electronic communication, and cross-cultural education curricula. The interactions are both one-on-one and in large group settings in classrooms, schools, civic clubs, and with other audiences.

The Peace Corps' education partners at the K-12 and university levels are emphasizing global awareness and 21st century skills, creating a positive environment in which to expand Peace Corps' programs. The programs target different segments of the population, ranging from age-based curricula to a Correspondence Match program that connects a Peace Corps Volunteer with an American classroom, to a master's level program in which a Peace Corps Volunteer's service helps make progress toward his or her degree. Additionally, the Peace Corps Partnership Program, in which students, clubs, individuals, and organizations provide funds to assist a Peace Corps Volunteer and his or her host community in completing a community driven project, creates a strong connection between the American public and communities overseas.

Outcome Goal:

3.1 Americans have increased awareness and knowledge of other cultures and global issues.

Performance Goal 3.1.1:

Volunteers share their in-country experiences with family, friends, and the American public.

Agency Level Performance Indicators:

Performance Indicators 3.1.1	FY 09 Target	FY 09 Result
a. Percentage of Volunteers participating in the Coverdell World Wise School program	60%	57%
b. Number of individuals and organizations supporting the Peace Corps Partnership Program	8,000	10,595
c. Number of youth-serving programs hosting Volunteer activities	4,600	4,700
d. Monitor the percentage of Volunteers who report sharing their experiences with family, friends, and the American public	No target. Agency is monitoring the activities	99%

Results and Analysis:

Volunteers' participation in Peace Corps' Coverdell World Wise Schools Correspondence Match program (a program that matches Volunteers with American school children and other correspondents) didn't grow as expected in FY 2009. The major challenges the program faced were minimal resources for marketing a speakers match program and inadequate data management resources that constricted tracking of users of the program and requests coming through the regional recruiting offices for speakers match. Coverdell World Wise Schools plans to collaborate closely with a third goal specialist from Returned Volunteer Services to conduct outreach to, and track, external groups to increase the number of speakers matching RPCVs with school-based groups. Coverdell World Wise Schools will continue its three-year project to work with various agency offices to secure the necessary technology resources to manage its speakers match data.

Nevertheless, increased outreach during Volunteers' in-country training helped motivate them to correspond with American students about life in their host countries. One Volunteer stated, "It has been very rewarding communicating with a high school class in Kentucky. I think I have opened a window to the world for them and they have helped me view Moldova from their fresh perspective."

Comments received from teachers in FY 2009 show the impact Volunteers have on broadening students' world view. "The Correspondence Match program has been a unique way for the students of one high school to connect with the world beyond the confines of our small town," a teacher said. "So why is the World Wise Schools program important? My students learn more than geography and language arts: They learn perspective and empathy."

The number of programs served through the Correspondence Match program nearly met the target. Continued outreach with professional education organizations increased the number of schools aware of the program and interested in participating. Topics remain timely and relevant to today's challenges.

The Peace Corps Partnership Program helped achieve results in the agency’s first and third core goal areas, increasing Americans’ understanding of other cultures by inviting individuals or groups to donate funds to specific Peace Corps projects. In FY 2009 the number of U.S. donors, who collectively contributed \$1.7 million, surpassed the target.

The Partnership Program links donors in the United States with Volunteers and their host communities overseas. For example, a Peace Corps Volunteer in Togo initiated a “Take Our Daughters to Work Week,” with Peace Corps Partnership funds. The project successfully addressed gender and development issues in the Plateaux Region of the West African country.

The funds gave the Volunteer a mechanism to work with community members to identify local development needs, then raise funds and find creative ways to meet those needs. It also allowed family, friends, and community to connect in a meaningful way with people in Togo.

The agency’s third goal is furthered as currently-serving Volunteers communicate in “real time” about daily life in their host countries. Technology use, such as podcasts, blogs, Twitter, and personal websites, increased in FY 2009 and allowed even more Volunteers to share their Peace Corps experience with friends and family back home.

Performance Goal 3.1.2:

Increase returned Peace Corps Volunteers’ cultural outreach to the American public through Peace Corps programs.

Agency Level Performance Indicators:

Performance Indicators 3.1.2	FY 09 Target	FY 09 Result
a. Number of RPCVs participating in agency-initiated activities	7,700	9,102
b. Number of schools impacted by the activities of RPCVs	550	502

Results and Analysis:

RPCVs participating in agency-initiated activities are the strongest promoters of the third goal. These headquarters-sponsored programs exceeded the target in FY 2009.

Sharing Volunteer experiences helped to promote an increased awareness of other countries, cultures, and global issues on the part of Americans. In FY 2009, RPCVs shared their Peace Corps’ experiences in classrooms, with youth and other civic groups, and at community events nationwide. The number of RPCVs enrolled in the Fellows/USA graduate program reached an all-time high and the program added six new universities. RPCVs also served as cultural resources to support Peace Corps recruiters when they hosted informational meetings with potential applicants to Peace Corps.

The number of schools reached through the agency-sponsored program to match RPCVs with schools requesting speakers fell slightly below the target due primarily to inflated baseline figures that included one-time focused events for groups such as the Girl Scouts.

Strategic Goal 4: Provide Volunteers who represent the diversity of Americans to meet the evolving technical needs of host countries.

The Peace Corps is charged with helping host countries meet their needs for trained men and women. Essentially, the agency must recruit the “supply” to meet the “demand” for specific skill sets. Thus, it is important to have well refined systems in place to help synchronize the recruitment of individuals with appropriate skill sets with the evolving technical needs of host countries throughout the world. Moreover, since the agency also has a critical cross-cultural component to its mission, it is important that the Volunteers recruited reflect the rich diversity of America.

The Volunteer Delivery System (VDS) is the continuous cycle of Volunteer recruitment, screening, and placement that allows the Peace Corps to deliver the best qualified Volunteers to meet the needs of the agency’s host countries. The Peace Corps has strategically aligned its VDS with the agency’s mission, modernizing its processes to speed up the delivery process and to reach diverse groups more effectively.

Peace Corps Volunteers are the face of America in the communities in which they serve. When Volunteers reflect the rich diversity of our multicultural society, they help their host communities gain a better understanding of the United States and the values of the American people. Furthermore, more experienced Volunteers often bring skill sets and life experience that can also bring a different perspective to host communities.

Outcome Goals:

- 4.1 Volunteers provided at every post meet the evolving technical needs of host countries.
- 4.2 Trainees assigned to serve overseas represent the diversity of Americans.

Performance Goal 4.1.1:

Recruit Volunteers who balance the needed manpower and technical needs at posts with the available applicant pool and its skills.

Agency Level Performance Indicators:

Performance Indicators 4.1.1	FY 09 Target	FY 09 Result
a. Maximize the number of Volunteers serving annually based on available funding and the provision of support to ensure their optimal effectiveness	7,300	7,671
b. At least 95% of the number of trainees and skills sought annually are met	95%	96%

Results and Analysis:

The agency achieved its target for the number of Americans serving in the field at the end of the fiscal year, with 7,671 Volunteers serving in 68 posts worldwide. In FY 2009, 3,694 new trainees were sent around the world, and almost every one met the specific request of a host country. The agency continues to find ways to balance the supply and demand of Volunteers in order to best serve its partners abroad.

Volunteer on-board strength in FY 2009 was slightly lower than in FY 2008. This decrease was largely due to budget constraints that forced the agency to trim training classes in order to maintain quality and support Volunteers already in the field. As such, the agency took FY 2009 as an opportunity to reflect on how best to

ensure quality growth and strong Volunteer support in order to expand training input to overseas posts in FY 2010 and beyond.

Headquarters works closely with overseas posts and the regions to best match the supply of qualified applicants to the needs of our overseas partners. The majority of positions requested by the overseas posts are directly matched by individuals with the requested skills.

The degree to which Volunteers’ skills meet host country needs is corroborated by information in the agency’s impact evaluations, gathered from host country partners. In the evaluations, partners were asked to comment on the extent to which Volunteers’ projects meet their needs. In three of four countries in which evaluations were conducted in FY 2009, the partners said the Volunteers met their needs to a large extent. In one country, the needs were met on a smaller scale.

Performance Goal 4.1.2:

Manage Volunteer recruitment functions in an effective and efficient manner.

Agency Level Performance Indicators:

Performance Indicators 4.1.2	FY 09 Target	FY 09 Result
a. Redesign the Volunteer Delivery System and implement recommendations to improve its effectiveness	Complete redesign of critical processes and prioritize implementation of recommendations	Achieved
b. Reduce the response time to applicants from 100 days in FY 2009 to 80 days by the end of FY 2011	100 days	123 days

Results and Analysis:

The agency initiated a major effort to redesign the Volunteer Delivery System (VDS). This modernization will bring the Peace Corps into the 21st century with an integrated, efficient and comprehensive life cycle management system—from applicant to returned Peace Corps Volunteer (RPCV)—providing new and better tools to recruit and place highly qualified, service-oriented individuals. The first step, analysis of a redesign and prioritizing the implementation of recommendations, was completed in FY 2009. Plans are underway to develop and implement the first phase of the new system in FY 2010.

Customer service, in the form of responsiveness to interested Americans during the Peace Corps application process, has long been a priority. In FY 2009, the agency nearly achieved its target in response time by continuing to improve its internal business processes, improving technology use to track applicants, and automating steps whenever possible. The timeliness data analyzed in FY 2009 is even more accurate than in past years, which in turn uncovered faulty methodology for setting the baseline targets, one of the main reasons the target was not met. Thus, the improved data collection and analysis suggests that the baseline mapped to set the new targets may have been too aggressive based on poor data quality. The improved data will allow the agency to better monitor and make improvements in this area.

Performance Goal 4.2.1:

Recruitment and Volunteer placement efforts reflect the diversity of Americans.

Agency Level Performance Indicators:

Performance Indicators 4.2.1	FY 09 Target	FY 09 Result
a. Number of mid-career and age 50 and older applicants	1,500	2,041
b. Number of applicants of diverse ethnicities	2,100	3,070

Results and Analysis:

FY 2009 saw a second straight year of increased applications, with a total of over 15,000 (an all-time high in total applications since the agency went to electronic records). While the bulk of applicants are near college age, among those Americans desiring a chance to serve in the Peace Corps were a number of experienced individuals, as well as an increasingly diverse pool of applicants.

With the strong increase in total applications, the agency met its FY 2009 goals for both experienced and ethnically diverse applicants. The likely impetus for the increase in applications among this demographic is President Obama's call to service and the continued efforts for the agency to recruit skilled and experienced Americans. In addition, results were seen from the combined efforts of agency field-based recruiters, strategic recruiters, and the strategic planning that consolidated the efforts on national outreach and diversity.

As the Peace Corps looks to build a more ethnic, skill-specific, and age diverse corps of Volunteers, the agency will employ broad-based recruiting efforts, strategic planning, and innovative marketing. The agency will use specific research data for appropriate targeting of messages to specific populations, such as students, diverse populations, and more mature audiences. Targeted skill-specific outreach will take place through industry associations, federal agencies, and campus communities.

Strategic Goal 5: Implement the Peace Corps mission in an effective and efficient manner through the provision of high quality Volunteer support with optimal health care, safety and security support, and effective management of resources.

Peace Corps Volunteers serve at the grassroots level worldwide and experience the broadest range of social and environmental conditions, making health and safety risks an inherent part of Volunteer service. Staff and Volunteers work together to create a framework that maximizes, to the extent possible, Volunteers' well-being, enabling them to focus on their work. Furthermore, the effective management of resources ensures an excellent level of support to Volunteers in all aspects of their service.

Volunteer safety and security is the agency's highest priority. The agency has dedicated safety and security personnel at each post and headquarters who are part of an extensive safety and security support network. The agency enhances the safety and security of Volunteers by identifying risks, developing mitigation strategies, educating personnel, evaluating effectiveness, and incorporating feedback and appropriate policy revisions. Adequate training of staff and Volunteers and continual assessment are key factors in ensuring that Volunteers are well supported to carry out their work in a safe manner.

The agency is responsible for all aspects of a Volunteer's health care during Peace Corps service. The Peace Corps provides a comprehensive Volunteer health care program that focuses on the delivery of high quality care and service and addresses both the physical and mental health of Volunteers. This includes training,

access to counseling, and the provision of medical services. Peace Corps Volunteers work in very demanding environments; thus, the agency focuses on issues of Volunteer resiliency and coping with stress, especially since some Volunteers experience the emotional challenges of working with communities affected by HIV/AIDS.

Effective management of Peace Corps' domestic and overseas operations, including human and financial resources, is critical to carrying out the mission of the agency. The agency has a mechanism in place to send management assessment teams to support posts or offices in need of review and to make recommendations for improvement. Furthermore, the posts must work to integrate the many perspectives of their stakeholders—Volunteers, staff, and host country partners—in ensuring that their programs are on target and serving host country needs.

The Peace Corps strives for constant improvement to provide the most efficient and effective services to Volunteers, staff, host country partners, and in the fulfillment of its mission to the American people. In addition to the continual efforts to evaluate and enhance staff effectiveness throughout the agency, the Peace Corps regularly reviews its businesses processes.

Outcome Goals:

- 5.1 Volunteers are safe, healthy, and well supported to ensure their focus on Peace Corps' sustainable development and cross-cultural mission.
- 5.2 Peace Corps continually improves its staff and critical work processes and manages its resources in an effective and efficient manner.

Performance Goal 5.1.1:

Enhance the safety and security of Volunteers.

Agency Level Performance Indicators:

Performance Indicators 5.1.1	FY 09 Target	FY 09 Result
a. Percentage of Volunteers reporting that their safety and security training is adequate or better	95%	96%
b. Percentage of posts having their safety and security plans reviewed annually by Peace Corps safety and security officers	33%	21%
c. Percentage of posts implementing critical recommendations focused on Volunteer/trainee safety and security on a timely basis	100%	84%
d. Percentage of Volunteers reporting they feel "usually safe" or "very safe" where they live and work	90%	89%

Results and Analysis:

In FY 2009, 82 percent of the posts worldwide received visits from Peace Corps safety and security officers (PCSSOs). For much of the year, two positions were vacant in the field, which led to the agency not meeting the goal of PCSSOs carrying out full safety and security assessments at 33 percent of posts. It can be expected, however, that the agency will be able to meet a much higher percentage of full post assessments in FY 2010, as most of the remaining posts have already substantially met the requirements.

The percentage of Volunteers who rated their pre-service safety and security training as “adequate” to “very effective” was 96 percent, exceeding the goal set for FY 2009 (95 percent). Additionally, the percentage of Volunteers reporting that they feel safe where they live and work was 89 percent, missing the targeted goal for FY 2009 by less than 1 percent.

While the agency goal of 100 percent implementation of PCSSO recommendations was not met, the agency achieved an implementation rate of approximately 84 percent. It is anticipated that the few unresolved recommendations will be cleared within the first months of FY 2010.

Performance Goal 5.1.2:

Provide quality medical and mental health services to trainees and Volunteers.

Agency Level Performance Indicators:

Performance Indicators 5.1.2	FY 09 Target	FY 09 Result
a. Percentage of Volunteers rating their satisfaction with health care received from Peace Corps medical officers as adequate or better	90%	93%
b. Percentage of Volunteers reporting the emotional support received from Peace Corps staff as adequate or better	70%	81%
c. Percentage of Volunteers reporting adequate or better support in coping with stress issues of HIV/AIDS in their community	60%	73%

Results and Analysis:

The health of Volunteers is one of the agency’s top priorities, with individuals serving around the world in a variety of challenging environments. Volunteer satisfaction is just one of many components of health that the agency monitors and evaluates.

Further, the Peace Corps is working to utilize information technology to create an integrated health information management system. This will enhance the agency’s ability to provide exceptional customer service and an effective and efficient Volunteer health system from the application process through the post-service phase of a Volunteer’s experience.

As with safety and security, the health of the Volunteer is a major focus of the Peace Corps staff. The agency exceeded its targets on all three indicators, showing Volunteers feel satisfied with the health support they receive from the Peace Corps. The fact that satisfaction is high is significant. The Peace Corps works to ensure that the quality of physical and mental health care provided to Volunteers remains high and that the quantity is appropriate.

In open-ended responses in the annual Volunteer survey, Volunteers expressed satisfaction with the resources that Peace Corps staff have in place to cope with stress issues. A Volunteer in Eastern Europe said, “Peace Corps has made me well aware that there are extensive networks in place for me to use and have made sure that I am aware of how to get in contact with the right people.” A Volunteer in Africa said, “They do make sure we know ways to overcome food insecurity at least in our compounds. They also treat HIV/AIDS very seriously.” Further, 80 percent of the Volunteers said they were satisfied with the time and resources that Peace Corps allocates to issues of mental health.

Performance Goal 5.2.1:

Provide effective and responsive financial management that accurately reflects domestic and overseas operations.

Agency Level Performance Indicators:

Performance Indicators 5.2.1	FY 09 Target	FY 09 Result
a. Percentage of posts and headquarters offices managing resources within approved budgets and operational plans	95%	83%
b. Percentage of posts and headquarters offices annually reviewing resource management ratios for improvement	95%	Not fully implemented

Results and Analysis:

New to the FY 2009-2014 Strategic Plan are indicators focusing on financial management of the agency. An important component to the quality growth and support of Volunteers, fiscal responsibility is an agency priority.

All major offices and overseas posts are required to operate within their approved budgets and plans. In this first year of measuring this indicator, overseas posts, in general, met their targets. Major domestic offices were under budget due mainly to unfilled staff positions caused by budget challenges early in the year and to staff departing and not being replaced with the arrival of a new administration.

In FY 2008, the agency began a systematic review of resource management ratios in order to identify and monitor efficiency and effective management. Each department began a review, analyzed its operations and identified the best measurements for their particular organization. The process was not completed in time to implement during FY 2009, so the agency will review and implement the ratios during FY 2010 and report results in next year's performance report.

Performance Goal 5.2.2:

Ensure the effective management of Peace Corps resources.

Agency Level Performance Indicators:

Performance Indicators 5.2.2	FY 09 Target	FY 09 Result
a. Percentage of post projects engaging host country officials in their formulation and implementation	95%	94%
b. Percentage of posts and headquarters offices with documented personnel practices that include staff development, performance management, and awards and recognition policies	70%	56%

Results and Analysis:

The agency fell just below the target for engaging host country officials in project design and implementation. Peace Corps executes a memorandum of understanding with the host country when entering a country. This indicator measures the degree to which this initial step of collaboration continues as the projects unfold. A frequent vehicle for engaging local stakeholders is the process of identifying where a Volunteer will work and what activities they will undertake. Another productive area for engaging local partners comes during joint training, with supervisors, partners, and Volunteers learning together.

The project advisory committee is an established practice at Peace Corps as a method to engage host country partners with staff and Volunteers. This ensures continuing dialogue over the life of a project. Formal briefings are often appropriate for higher level officials and were mentioned by some posts as an additional method for engaging officials.

Budgetary constraints restricted the number of project advisory committee meetings some posts could convene and they relied, instead, on informal dialogues through phone conversations, focus groups, and other informal meetings with stakeholders. Frequent turnover in government agencies was also mentioned as a constraint by a few posts.

The agency did not achieve the target for documenting personnel practices. Fifty-six percent of the agency’s operating units have documented practices in the three major areas of human resource management—performance, staff development, and awards. An additional 22 percent have documented practices in two of the three required areas. Headquarters staff operated under guidance from the human relations staff and the Peace Corps Manual section policy. Overseas posts operate in compliance with the local laws and regulations of each country. Nevertheless, in FY 2010 the agency will convene a working group to review and make recommendations on how posts can meet the requirements of this indicator.

Performance Goal 5.2.3

Review and improve critical Peace Corps work processes to ensure optimal performance.

Agency Level Performance Indicator:

Performance Indicator 5.2.3	FY 09 Target	FY 09 Result
a. Annually review, streamline, and implement improvements to at least one agency mission critical process	Minimum of one critical process per year	Achieved

Results and Analysis:

The Peace Corps, in its work to review and make changes to the cross-cutting agency processes, has ensured that the proper communication mechanisms and advisory councils are in place to review and recommend improvements to its programs. Several critical processes were reviewed by the agency during FY 2009.

Three areas of focus were listed in the FY 2009 Strategic Plan: the Volunteer Delivery System, a review of the human resource management strategy, and a review of the logistics of the medical supply inventory of the agency.

The first contribution to this performance measure is the completion of the new online Volunteer application, which contains a more comprehensive and visible understanding of the skills sets needed, clearer communication of the expectations of service and core values, and increased transparency of the medical clearance process. These changes will have a positive impact on many aspects of agency business.

The second set of processes reviewed relate to human resource management. The agency reviewed the processes for position management, performance appraisal management, professional development, recruitment, and continuity of information and guidance for organizational administrative staff. A number of changes were implemented. Posted on the agency Intranet were a comprehensive list of low- and no-cost training resources for use by employees and management; refreshing and standardizing position descriptions of record; and innovative recruitment practices (such as shortened and streamlined questionnaires for gathering applicant qualifications, sending out recruitment “tweets” on Peace Corps’ Twitter site, analyzing applicant and manager surveys on the applicant process, and tracking results of recruitment events).

The third process review was to improve the way the agency procures medical supplies (drugs, vaccines, nonprescription drugs). Medical supplies make up one of the agency’s largest procurement categories. A survey of all posts was conducted to determine current sources of supplies, as well as the availability and cost of supplies from local sources and regional or third-country sources. The purpose of the survey was to determine if using regional supply sources and relying less on the headquarters would produce cost-savings (save money, shorten lead times, and improve fulfillment rates). The data are being analyzed to determine if it is appropriate to consider establishing regional supply sources.



Education Volunteer, Cambodia



Program Evaluation

Annual Volunteer Survey

The Annual Volunteer Survey is administered by Peace Corps to ascertain Volunteers' judgments concerning their service. The survey results provide a candid, comprehensive picture of the activities, experiences, and views of currently-serving Volunteers. A primary focus of the survey is on Volunteers' perceptions of the extent to which their assignments have built local capacity and produced impact for the three goals of Peace Corps. Survey questions also cover several topics not covered in other assessments, such as questions about preparing for Peace Corps, challenges Volunteers face, and what they see as the best aspects of their service.

The survey uses online software to collect survey responses in a cost-effective manner. Survey results are disseminated shortly after the survey is completed, providing timely Volunteer feedback for headquarters' and posts' staff to evaluate and improve Peace Corps' programs.

Findings

Goal 1:

- Most Volunteers report achieving the short-term goals: achieving their primary assignment objectives and transferring skills to the people with whom they work.
- Many Volunteers work with young people and are involved in HIV/AIDS efforts, two activities likely to yield long-term capacity-building benefits for their host country communities.
- Volunteers expressed concerns about being fully prepared to do their Peace Corps jobs (Goal 1) and have requested additional training on working with host country counterparts, mastering the local language(s), and performing technical aspects of their work.

Goal 2 and Goal 3:

- Volunteers are achieving the Peace Corps' Goal 2 and Goal 3.
- Through their work and interaction with their communities, Volunteers promote cross-cultural understanding, among host country individuals, about Americans, often helping to dispel stereotypes.
- With better access to technology and communications, most Volunteers are able to electronically communicate with other Americans in the United States about life in their host country.

Overall Volunteer Satisfaction

- Volunteers who have been in-country longer than a year are generally more satisfied, more likely to make the same decision about joining Peace Corps, and more confident about achieving Peace Corps goals.
- Volunteers most often mentioned stress from the challenges of cross-cultural issues, their primary assignment, isolation/loneliness, and the local language.

Field-Based Impact Evaluations of Goal 1 and Goal 2

The Office of Strategic Information, Research, and Planning conducts field-based evaluations to collect information directly from host country nationals. The purpose of the studies is to measure the impact of Peace Corps on host country nationals in two of the agency's core goals. The pilot evaluations began as part of the Peace Corps Improvement Plan, conducted in three countries in FY 2008, creating a baseline for future years.

Locally-contracted researchers conduct interviews in the local language(s) with counterparts, beneficiaries, and host families, within a set of randomly selected communities where Volunteers have served. This approach ensures that the information on the impact of the Volunteers' work is gathered from the most direct sources: host country individuals who have worked with, interacted with, or lived with Volunteers. These individuals are asked questions about the personal and community changes attributable to the Volunteers' work. The respondents are also asked about second goal impacts—whether and in what ways have they gained a better understanding of Americans.

The information is informing the agency on the extent to which host country nationals who work and live with Peace Corps Volunteers think the Volunteers are

- transferring tangible skills
- promoting sustainable development
- fostering positive relationships with host country nationals
- promoting cross-cultural understanding

Features of the Host Country Impact Studies

1. Cost efficiency through electronic transfer of documents and use of a Web-based data entry system that allows real time access to interview protocols and interview data
2. Additional cost efficiency and cultural sensitivity through the use of in-country research teams for data collection
3. Integration of best practices in cross-cultural research, structured interview methods, qualitative analysis, and data quality control
4. Overall quality control through use of a continuous feedback loop to monitor the study process
5. Collaboration among posts, country desk units, regional training staff, and headquarters

Results

In FY 2009, nine studies were initiated in Bulgaria, Burkina Faso, Cameroon, Jamaica, Mexico, Morocco, Nicaragua, and Tanzania.

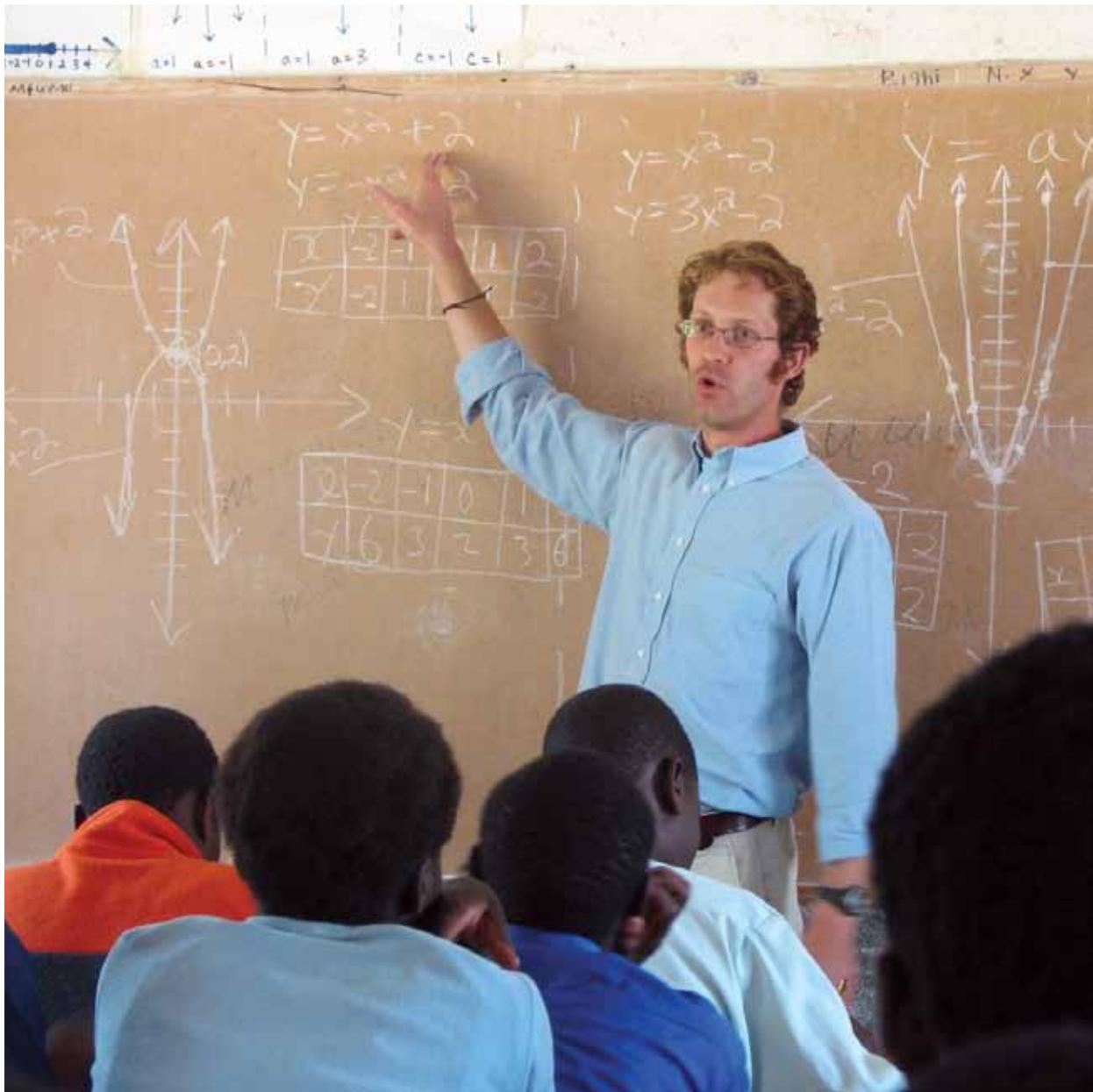
The preliminary results from 528 host country individuals in four countries (Bulgaria, Burkina Faso, Nicaragua, and Romania) are presented below.

Goal 1: Capacity Building and Skill Transfer

- 99 percent of counterparts report using, in their work lives, the knowledge and/or skills gained through their work with the Peace Corps. Sixty-nine percent use them daily.
- 92 percent of counterparts and beneficiaries report using, in their personal lives, the knowledge and/or skills they gained through their work with the Peace Corps. Seventy percent use them daily.
- 82 percent of host country national (HCN) counterparts and 84 percent of HCNs overall were very satisfied with the changes that resulted from their work with the Peace Corps.
- 95 percent of respondents reported they would definitely want to work with another Peace Corps Volunteer.
- 98 percent of respondents reported that the positive changes which resulted from the Peace Corps work have been maintained to some degree after the departure of the Volunteer. Seventy-nine percent said that the changes were either “largely” or “completely” maintained.

Goal 2: Promoting a Better Understanding of Americans

- 84 percent of HCN counterparts and 86 percent of HCNs overall reported that, after working with Peace Corps Volunteers, their views about people from the United States were more positive.
- 87 percent of host family members said that, after living with Peace Corps Volunteers, their views about people from the United States were more positive.
- Respondents' attitudes toward Americans moved from a limited understanding of Americans before interacting with a Volunteer to a moderate understanding of Americans afterwards.



Education Volunteer, Malawi

Summary of Performance Evaluations by Goal				
Summary of Major FY 2009 Program Evaluations and Studies				
Name of Report	Goal	Issue	Findings and Recommendations	Agency's Response
<i>Host Country Studies</i>	2	The evaluation studies were developed as part of the Peace Corps Improvement Plan. In FY 2008, the agency piloted studies in three countries to measure the promotion of a better understanding of Americans on the part of the peoples served. During FY 2009, the agency continued and expanded these efforts to an additional nine posts.	<p>The findings reveal that the Peace Corps is promoting a better understanding of Americans among the peoples served. Eighty-six percent of respondents reported improved views of Americans and the average self-reported level of understanding increased from "limited" to "moderate."</p> <p>The scores vary across respondent types and countries.</p> <p>It is recommended that additional studies be conducted.</p>	<p>Pilot reports were submitted in December 2008. The agency authorized the expansion of the studies to include an additional nine posts per year through 2011.</p> <p>Individual country programs adjusted Volunteer cross-cultural training programs to include findings from host families and partners on host country nationals' perceptions of Americans.</p>
	1	The studies query host country nationals, both partners and beneficiaries, about the extent to which the work of the Peace Corps has met their need for trained men and women and built local capacity in a sustainable way.	<p>The studies suggest that HCNs are gaining useful skills and knowledge, are able to maintain the changes which result from their work with the Peace Corps, and are satisfied with the work conducted.</p> <p>Based on the limited number of sites and project types examined to date, it is recommended that additional studies be conducted to allow for analysis by region, project sector, and respondent type.</p>	

Office of Inspector General Audits and Evaluations

The Peace Corps’ Office of the Inspector General (OIG) regularly conducts audits and evaluations on the effectiveness of programs that support Volunteers. Auditors focus on fiscal accountability and effectiveness of internal controls over Peace Corps resources. Evaluators analyze the program operations of the Peace Corps at both overseas posts and domestic offices. These audits and evaluations analyze compliance with laws, regulations, and Peace Corps’ policies, in addition to identifying internal control weaknesses and best practices, and recommending program improvements and the means to comply with Peace Corps policies.

During FY 2009, the OIG issued eight audit reports and six program evaluation reports concerning 13 countries. The audit reports related to administrative and financial operations at overseas posts. Other audit work included the Peace Corps purchase card program and oversight of the independent auditor’s annual audit of the agency’s financial statements and the Federal Information Security Management Act.

The evaluations were conducted in the Dominican Republic, Ghana, Guyana, and Nicaragua. The program evaluations address issues such as the extent to which the post has developed and implemented programs and provided adequate support and oversight to Volunteers to enable them to increase host country capacity and promote cross-cultural understanding. Reports from these audits and evaluations are submitted to management, which then takes appropriate action to address any concerns that have been identified.

Program Evaluations Completed by the Office of the Inspector General	
Country	Major Findings and Recommendations
Dominican Republic	<ul style="list-style-type: none"> • Strong, committed leadership and able management • Satisfied and meaningfully engaged Volunteers • Excellent training resources • Need alignment of post performance management system with Volunteer reporting tool • Need standardized site selection criteria and housing safety and security criteria • Need improved completion and standardization of site locator forms
Ghana	<ul style="list-style-type: none"> • Strong program with knowledgeable and competent staff • Very effective in working relationships with project partners and in process of identifying Volunteer counterparts • Peace Corps’ Volunteer leaders did not have primary projects that comply with Peace Corps policy • Volunteers were not regularly submitting performance reports • Need improved in-person site development, including Volunteer housing and early identification of language • Adapt language training and the in-service training curriculum to better meet Volunteers’ needs • Improve consistency of Volunteer support

Program Evaluations Completed by the Office of the Inspector General	
Country	Major Findings and Recommendations
Guyana	<ul style="list-style-type: none"> • Struggled with low Volunteer satisfaction and poor staff performance • Areas in need of improvement include training, medical access controls, and housing criteria • Need regular performance appraisals, and must address problems with staff turnover, morale, and a lack of clarity on roles and responsibilities for key programming activities, such as site development • Post needs to remain focused on improving current programming and operations before exploring expansion efforts • Numerous staff members and regional leaders have worked with the post to strengthen its programming and processes and improve Volunteer satisfaction and retention • Significant improvements have been made in the areas of programming, quality of staff, and relationships between the staff and Volunteers
Nicaragua	<ul style="list-style-type: none"> • Post benefits from engaged leadership and resourceful team to enable Volunteers to serve effectively • Volunteers rated their training as very effective and were satisfied with the staff support they received • Emergency action plans could have enhanced information on consolidation points and post should eliminate discrepancies between the number of crime incidents recorded by the post and the headquarters • In the area of support, issues were raised concerning the effectiveness of the Volunteer Advisory Council, medical confidentiality due to the physical limitations of the medical office, and inadequate Volunteer living allowances, though more information is needed

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Message from the Chief Financial Officer

An unqualified (clean) audit opinion was earned by the Peace Corps during the FY 2009 financial statement audit. The financial statement opinion covered hundreds of thousands of annual transactions in 74 countries in more than 70 currencies, with 7,671 deployed Volunteers, nearly 3,000 staff members, and \$340 million in appropriated financial resources. For the third consecutive year, no material weaknesses or federal system noncompliances were identified during the financial audit or otherwise within the agency. In addition to the clean audit opinion, the Peace Corps received the prestigious Association of Government Accountants' Certificate of Excellence in Accountability Reporting for quality reporting in the FY 2008 Performance and Accountability Report. This is the second consecutive year for the award. Such achievements are the result of dedicated efforts by all who work in financial management and other operating areas throughout the regions, the posts, and within the headquarters. Each year the sound financial management foundation expands and grows stronger, and we expect to continue providing excellent service to our posts, Volunteers, and the communities served. As always, agency resources were managed effectively to meet the agency missions and goals within the appropriated funding level.

The significant deficiencies identified by the FY 2008 audit were monitored and controlled this fiscal year through the agency's senior assessment team, the corrective action plan, and the work of the operational managers. Corrective actions, though, on some significant deficiencies remain to be completed in FY 2010 despite the FY 2009 strong mitigation efforts.

Though no material weaknesses were identified during the FY 2009 financial statement audit, two significant deficiencies were identified in our internal controls for the accounting business processes and the information system security controls. Those significant deficiencies and the supportive audit findings are addressed in Appendix 1, Summary of Audit Findings.

During FY 2009, the following financial management improvements benefitted our posts located worldwide, our three regions, and Peace Corps headquarters:

- Successfully negotiated with the Office of Management and Budget a \$33 million increase in the President's FY 2010 budget to Congress
- Obtained \$6 million through the open obligation reviews by closing or adjusting open obligations in current and prior years' (expired) funds
- Performed a mid-year review of all personal service overseas contracts and obligations to ensure posts were fully funding their obligations and to ensure delegations of authority were properly documented
- Provided Volunteers with a better personal property insurance plan
- Drafted a manual to uniquely assist the agency's age 50 and older Volunteers with their special needs
- Automated the processes to manually download and distribute reports from the State Department
- Fully implemented the paper check conversion program for overseas posts to eliminate mailing checks, expedite check collections, and minimize time spent researching lost or returned checks
- Replaced the J.P. Morgan Chase prepaid debit card with the Citi Declining Balance Card used to cover per diem and other incidental payments to new Volunteers, significantly streamlining the process and reducing the vendor and administrative program costs
- Automated payment confirmations in the Odyssey financial system, thereby greatly reducing manual entry

- Incorporated key cashiering transactions (check replenishments, deposits, host country collections) into the Odyssey financial system, eliminating manual entry from an outside system
- Processed more than 284,000 transactions valued at \$229.6 million for domestic and overseas payments
- Implemented prior year adjustment accounting at the detail level to provide greater visibility of upward/downward adjustments by year

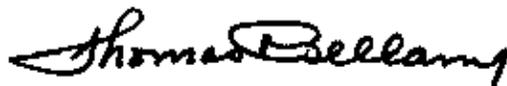
A new budgeting, planning, and forecasting software, Hyperion Planning/Essbase, was procured during FY 2009, with design planned during FY 2010 and implementation scheduled for the fourth quarter of FY 2010. Additionally, we developed the Volunteer In-Country Allowance payment system which integrates all in-country payments within one system. The pilot is scheduled for the first quarter of FY 2010.

Although the agency recognizes the benefits of formally correlating costs to the agency strategic goals and capturing costs by program, we do not yet have a cost accounting system capable of accurately capturing those costs.

The most significant financial management issue facing the agency is how to improve operations and infrastructure to meet planned future Volunteer growth.

The Peace Corps' financial statements and notes that follow are both reliable and complete and were prepared in accordance with generally accepted accounting principles for federal government entities and by subjecting the statements to an independent audit.

While we are pleased with our FY 2009 accomplishments, my dedicated staff and I will pursue new financial management improvements, promote effective internal controls, and continually work toward securing future unqualified audit opinions on the agency's financial statements.



Thomas Bellamy
Acting Chief Financial Officer
November 16, 2009



Financial Statements
Peace Corps
Balance Sheet
As of September 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Assets		
Intragovernmental		
Fund Balance With Treasury (Note 2 and 3)	\$ 139,058	\$ 117,964
Accounts Receivable (Note 5)	878	635
Total Intragovernmental	<u>139,936</u>	<u>118,599</u>
Cash and Other Monetary Assets (Note 4)	40	40
Accounts Receivable, Net (Note 5)	17	26
General Property, Plant, and Equipment, Net (Note 6)	30,503	32,458
Other		
Prepaid Volunteer Living Allowances (Note 7)	3,863	4,304
Other Assets (Note 8)	2,485	2,541
Subtotal Other	<u>6,348</u>	<u>6,845</u>
Total Assets	<u>\$ 176,844</u>	<u>\$ 157,968</u>
Liabilities		
Intragovernmental		
Accounts Payable	\$ 1,219	\$ 997
Other		
Unfunded FECA Liability (Note 9)	27,560	25,582
Other Liabilities (Note 10)	2	2
Subtotal Other	<u>27,562</u>	<u>25,584</u>
Total Intragovernmental	<u>28,781</u>	<u>26,581</u>
Accounts Payable	9,104	11,396
Federal Employee and Veterans Benefits (Note 9)	121,902	119,302
Other		
Other Employment Related Liability (Note 9)	5,629	14,436
Non-Entity Funds (Note 2)	40,060	31,947
Accrued Funded Payroll and Leave	5,346	4,252
Unfunded Annual Leave (Note 9)	7,237	7,600
Other Liability (Note 10)	-	1,164
Subtotal Other	<u>58,272</u>	<u>59,399</u>
Total Liabilities	<u>218,059</u>	<u>216,678</u>
Commitments and Contingencies (Note 11)		
Net Position		
Unexpended Appropriations	80,239	68,274
Cumulative Results of Operations	(121,454)	(126,984)
Total Net Position	<u>\$ (41,215)</u>	<u>\$ (58,710)</u>
Total Liabilities and Net Position	<u>\$ 176,844</u>	<u>\$ 157,968</u>

Peace Corps
Statement of Net Cost
For the Periods Ended September 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Program Costs:		
Gross Costs	\$ 327,233	\$ 361,036
Less: Earned Revenue (Note 12)	3,610	2,897
	<hr/>	<hr/>
Net Cost of Operations	<u>\$ 323,623</u>	<u>\$ 358,139</u>

Peace Corps
Statement of Changes in Net Position
For the Periods Ended September 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Cumulative Results of Operations:		
Beginning Balances	\$ (126,984)	\$ (117,982)
Adjustments		
Corrections of Errors	122	460
Beginning Balances, As Adjusted	<u>(126,862)</u>	<u>(117,522)</u>
Budgetary Financing Sources:		
Appropriations Used	322,738	342,817
Other Financing Sources (Non-Exchange):		
Transfers-In/Out Reimbursement	250	1,398
Imputed Financing (Note 16)	<u>6,043</u>	<u>4,462</u>
Total Financing Sources	329,031	348,677
Net Cost of Operations	<u>323,623</u>	<u>358,139</u>
Net Change	5,408	(9,462)
Cumulative Results of Operations	(121,454)	(126,984)
Unexpended Appropriations:		
Beginning Balances	68,274	81,586
Adjustments		
Changes in Accounting Principles	3	-
Corrections of Errors	<u>(1)</u>	<u>(2)</u>
Beginning Balances, As Adjusted	68,276	81,584
Budgetary Financing Sources:		
Appropriations Received	340,000	333,500
Appropriations Transferred In/Out	(2,000)	-
Other Adjustments	(3,299)	(3,992)
Appropriations Used	<u>(322,738)</u>	<u>(342,818)</u>
Total Budgetary Financing Sources	<u>11,963</u>	<u>(13,310)</u>
Total Unexpended Appropriations	80,239	68,274
Net Position	<u>\$ (41,215)</u>	<u>\$ (58,710)</u>

Peace Corps
Statement of Budgetary Resources
For the Periods Ended September 30, 2009 and 2008
(In Thousands)

	<u>2009</u>	<u>2008</u>
Budgetary Resources:		
Unobligated Balance, Brought Forward, October 1	\$ 24,921	\$ 21,501
Recoveries of Prior Year Unpaid Obligations, Actual	7,778	-
Budget Authority		
Appropriation	340,000	333,500
Spending Authority From Offsetting Collections		
Earned		
Collected	4,872	5,415
Change in Receivables from Federal Sources	248	(14)
Change in Unfilled Customer Orders		
Without Advance from Federal Sources	(8)	901
Subtotal	<u>345,112</u>	<u>339,802</u>
Nonexpenditure Transfers, Net, Anticipated and Actual:		
Actual Transfers, Budget Authority	(2,000)	-
Permanently Not Available		
Cancellations of Expired and No-Year Accounts	3,252	1,290
Enacted Reductions	-	3,808
Total Budgetary Resources	<u>\$ 372,559</u>	<u>\$ 356,205</u>
Status of Budgetary Resources:		
Obligations Incurred:		
Direct	\$ 339,280	\$ 329,072
Reimbursable	3,299	2,212
Subtotal	<u>342,579</u>	<u>331,284</u>
Unobligated Balance:		
Apportioned	22,829	13,127
Unobligated Balance Not Available	7,151	11,794
Total Status of Budgetary Resources	<u>\$ 372,559</u>	<u>\$ 356,205</u>
Change in Obligated Balance:		
Obligated Balance, Net		
Unpaid Obligations, Brought Forward, October 1	\$ 62,396	\$ 72,947
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	840	(46)
Total Unpaid Obligated Balance, Net	61,556	72,993
Obligations Incurred, Net	342,579	331,284
Gross Outlays	326,716	341,835
Recoveries of Prior Year Unpaid Obligations, Actual	7,778	-
Change in Uncollected Customer Payments from Federal Sources	240	886
Obligated Balance, Net, End of Period		
Unpaid Obligations	70,481	62,396
Uncollected Customer Payments from Federal Sources	1,081	840
Total Unpaid Obligated Balance, Net, End of Period	<u>\$ 69,400</u>	<u>\$ 61,556</u>
Net Outlays:		
Gross Outlays	\$ 326,716	\$ 341,835
Offsetting Collections	4,872	5,415
Net Outlays	<u>\$ 321,844</u>	<u>\$ 336,420</u>



Notes to the Financial 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 core mission of the Peace Corps is to promote world peace and friendship by making available to interested, less developed countries men and women of the United States qualified for service abroad and willing to serve, even under conditions of hardship if necessary. The Peace Corps' goals are 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.

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 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 OMB Circular A-136, Financial Reporting Requirements, issued June 2009. The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

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 are subdivided in two categories: intragovernmental and public. 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.

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 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 earned from its activities.
Statement of Changes in Net Position	Explains how the net cost for the agency's operations was funded, and reports other changes in 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 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, however, fund availability is recorded based upon legal considerations and constraints. The agency receives financing sources through direct appropriations from the general fund of the U.S. Treasury to support its operations. This financing source—appropriations used—is recognized to the extent that appropriation authority has been applied against received goods and services.

d) Fund Accounting Structure

The agency's financial activities are accounted for by U. S. Treasury Appropriation Fund Symbol. 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 government 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 government 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. The balances in the agency's trust funds are non-entity assets and are included in the financial statements.

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 included in the financial statements.

General Fund Receipt Accounts—These funds consist of monies collected by the Peace Corps that are returned to the U.S. Treasury and not available for Peace Corps' use.

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 to complete the liquidation of open obligations, advances, and receivables. After the five-year period, all open transactions for the respective fiscal year will be cancelled and funds will be returned to the U.S. Treasury. Any valid claims associated with these funds after closure must be processed against current year funds.

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.

f) Revenues and Other Financing Sources

Peace Corps operations are financed through appropriations, proceeds from the sale of property, and inter-agency agreements. 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 the Treasury

The Fund Balance with the U. S. Treasury consists of appropriated funds that are available to pay current liabilities and finance authorized purchase commitments, and special funds that periodically are direct-financing reimbursements to the appropriated funds.

The agency does not maintain cash in commercial bank accounts for the funds reported in the balance sheet. All cash receipts and disbursements are processed by the U.S. Treasury or the Department of State (DOS).

The funds that make up post cashiers' imprest funds belong to the U.S. Treasury through DOS's accountability. These funds are routinely used to pay for small-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 paying for any losses incurred by the cashiers that would normally fall on the account holder. All international payments made by DOS on behalf of the Peace Corps are charged to the Peace Corps and reduce the applicable Peace Corps appropriation unexpended balance in U.S. Treasury records. As of September 30, 2009 cashier imprest funds represented by cash on hand, checks on hand, interim advances, and cashier checking account balances totaled approximately \$1.6 million in U. S. dollar equivalents.

At any point in time, the posts have U. S. dollar equivalents and local currency checks in their possession that are awaiting delivery to the payees/vendors. These checks were recorded as disbursements on Peace Corps and

U.S. Treasury records in the month the checks were issued. As of September 30, 2009, these checks totaled approximately \$8.4 million in U. S. dollar equivalents.

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 U.S. 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. Foreign currency payments are made by the U.S. disbursing officers located at the Department of State Financial Service Centers in Charleston, South Carolina; and Bangkok, Thailand.

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 will be established for material amounts of nonfederal (public) debt exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts are more likely than not to be totally uncollected. Accounts with approved payment plans in place and for which the debtor is meeting the terms of the plan are exceptions to this write-off policy.

j) Advances and Prepayments

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

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

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

The agency capitalizes property, plant, and equipment that has an individual acquisition cost of \$25,000 or greater, a useful life of two years or more, not intended for sale in the ordinary course of business, and intended to be used or available for use by the entity. Aggregate purchases of general property, plant, and equipment in the amount of \$500,000 or greater are capitalized. Software purchased for \$25,000 or developed for internal use at a cost of \$25,000 or greater is capitalized and amortized over its expected life (currently 3 to 9 years). Vehicles in the amount of \$10,000 and over are capitalized. 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. The agency has established a policy that uses an estimated salvage value of 40 percent for the agency's vehicles based on their resale value in recent years.

The agency does not own any real property. Nonexpendable personal property is depreciated over 3 to 15 years. The agency operates land, buildings, and equipment that are provided by the General Services Administration. Rent for this property is expensed. Deferred maintenance amounts are immaterial with respect to the financial statements.

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 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 a two year lag. 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 the 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*—Peace Corps direct hire employees participate in one of three retirement systems: Civil Service Retirement System, Federal Employees Retirement System, or the Foreign Service Retirement and Disability System. Foreign Service National (FSN) employees at overseas posts who were hired prior to January 1, 1984, are covered under the Civil Service Retirement System. FSNs hired after that date are covered under a variety of local government 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 Service Contractor Severance and Retirement Liability*—The Peace Corps is generally liable for separation or retirement payments to eligible host country resident personal service contractors (PSCs) in countries that require payments under local labor laws. Until systems are in place to track this liability in a timely manner, the estimate of the current and future costs of the severance and retirement liability is determined annually.

n) Commitments and Contingencies

The agency is involved in various administrative proceedings, legal actions, and claims arising in the ordinary course of business. Contingencies are recognized as a liability when a future outflow or other sacrifice of resources is probable and measurable.

o) Use of Estimates

The preparation of financial statements required management to make some estimates and assumptions that af-

fect the reported amount of assets and liabilities, as well as 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.

p) 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, P.L. 97-177, as amended.

q) Intragovernmental Net Costs

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

r) Adjustments to Maintain Inherent Account Relationship Integrity

In order to correct the relationships between the proprietary and budgetary accounts, a high-level analysis was performed. Cash balances were adjusted to align with the U.S. Treasury fund balance to permit the agency to pass edit checks and submit FACTS II reports to Treasury. All of the adjustments for fiscal year 2009 were immaterial.

s) Allocation Transfer

The Peace Corps is a party to allocation transfers with the Department of State as a receiving (child) entity. Allocation transfers are legal delegations by one agency of its authority to obligate budget authority and outlay funds to another agency. A separate fund account (allocation account) is created in the U. S. Treasury as a subset of the parent fund account (Department of State) 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 (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, outlays) is reported in the financial statements of the parent entity, from which the underlying legislative authority, appropriations, and budget apportionments are derived.

Note 2 Non-Entity Assets

Non-entity assets are composed of trust fund, special fund, deposit funds, 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. Below, as information, are the U.S. Treasury fund balances of non-entity assets which are non-governmental.

Non-Entity Assets	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Trust Fund		
FSN Separation Liability Trust Fund	\$ 7,222	\$ 7,349
Special Fund		
Host Country Residents Contractors Separation Liability Fund	13,971	5,658
Deposit Funds		
Volunteer Readjustment Allowance	18,325	18,417
Volunteer Payroll Allotment Account (Payroll Savings Bond Account)	11	14
Clearing Accounts	531	509
Total Non-Entity Assets	40,060	31,947
Total Entity Assets	136,784	126,021
Total Assets	\$ 176,844	\$ 157,968

Note 2 Non-Entity Assets (Continued)

Trust Fund—The FSN Separation Liability Trust Fund represents the estimated accrued liability for separation pay (based on local labor law) of the FSN employees.

Special Fund— Host Country Residents Contractor Separation Liability Fund represents the estimated accrued liability for separation pay (based on local labor law) of the personal service contractors.

Deposit Funds—The Volunteer readjustment allowance is an allowance earned by Volunteers for each month of satisfactory service and payable upon their return to the United States. The Volunteer payroll allotment account reflects the value of held U. S. government bonds purchased by the Volunteers through allotments from the readjustment allowance. The bonds allow the Volunteers to earn interest on their earnings while in service overseas.

Clearing Accounts—The proceeds of sales funds represent cash received from the sale of assets, primarily vehicles, and available 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

Fund Balances	September 30, 2009 (in thousands)	September 30, 2008 (in thousands)
Appropriated Funds	\$ 98,998	\$ 86,017
Total Non-Entity Assets (Note 2)	40,060	31,947
Total	\$ 139,058	\$ 117,964

Status of Fund Balance with Treasury	September 30, 2009 (in thousands)	September 30, 2008 (in thousands)
Unobligated Balance		
Available	\$ 22,829	\$ 13,127
Unavailable	7,151	11,794
Obligated Balance Not Yet Disbursed	109,078	93,043
Total	\$ 139,058	\$ 117,964

The Fund Balance with Treasury is equal to the unobligated balance of funds plus the obligated balance not yet disbursed.

Available Unobligated Balance—Composed of apportionments available for allotment plus allotments available for obligation or commitment.

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

Note 4 Cash and Other Monetary Assets

	September 30, 2009 (in thousands)	September 30, 2008 (in thousands)
Total Cash and Other Monetary Assets	\$ 40	\$ 40

The cash balances represent imprest funds at headquarters held in U.S. currency.

Note 5 Accounts Receivable, Net

Accounts Receivable as of September 30, 2009 (in thousands)	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 878	\$ -	\$ 878
Other	17	-	17
Total	\$ 895	\$ -	\$ 895

Accounts Receivable as of September 30, 2008 (in thousands)	Accounts Receivable, Gross	Allowance for Doubtful Accounts	Accounts Receivable, Net
Intragovernmental	\$ 635	\$ -	\$ 635
Other	65	39	26
Total	\$ 700	\$ 39	\$ 661

Intragovernmental receivables are due from other federal agencies for services provided per reimbursable agreements.

Other accounts receivable are due from nonfederal entities, consisting primarily of receivables from employees.

Annually, a determination of the amount of the Allowance for Doubtful Accounts will be established for material amounts exceeding \$30,000. The agency recognizes an Allowance for Doubtful Accounts when it is determined that the amounts of nonfederal (public) debts are more likely than not to be totally uncollected. An allowance was not established for the agency as of September 30, 2009.

Note 6 General Property, Plant, and Equipment, Net

Components of Fixed Assets as of September 30, 2009 (in thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
General Property, Plant, and Equipment	5–10	\$ 3,008	\$ 2,716	\$ 292
Vehicles	5	19,657	6,002	13,655
IT Hardware	3–15	12,789	8,001	4,788
Leasehold Improvements	10	402	140	262
Internal-Use Software	3–9	30,036	18,530	11,506
Total		\$ 65,892	\$ 35,389	\$ 30,503

Components of Fixed Assets as of September 30, 2008 (in thousands)	Useful Life in Years	Cost	Accumulated Depreciation	Net Book Value
General Property, Plant, and Equipment	5–10	\$ 2,983	\$ 2,656	\$ 327
Vehicles	5	17,857	5,847	12,010
IT Hardware	3–15	11,565	6,145	5,420
Leasehold Improvements	10	402	100	302
Internal-Use Software	3–9	29,366	14,967	14,399
Total		\$ 62,173	\$ 29,715	\$ 32,458

As of September 30, 2009, Peace Corps fixed assets include internally developed software and those assets that are reflected as active in the property management databases. These assets are located at headquarters in Washington, D.C., the nine regional offices, and the overseas posts.

Values for all assets other than internally developed software were obtained from data extracted from the databases. Values for internally developed software were derived from the most reliable available data for each system. There are no restrictions on the use or convertibility of General Property, Plant and Equipment owned by the Peace Corps.

Note 7 Prepaid Volunteer Living Allowances

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Prepaid Volunteer Living Allowances	\$ 3,863	\$ 4,304

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 pre-positioned so that Volunteers will not incur a financial burden for their living costs.

Note 8 Other Assets

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Travel Advances to Employees	\$ 48	\$ 82
Relocation Advances to Employees	68	30
Prepaid Property, Plant and Equipment	-	94
Prepaid Rent	2,350	2,335
Prepaid Guard Contract	19	-
Total Other Assets	\$ 2,485	\$ 2,541

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

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.

Note 9 Liabilities Not Covered by Budgetary Resources

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Intragovernmental Liabilities		
Unfunded FECA Liability	\$ 27,560	\$ 25,582
Liabilities		
Unfunded Annual Leave	7,237	7,600
Unfunded Employment-Related Liability	5,629	14,436
Federal Employee and Veterans Benefits	121,902	119,302
Total Liabilities Not Covered by Budgetary Resources	\$ 162,328	\$166,920

Unfunded FECA Liability—A liability for the direct dollar costs of compensation and medical benefits paid on the agency's behalf by the Department of Labor. 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 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 for U.S.-hired employees earned but not used on September 30, 2009. Payments are charged to the appropriation current at the time of payment. The valuation of the accrued annual leave for foreign service national employees and the foreign national PSCs has been estimated for this financial statement. There are approximately 195 foreign service nationals and 1,878 foreign national PSCs working for the Peace Corps at fiscal year end. Annual leave earned is based on local labor law requirements. Annual leave is paid out of current appropriations when taken.

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

Federal Employee and Veterans Benefits—Liability for the actuarial value of future payments for FECA as estimated by the Department of Labor for the agency.

Note 10 Other Liabilities

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Intragovernmental		
Advances from Others	\$ 2	\$ 2
Other Liabilities		
Contingent Liability-General Counsel Cases	-	1,164
Total Other Liabilities	\$ 2	\$ 1,166

Advances from Others—The balance of amounts advanced by other federal entities for goods and services to be furnished (e.g., money advance for Small Project Assistance grants).

Contingent Liability—See Note 11.

Note 11 Commitments and Contingencies

In the opinion of the management and legal counsel, there are no contingent liabilities related to administrative proceedings, legal actions, or claims that are probable and measurable as of September 30, 2009.

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 is estimated to be \$190,000 as of September 30, 2009.

Note 12 Exchange Revenues

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Intragovernmental Earned Revenues	\$ 3,195	\$ 2,426
Earned Revenues from the Public	415	471
Total Exchange Revenues	\$ 3,610	\$ 2,897

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

Note 13 Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable

	September 30, 2009 <i>(in thousands)</i>		September 30, 2008 <i>(in thousands)</i>	
	Direct	Reimbursable	Direct	Reimbursable
Category A	\$ 339,280	\$ 3,299	\$329,072	\$ 2,212
Total Obligations Incurred	\$ 339,280	\$ 3,299	\$329,072	\$ 2,212

All obligations incurred are Category A. The Peace Corps does not have any Category B or Exempt apportionments.

Note 14 Undelivered Orders at the End of the Period

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Undelivered Orders – End of Period	\$ 61,156	\$ 52,468

The undelivered orders are budgetary obligations with and without advances/prepayments placed against federal budget authority where no goods or services have been received.

Note 15 Reconciliation of Net Cost to Budget

FY 2009	Direct	Reimbursable	Total
Net Obligations Incurred	\$ (331,360)	\$ (3,187)	\$ (334,547)
Less: Undelivered Orders	(8,696)	8	(8,688)
Total Expended Obligation Authority	(322,664)	(3,195)	(325,859)
Financing Sources Used	(322,739)	(3,195)	(325,934)
Obligations Not Resourced	75	-	75
Adjustments Reconciling Obligations To Costs Included in Obligations Not in Costs			
Acquisition of Assets	6,880	-	6,880
Subtotal	6,880	-	6,880
Included in Costs Not in Obligations			
Future Funded Expenses	(10,358)	-	(10,358)
Depreciation, Amortization, and Depletion	7,705	-	7,705
Employer Contributions to Employee Benefit Programs	2,002	-	2,002
Changes in Actuarial Liabilities	2,600	-	2,600
Offsetting Revenues	-	(3,195)	(3,195)
Imputed Financing	6,043	-	6,043
Nonfederal Receivables	14	-	14
Net Change on Dispositions	(166)	-	(166)
Other Financing Sources	(1)	-	(1)
Subtotal	7,839	(3,195)	4,644
Adjusted Expended Obligation Authority	(323,623)	-	(323,623)
Statement of Net Costs	323,623	-	323,623
Unexplained Differences	\$ -	\$ -	\$ -
FY 2008	Direct	Reimbursable	Total
Net Obligations Incurred	\$ (329,072)	\$ (2,212)	\$ (331,284)
Less: Undelivered Orders	13,779	214	13,993
Total Expended Obligation Authority	(342,851)	(2,426)	(345,277)
Financing Sources Used	(342,834)	(2,426)	(345,260)
Obligations Not Resourced	(17)	0	(17)
Adjustments Reconciling Obligations To Costs Included in Obligations Not in Costs			
Acquisition of Assets	8,361	-	8,361
Subtotal	8,361	-	8,361
Included in Costs Not in Obligations			
Future Funded Expenses	7,429	-	7,429
Depreciation, Amortization, and Depletion	7,871	-	7,871
Employer Contributions to Employee Benefit Programs	1,468	-	1,468
Changes in Actuarial Liabilities	2,852	-	2,852
Offsetting Revenues	-	(2,416)	(2,426)
Imputed Financing	4,462	-	4,462
Net Transfers Without Reimbursement	(1,398)	-	(1,398)
Nonfederal Receivables	(17)	-	(17)
Net Change on Dispositions	(230)	-	(230)
Other Financing Sources	1,212	(10)	1,202
Subtotal	23,649	(2,426)	21,223
Adjusted Expended Obligation Authority	(358,139)	-	(358,139)
Statement of Net Costs	358,139	-	358,139
Unexplained Differences	\$ -	\$ -	\$ -

Note 16 Imputed Financing

	September 30, 2009 <i>(in thousands)</i>	September 30, 2008 <i>(in thousands)</i>
Federal Employees Health Benefit Program	\$ 3,884	\$ 3,478
Federal Employees Group Life Insurance Program	13	12
Civil Service Retirement System	1,842	846
Federal Employees Retirement System	169	(6)
Foreign Service Retirement and Disability System	135	132
Total Imputed Costs	\$ 6,043	\$ 4,462

Imputed financing recognizes actual costs of future benefits which include the Federal Employees Health Benefit Program, Federal Employees Group Life Insurance Program, and pension benefits that are paid by other federal entities. Negative balance shown above was reported by the entity paying the benefits. The agency is not required to reimburse other entities for these costs.

Note 17 Disclosure on Contributions to the Peace Corps

1. Media Contributions Received –The agency was provided free donated space equivalent to \$3.9 million in print, radio, and television media through public service announcements in the first 11 months of FY 2009.
2. Host Country Contributions –The agency received cash and in-kind contributions from host countries. In-kind contributions estimated at \$4.3 million in fair market value were received at posts through the end of FY 2009 for services, supplies, equipment, and facilities. The end of FY 2009 host country cash balance is \$1,001,269.



Inspector General's Audit Transmittal Letter



Since 1961.

To: Aaron S. Williams, Director

From: Kathy A. Buller, Inspector General 

Date: November 12, 2009

Subject: Audit of Peace Corps' Fiscal Year 2009 Financial Statements

This letter transmits the reports of Urbach Kahn and Werlin LLP (UKW) on its financial statement audit of the Peace Corps' Fiscal Year (FY) 2009 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, and subjected them to audit.

Audit Reports on Financial Statements, Internal Control, and Compliance and Other Matters

We contracted with UKW, an independent certified public accounting firm, to audit the Peace Corps' financial statements as of September 30, 2009 and 2008. The contract required that the audit be done in accordance with U.S. generally accepted government auditing standards, OMB audit guidance, and the Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual.

UKW's audit report for FY 2009 includes: (1) an opinion on the financial statements, (2) a report on internal control, and (3) a report on compliance and other matters. In the audit of the Peace Corps, UKW found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- There were no material weaknesses in internal control.¹

¹ OMB Bulletin 07-04 defines a material weakness as a significant deficiency, or combination of significant deficiencies, that result in a more than remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

- UKW's report on internal control identified two significant deficiencies:²
 - Accounting business processes need enhancements. Enhancements needed are related to accountability over selected fixed assets and consistency in reporting of Host Country Contributions.
 - Information system security controls need improvement. The auditor cited security management, contingency planning, access controls, and change management as areas needing improvement.

- UKW found no instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

OIG Evaluation of UKW's Audit Performance

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

We would like to extend our thanks to the Peace Corps staff involved in issuing the financial statements within the established OMB milestones. Their professionalism, courtesy, and cooperation allowed us to overcome the many challenges associated with performance of the audit and our oversight of the audit process. If you or a member of the Peace Corps staff has any questions about UKW's audit or our oversight, please contact me or Gerald Montoya, Assistant Inspector General for Audit, at 202-692-2907.

Attachments

cc: Stacy Rhodes, Chief of Staff
Thomas Bellamy, Acting Chief Financial Officer

² OMB Bulletin 07-04 defines a significant deficiency as a deficiency in internal control, or a combination of deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

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Auditor's Report



Independent Auditor's Report

To the Director and Inspector General,
Peace Corps

We have audited the accompanying Balance Sheets of Peace Corps as of September 30, 2009 and 2008 and the related statements of Net Cost, Changes in Net Position and Budgetary Resources for the years then ended. These financial statements are the responsibility of Peace Corps' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Peace Corps as of September 30, 2009 and 2008 and its net cost, changes in net position, and budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 12, 2009, on our consideration of Peace Corps' internal control over financial reporting and on our tests of Peace Corps' compliance with certain provisions of laws and regulations and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. Those reports are an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis (MD&A) is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Message from the Director, Performance Section, Other Accompanying Information and Appendixes listed in the table of contents are presented for additional analysis and are not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Urback Kahn & Werlin LLP

Arlington, Virginia
November 12, 2009



Independent Auditor's Report on Internal Control

To the Director and Inspector General,
Peace Corps

We have audited the financial statements of Peace Corps as of and for the year ended September 30, 2009 and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

In planning and performing our audit, we considered Peace Corps' internal control over financial reporting as a basis for designing our auditing procedures, we obtained an understanding of design effectiveness of internal controls, determined whether they have been placed in operation, assessed control risk, and performed tests of Peace Corps' controls for the purpose of expressing our opinion on the financial statements and to comply with OMB Bulletin No. 07-04, but not for the purpose of expressing an opinion on the effectiveness of internal control over financial reporting. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act (FMFIA)* (31 U.S.C. 3512), such as those controls relevant to ensuring efficient operations. The objective of our audit was not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of Peace Corps' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Peace Corps' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Peace Corps' financial statements that is more than inconsequential will not be prevented or detected by the Peace Corps' internal control. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Peace Corps' internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the second paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described below is a material weakness.

Significant Deficiencies

These control deficiencies, detailed on the following pages, are summarized as follows:

1. Accounting business processes need enhancement
2. Information systems security controls need improvement

In addition to the significant deficiencies described above, we noted certain matters involving internal control and its operation that we will report to the management of Peace Corps in a separate letter.

This report is intended solely for the information and use of the management of Peace Corps, the Peace Corps Office of Inspector General, OMB, the Government Accountability Office and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlein LLP

Arlington, Virginia
November 12, 2009

SIGNIFICANT DEFICIENCY 1

ACCOUNTING BUSINESS PROCESSES NEED ENHANCEMENT

Property Plant & Equipment

Fiscal year 2009 was the second full year implementing the Fixed Asset Module. Although Peace Corps continued to make improvements in accounting for fixed assets, problems still exist in accounting for Office of the Chief Information Officer (OCIO) assets timely and accurately. OCIO continually struggled to report asset additions and dispositions timely and accurately to the Office of the Chief Financial Officer. Additionally, OCIO is unable to consistently locate where assets are physically located. We identified the following issues through our FY 2009 internal control and substantive testing.

Physical Observation:

- Several assets observed during physical observation could not be located in the asset listing. Peace Corps determined that these assets may not have been capitalized and therefore, would not be on the listing. However, supporting documentation was not provided to show that they should not be capitalized.
- There were three instances where assets from the asset listing could not be physically located. Peace Corps determined that these missing assets to be expendable items and therefore should not be tracked.
- The asset listing contained numerous assets without identification numbers.

Recommendations

We recommend the Peace Corps Director:

- 1a. Enforce current policies designed to ensure complete and accurate asset listing.
- 1b. Ensure that roles and responsibilities outlined on Peace Corps Standard Operating Procedures (SOP) are carried out by posts and HQ for property accounting and financial reporting personnel that perform accuracy, verification, and completeness checks on the capitalized property listings.
- 1c. Develop procedures to ensure that additions and disposals recorded accurately and timely.
- 1d. Designate a receiving clerk to accept all IT assets upon delivery and to maintain a listing of all IT assets received.

Host Country Contributions

Posts receive two types of Host Country Contributions (HCC): in-kind and cash. In-kind contributions are any non-cash items such as housing for volunteers, utilities, and donated supplies. Cash HCCs are used for payment to local contractors, allowances for volunteers and Peace Corps programs. Currently, about ten to twelve Posts have cash contributions balances in local currency as of September 30, 2009, for which the donor country may or may not have restricted the funds for specific purposes. Cash donations are recorded in FOR Post and

recognized as an HCC receipt. Posts are required to deposit HCC receipts and submit a deposit slip to Headquarters.

In fiscal year 2007 Peace Corps began working with legal counsel to determine the nature of the cash contributions and whether the cash received from host countries meet the definition of gifts or donations and whether the balance should be reported by Peace Corps on its principal financial statements in addition to footnote disclosure. The current guidance published in CFO Policy Statement 07-01, *Accounting for Funds and Miscellaneous Items*, was prepared, reviewed, approved and disseminated in accordance with the agency's authority to provide definitive guidance where policy does not specifically cover a gray area in the law. This authority was issued to describe the procedures for accounting and reporting of HCC funds based on the determination that these funds should be treated as fiduciary activity and the property of the donating country.

In fiscal year 2008, UKW was informed by the Office of Inspector General (OIG) about a suspected fraud in excess of \$50,000 related to HCC Funds at one of the Posts. The OIG team followed up on this matter.

UKW proposed recommendations in fiscal year 2008 to revise the CFO policy 07-01 to treat HCC as fiduciary activities and report the balances in the financial statements. However, Peace Corps has failed to comply with the deadlines established by their management and have extended the date for final implementation until fiscal year 2010.

Recommendations

We recommend the Peace Corps Director:

- 1e. Amend current CFO Policy 07-01 regarding HCCs to ensure that recognition, recording, monitoring and reporting is consistent with reporting fiduciary activity.
- 1f. Continue to work with legal counsel to determine the nature of these assets and any restrictions that may impact their reporting or classification. Peace Corps management should ensure the policy is updated to reflect the legal counsel and Peace Corps' determination on how to report these assets and implement the updated policy in fiscal year 2010 to address the proper reporting of HCC in the financial statements and the full disclosure of Peace Corps fund sources.
- 1g. Set up strict guidelines on access, dual authorization and handling of cash and other forms of host country contributions to prevent embezzlement of such funds.

SIGNIFICANT DEFICIENCY 2

INFORMATION SYSTEM SECURITY CONTROLS NEED IMPROVEMENT

Peace Corps made improvements to its information systems control environment during FY 2009. However, we found that certain internal control weaknesses related to the Financial Management System, Odyssey and Peace Corps' overall Information Technology (IT) environment continued to exist at September 30, 2009. Our assessment of the general and application controls of Peace Corps' key IT infrastructure and financial systems identified the following conditions.

Control Weaknesses

Security Management

- As reported under the Fiscal Year 2009 Federal Information Security Management Act (FISMA) assessment, Peace Corps has not certified and accredited 5 of the agency's 12 information systems. Specifically, the Domestic and International General Support Systems which support the financial management systems have not been certified and accredited. Without completing the certification and accreditation process, senior level agency officials will not have taken the appropriate steps to mitigate or accept risk for their information systems as required by OMB. In addition, without a complete certification and accreditation package (i.e. security plans, risk assessments, contingency plans) proper security may not be administered over the data within the agencies information systems.

Contingency Planning

During the FY 2009 FISMA assessment, we noted the following regarding Peace Corps' controls surrounding contingency planning for agency's information system environment:

- Peace Corps did not have contingency plans in place for 4 of its 12 information systems including the Domestic and International General Support Systems.
- The Peace Corps Business Impact Analysis had not been updated by the agency to ensure identified impacts reflect current agency continuity of operations planning and are accurately incorporated into disaster recovery planning for the agency's current system environment.
- The Office of Chief Information Officer Business Recovery Plan has not been updated to reflect the new recovery procedures.
- Personnel with disaster recovery responsibilities had not received appropriate contingency training.
- Peace Corps was unable to provide evidence of backup testing and there were no records of contingency plan testing to determine if the organization includes a full recovery and reconstitution of Peace Corps systems.

Peace Corps management did make improvements related to contingency planning during FY 2009 as they began the development of alternate methods for contingency planning and disaster recovery utilizing virtualization and the Atlanta, Georgia Regional Recruiting Office. Peace Corps is in the process of revising recovery plans to include the new virtualization

environment and conducted an exercise in late September 2009. However, corrective action is still in process.

The lack of an up to date agency Business Impact Analysis creates a deficiency in the contingency planning process for information systems. A deficiency in this process means that key impacts or threats could be overlooked leading to the ineffective or delayed recovery of agency systems. The lack of Contingency Plan testing for Peace Corps systems increases the likelihood that agency systems will not be effectively recovered following a major disruption of service. In addition, the lack of contingency training may lead to individuals not understanding their roles during an emergency situation.

Access Controls

- We noted weaknesses relating to the Odyssey UNIX environment. Management-approved access request forms were not on file for all individuals with access to the production environment servers. Without management-approved access request forms, management cannot track who has been given access to the system and management does not know if the appropriate personnel are accessing the system.
- System administrators for Odyssey modules were found to have functional user roles within Odyssey which violates the principle of segregation of duties. In addition, the system administrators had the capability to grant themselves access to additional system roles. Furthermore, we noted that an Odyssey functional lead with conflicting roles within the system. Unauthorized and erroneous transactions may occur if proper procedures are not implemented to control and limit an employee's effective role within the system.
- Peace Corps network accounts are not being deactivated in a timely manner. We noted the following conditions: multiple accounts were enabled with passwords that have not been reset in over ninety days, accounts remained active that had never been logged into, accounts were enabled without having a password set and accounts were enabled that did not require a password. Since accounts are not disabled after a defined period of inactivity, accounts may be left active increasing the risk associated with unauthorized access to the system.

Change Management

- Developers for the FOR HQ application had access to the production environment of the FOR HQ application. In addition, multiple accounts for the same individuals were present in the production environment. Inadequate segregation between development and production environments increases the risk of inadvertent or intentional unauthorized software modifications being placed in the production environment. Unauthorized software modifications, or modifications that have not been independently reviewed, may go undetected. As a result, the ability to investigate and address any identified issues in a timely manner is diminished. Multiple unnecessary accounts for the same individuals also increase the risk that an account may be used improperly.

As required by OMB Circular A-130, *Management of Federal Information Resources*, Appendix III security accreditation provides a quality control and challenges managers and technical staff at all levels to implement the most effective security controls possible in an information system.

National Institute of Standards and Technology (NIST) Special Publication 800-37, *Guide for the Security Certification and Accreditation of Federal Information Systems*, states “Security certification is a comprehensive assessment of the management, operational, and technical security controls in an information system, made in support of security accreditation, to determine the extent to which the controls are implemented correctly, operating as intended, and producing the desired outcome with respect to meeting the security requirements for the system. The results of a security certification are used to reassess the risks and update the system security plan, thus providing the factual basis for an authorizing official to render a security accreditation decision.”

NIST Special Publication 800-53, Revision 2 *Recommended Security Controls for Federal Information Systems Control CP-4 Contingency Plan Testing and Exercises* states: “The organization: (i) tests and/or exercises the contingency plan for the information system at least annually using tests and/or exercises to determine the plan’s effectiveness and the organization’s readiness to execute the plan; and (ii) reviews the contingency plan test/exercise results and initiates corrective actions. The organization coordinates contingency plan testing and/or exercises with organizational elements responsible for related plans.”

NIST Special Publication 800-53 Revision 2, *Security Control CM-5*, states the following regarding access restrictions for change, “The organization: (i) approves individual access privileges and enforces physical and logical access restrictions associated with changes to the information system; and (ii) generates, retains, and reviews records reflecting all such changes.”

NIST Special Publication 800-53 Revision 2, *Security Control AC-2 – Account Management*, states: “The organization manages information system accounts, including establishing, activating, modifying, reviewing, disabling, and removing accounts. The organization reviews information system accounts at least annually.”

Recommendations

We recommend the Peace Corps Director ensure that:

- 2a. Full certification and accreditation is completed for the Domestic and International Infrastructures that support the financial management system in accordance with Peace Corps policy and OMB Circular A-130 guidance.
- 2b. The Business Impact Analysis is reevaluated and updated to accurately reflect the current Peace Corps continuity of operations planning and to support disaster recovery planning, testing, and updating for the agency’s current environment.
- 2c. Contingency Plans are developed and implemented for all Peace Corps information systems.
- 2d. A full Disaster Recovery test is conducted that will ensure all system Contingency Plans are included, as well as testing of system backups to determine if procedures for reconstitution and recovery of the systems are adequate. In addition, ensure training is provided to personnel with disaster recovery responsibilities.

- 2e. User access request forms for individuals with access to the Odyssey UNIX servers are completed and kept updated according to individual system access rights for each individual with system access.
- 2f. Odyssey system administrator roles are segregated from functional roles. In cases where management deems it necessary to have certain roles, audit controls for auditing Odyssey user accounts should be documented.
- 2g. Periodic review of user accounts that violate the Odyssey segregation of duties matrix is implemented and ensure that all activity is monitored.
- 2h. Procedures are developed and implemented to periodically audit network user accounts to (a) verify that user accounts are still currently being used, (b) verify that there are reasonable justifications for any user accounts that are not being accessed, and (c) disable any user accounts that have not been accessed without reasonable and documented justification.
- 2i. Logical access controls are implemented to restrict a developer from having access to the production environment of the FOR HQ application. If resources prohibit complete segregation of access, then compensating controls should be implemented to reduce the risk associated with access that is not segregated among environments.
- 2j. Users with access to the FOR HQ SQL Server and Visual Source Safe are permitted access through the use of a single account.



Independent Auditor's Report on Compliance and Other Matters

To the Director and Inspector General,
Peace Corps

We have audited the financial statements of Peace Corps as of, and for the year ended September 30, 2009, and have issued our report thereon dated November 12, 2009. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The management of Peace Corps is responsible for complying with laws and regulations applicable to Peace Corps. As part of obtaining reasonable assurance about whether Peace Corps' financial statements are free of material misstatements, we performed tests of Peace Corps' compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin 07-04. We limited our tests of compliance to these provisions and we did not test compliance with all laws and regulations applicable to Peace Corps. Providing an opinion on compliance with certain provisions of laws and regulations was not an objective of our audit, and, accordingly, we do not express such an opinion.

The results of our tests of compliance with laws and regulations described in the preceding paragraph disclosed no instances of reportable noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB guidance.

This report is intended solely for the information and use of the management of Peace Corps, the Peace Corps Office of Inspector General, GAO, OMB and Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Urbach Kahn & Werlin LLP

Arlington, Virginia
November 12, 2009





The Inspector General’s Statement on the Peace Corps’ Management and Performance Challenges

The Inspector General’s Statement on the Peace Corps’ Management and Performance Challenges

As required by the Reports Consolidation Act of 2000 and Office of Management and Budget guidance, I am pleased to submit the following summarizing what I consider to be the most serious management and performance challenges facing the Peace Corps. This statement has been compiled based on Office of Inspector General (OIG) audits, investigations, evaluations and the general knowledge of the agency’s operations.

Sincerely,

Kathy A. Buller, Inspector General
September 30, 2009

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Challenge **Capacity of Peace Corps Business Operations to Support Growth and Expansion**

As a result of the response to the President’s “call to service,” and as more developing nations request Peace Corps programs it is anticipated the agency will experience significant growth. Such growth will necessitate increased funding levels. Efficient and effective management of the resulting rapid growth and larger budgets will present challenges for agency management.

Peace Corps’ current business operations appear to be sufficient for supporting present levels. However, without enhancements to its business processes it will be difficult for the agency to continue providing the same level of Volunteer support based on projected growth. Significant increases in the number of Peace Corps Volunteers will have a major impact across overall operations and cause considerable stress in service delivery capabilities of several key business operations. Operations most impacted include:

- Volunteer Recruitment & Selection
- Volunteer Support Services
- Financial Management
- Information Technology
- Acquisitions & Contracting
- Safety & Security
- Human Resources
- Administrative Services

As a result, we believe it is a management challenge for the Peace Corps to ensure that business operations can respond with an effective level of support in an era of increased volunteerism and resulting rapid expansion of agency programs and/or operations around the world.

Challenge **Information Technology Management**

Peace Corps has not established an adequate information technology (IT) strategy and an effective IT governance process as required by the Clinger-Cohen Act of 1996 and OMB Circular A-130. Also, overall budgeting for IT resources is not effective and has placed the agency at risk. The most significant risks are associated with ensuring that: limited resources will be put to use where most needed; funds spent on contracts consistently meet requirements; and the IT infrastructure effectively supports the Peace Corps mission. Achieving full compliance with federal laws and regulations that apply to managing the Peace Corps IT infrastructure and improving the IT budget process are critical management challenges.

Management continues to make progress in strengthening the Peace Corps' IT architecture and security management. However, there are some issues regarding information security and risk management of system architecture that remain a management challenge. Further, several issues disclosed in prior year audits relating to compliance with the Federal Information Security Management Act have not been fully remediated. The most significant issues follow:

- Five of twelve of the agency's information systems have not received final certifications and accreditations indicating that they are acceptable to use
- Processes for systems configuration management have not been fully or consistently implemented
- Contingency plans were not in place for four of twelve information systems and only one of the eight systems having a contingency plan had been tested in accordance with National Institute of Standards and Technology policy to ensure full recovery following a major disruption of service

Challenge **Acquisitions and Contract Management**

Operations relating to Peace Corps' acquisitions and contracting are worldwide in scope adding complexities that are not common to most federal agencies. In FY 2009 the agency expended nearly \$80 million for goods and services, or approximately 23 percent of the Peace Corps budget. This figure includes expenditures of about \$48.7 million for personal services contracts and just over \$31 million for other contracts. Recent White House initiatives implemented through OMB have directed federal agencies to undertake

a number of initiatives relating to acquisitions and contract management. One of these initiatives requires agencies to develop a plan to save 3.5 percent of baseline contract spending in FY 2010, and an additional 3.5 percent in FY 2011. It is unclear at the present time whether agencies not subject to the Chief Financial Officers Act will be required to implement all of the OMB initiatives. However, if the requirement for cost savings of 7 percent through the end of FY 2011 is imposed on the Peace Corps it would pose a significant challenge to the agency since personal services contracts currently represent over 60 percent of overall contract expenditures. Also, as a part of the new initiatives, OMB has directed that federal agencies make improvements in their contracting processes, including reducing the use of high risk contracts such as noncompetitive and cost-reimbursement.

Recent OIG audit work has disclosed that although progress is being made to improve the agency's overall contracting processes; resourcing issues have impacted the ability to quickly implement plans for strengthening contract surveillance; compliance with applicable laws and regulations; and customer support services. Additional requirements imposed upon the Peace Corps' acquisition workforce could potentially challenge already strained resources.

Challenge **Property Management**

The FY 2009 (3rd Quarter) Balance Sheet indicates the Peace Corps' general property, plant, and equipment (PP&E) has a net book value of about \$31.5 million. Peace Corps' general PP&E includes vehicles, computer equipment, office furniture, software, other equipment, etc. Property management involves organizational activities related to acquiring, tracking, controlling, and disposing these items. Audits and investigations performed over the last 12-months have disclosed that not all Peace Corps property is adequately safeguarded or disposed in accordance with applicable federal and Peace Corps requirements. Significant problems have been noted with accountability of certain assets, managing excess property, and following policies and procedures related to property disposal. For example, during FY 2009 external auditors reported that the agency was not able to accurately track assignment of laptop computers. Other examples of deficient property management includes not disposing of property identified as excess to needs in a timely manner and failing to follow applicable guidance when disposing property through public sales. Ineffective property management unnecessarily exposes the agency to risks associated with fraud, waste, and abuse and drives operating costs up. As a result, improving overall property management and strengthening the system for internal control related to property is a management challenge.

Challenge **Protection of Personally Identifiable Information**

The Peace Corps routinely receives, processes, and maintains significant amounts of Personally Identifiable Information (PII). PII includes information that can be used to

distinguish or trace an individual's identity, such as name, Social Security Number, or biometric records. Such information can be used to link to other data such as bank accounts and other financial or personal information that can assist perpetrators in committing crimes associated with identity theft. During FY 2009 a number of cases of PII security breaches involving social security numbers, medical data, and other PII data have been brought to our investigators' attention. For example, an unsecured container with over 500 pieces of sensitive information, including individual medical records and other PII data, was left unattended for about three days in a public area. Other instances include recurring problems involving various breaches in personal medical data. Investigations into these security lapses disclosed numerous internal control weaknesses and failure to follow federal laws and regulations and Peace Corps policy on protecting PII. As a result it is a challenge for management to improve its system for internal control over PII and ensure Peace Corps personnel consistently comply with applicable federal and agency guidance.



Agency Response to the Inspector General's Statement on the Peace Corps' Management and Performance Challenges

To: Kathy A. Buller, Inspector General
From: Aaron S. Williams, Director
Date: November 9, 2009
Subject: Agency Response to the Inspector General's Statement on Management and Performance Challenges

Thank you for your September 30 statement addressing the management and performance challenges faced by the Peace Corps, as required by the Reports Consolidation Act of 2000 and Office of Management Budget (OMB) guidance.

The agency is pleased to support the work of the Office of the Inspector General as it carries out its work through audits, investigations, and evaluations. The OIG prevents and detects fraud, waste, abuse, and mismanagement. By completing these tasks the OIG promotes economy, effectiveness, and efficiency in government.

I would like to address the areas of challenge identified in your statement. The agency continues to strive for constant improvement as it carries out its worldwide mission.

Challenge 1: Capacity of Peace Corps Business Operations to Support Growth and Expansion

While preparing for the submission of the fiscal year 2010 President's budget to Congress, the Peace Corps worked closely with OMB to develop a strategic initiative to increase the number of Peace Corps Volunteers 25 percent by 2012 and 50 percent by 2016. The goal of this initiative is to provide quality Volunteer growth that is strategic, sustainable, and cost effective.

In preparation for growth in existing Peace Corps countries and in countries that do not currently have a Peace Corps program, all operations within the agency have identified best practices and required resources to ensure that growth occurs in an efficient and cost effective manner. With adequate funds available, several growth initiatives will begin in FY 2010 and expand in FY 2011. Agency growth will emphasize strategic recruitment, sustainable programming, exceptional Volunteer support, and strong leadership.

The Director has allocated significant current funding to begin improving systems and to reorganize and add staff to our recruiting efforts. A Volunteer Delivery System (VDS) Modernization Project that is currently in development will greatly increase the agency's capacity to support growth and expansion by improving and streamlining business operations. All organizations within Peace Corps are participating in the development of a single, innovative, integrated and efficient system that will replace the 35 disparate systems currently utilized across six different operating platforms. The Volunteer Delivery System will incorporate a new electronic health records system and an applicant matching system to better enable the agency to recruit, place, and support increased numbers of Volunteers through the end of their service and beyond.

As the agency seeks to increase the number of Americans serving overseas as Peace Corps Volunteers, additional resources will be required within all offices that assist in the recruitment, selection, and placement of Volunteers and those who provide support to Volunteers during their 27 months of service.

Given adequate funding, the agency will pursue quality growth that places Volunteers strategically, safely, and with sufficient training and support to meet the development needs of the host countries.

Challenge 2: Information Technology Management

The expansion of the Peace Corps' global footprint and the increased integration of information technology (IT) services delivery at posts and headquarters have impacted the agency's IT strategy, particularly with the budget challenges of the recent past. The agency is in the process of formulating a response and has already begun developing plans to address the gaps identified in the recent IT audit by the OIG.

The agency has an IT governance structure in place and continues to refine its processes and procedures to accommodate the agency's mission and business needs. Peace Corps believes that internal controls are an important and necessary ingredient in the successful implementation of any governance structure. To achieve this, Peace Corps has recently implemented structural changes to ensure appropriate oversight and transparency in all IT projects.

In 2007, the agency implemented an aggressive plan to certify and accredit all Peace Corps systems that require Federal Information Security Management Act (FISMA) reporting. The plan calls for a rate of three systems a year. Seven systems of 12 have been accredited since 2007, one in 2007, three in 2008, and three in 2009. The agency plans to continue accrediting systems at three per year and is poised to increase the rate should additional funding be available.

The Peace Corps within the last six months has been engaged in setting up a robust IT Disaster Recovery (ITDR) infrastructure capability. The agency considers continuity of operations as its highest priority in the event of a service disruption and has devoted significant efforts in the area of contingency planning this year as a result. As part of this effort, the agency designed and began building the new ITDR facility (85 percent complete) at the Atlanta regional office, is using virtualization technologies to improve IT recovery, and documented and tested all agency mission critical systems against the 72-hour ITDR standard as defined in the last Business Impact Analysis undertaken by the Peace Corps.

The agency also redesigned and implemented a new Peace Corps backup process and adopted a new remote access capability to allow the ITDR team to operate from any Internet-capable location during a service disruption to the headquarters building.

Peace Corps acknowledges the existence of some gaps in our ability to provide contingency plan documentation for applications and systems and is developing a detailed plan to remedy these gaps.

Challenge 3: Acquisitions and Contract Management

Consistent with the spirit and intent of the new White House contracting initiatives, the Peace Corps has been and is actively pursuing cost savings for the agency. Whether or not the agency is required to

implement all of the OMB initiatives (reducing 3.5 percent of contract spending in FY 2010 and in FY 2011 and reducing 10 percent of new high-risk contracts in FY 2010), the following cost saving initiatives are being pursued. The agency recently completed in-sourcing one IT service contract and is actively pursuing in-sourcing of three more major support service contracts for further savings. In addition, an existing cost reimbursement training services contract will be converted to a firm fixed-price contract to realize further savings. A program to reduce the agency's cost of medical supplies and pharmaceuticals was begun in FY 2009 and will continue throughout FY 2010.

Increased costs worldwide affected operational activities within the agency during FY 2009. However, with the requested level of appropriated funding negotiated with OMB in the President's FY 2010 budget, these resourcing issues should be alleviated.

Challenge 4: Property Management

The management and control of property, plant, and equipment (PP&E) in more than 70 countries and in multiple sites in the United States has always been a challenge. Peace Corps is developing specific requirements for an agencywide automated inventory system. The planned inventory system will greatly strengthen internal controls and improve overall property management, allowing staff to track, control, and report the acquisition and disposal of inventory items at posts. Additionally, this automated system will allow Peace Corps headquarters to reconcile purchases and disposals throughout the agency.

This year, the agency will pilot a Web-based training tool for proper disposal of assets and an inventory system for furniture and equipment at Peace Corps headquarters. A successful pilot will allow the new automated systems to be expanded to all posts to provide an interim solution until the agencywide inventory system is ready for implementation.

Challenge 5: Protection of Personally Identifiable Information

Peace Corps has taken substantial and proactive steps to control the use of personally identified information (PII) and to ensure the protection of PII.

The agency conducted a comprehensive evaluation of all Peace Corps forms and reduced the total from 400 forms to 225. The number of forms requesting social security numbers (SSN) was reduced to 36 and these forms now have a Privacy Act statement incorporated into the form.

Peace Corps is also working to reduce the amount of PII in our automated systems and to date we have removed PII from four automated systems and reduced or removed PII from four applications.

The new Volunteer Delivery System (VDS) is an automated system that will track Volunteers from the initial recruiting contact through the whole of their Peace Corps service. This new VDS will consolidate over 35 existing systems and will eliminate the use of SSN in all of them, further reducing the use of PII.

Every new Peace Corps employee undergoes privacy awareness training to emphasize the importance of protecting PII and the proper disposal of sensitive documents. During this training, data breach notifications procedures are explained and potential disciplinary actions for improper use of PII are also covered.



Summary of Financial Statement Audit and Management Assurances Tables

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
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	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Material Weaknesses</i>	0	0	0	0	0	0
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
<i>Total Non-Conformances</i>	0	0	0	0	0	0

Improper Payments Information Act (IPIA)

The Improper Payments Information Act (IPIA) of 2002, Public Law No. 107-300, requires agencies to annually review their programs and activities to identify those susceptible to significant improper payments. No improper payments were identified this fiscal year internally or by the external auditors that would reach the defined IPIA annual threshold of 2.5 percent and \$10 million. The Peace Corps has no programs and activities that are risk susceptible to such significant improper payments. The Peace Corps is not identified in Appendix C, OMB Circular A-123 (formerly Section 57, “Programs for which Erroneous Payments Information is Requested,” in OMB Circular A-11).

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Appendix 1

Summary of Audit Findings

The FY 2009 financial statement audit report issued by Urbach Kahn and Werlin LLP (UKW) beginning on page 85 indicated two significant deficiencies in control. Those significant deficiencies “Accounting Business Processes Need Enhancement” and “Information System Security Controls Need Improvement” and the specific audit findings that constitute those deficiencies are shown below with an estimated completion date.

Significant Deficiency 1 – Accounting Business Processes Need Enhancement	
Audit Recommendations	Estimated Completion
Enforce Property, Plant and Equipment (PP&E) policies and procedures to include additions and disposals and designate an IT assets receiving clerk	3 rd Qtr FY 10
Enhance Host Country Contributions internal controls, reporting, and classification	2 nd Qtr FY 10
Significant Deficiency 2 – Information System Security Controls Need Improvement	
Audit Recommendations	Estimated Completion
Complete full certification and accreditation for the domestic and international infrastructures that support the financial management system Odyssey	4 th Qtr FY 10
Reevaluate and update the Business Impact Analysis to reflect the current continuity of operations planning and support disaster recovery planning, testing, and updating	Under Review
Develop and implement contingency plans for all information systems	4 th Qtr FY 10
Conduct a full disaster recovery test to ensure all contingency plans are included, as well as test system backups and ensure disaster recovery training is provided	4 th Qtr FY 10
Complete user access request forms for Odyssey UNIX server and keep updated	2 nd Qtr FY 10
Segregate Odyssey system administrator roles and document audit controls for any exception	1 st Qtr FY 10
Perform review of user accounts that violate the Odyssey segregation of duties matrix and monitor activity	2 nd Qtr FY 10
Develop and implement procedures to audit network user accounts	3 rd Qtr FY 10
Implement controls to restrict developer access to the FOR Headquarters application production environment and implement compensating controls for any exception	3 rd Qtr FY 10
Permit user access to the FOR Headquarters server and Visual Source Safe through use of a single account	2 nd Qtr FY 10



Appendix 2

Glossary of Acronyms

DOL	Department of Labor	OCIO	Office of the Chief Information Officer
DOS	Department of State	OIG	Office of the Inspector General
FECA	Federal Employees Compensation Act	OMB	Office of Management and Budget
FISMA	Federal Information Security Management Act	OPM	Office of Personnel Management
FMFIA	Federal Managers' Financial Integrity Act	PCSSO	Peace Corps Safety and Security Officer
FSN	Foreign Service National	PEPFAR	President's Emergency Plan for AIDS Relief
FY	Fiscal Year	PII	Personally Identifiable Information
HCC	Host Country Contributions	PP&E	Property, Plant and Equipment
HCN	Host Country National	PSC	Personal Service Contractor
ICT	Information and Communication Technology	RPCV	Returned Peace Corps Volunteer
IPIA	Improper Payments Information Act	SSN	Social Security Number
IT	Information Technology	UKW	Urbach Kahn and Werlin LLP
ITDR	Information Technology Disaster Recovery	USAID	U.S. Agency for International Development
MD&A	Management's Discussion and Analysis	VDS	Volunteer Delivery System
NIST	National Institute of Standards and Technology		



Produced by the Peace Corps
Paul D. Coverdell Peace Corps Headquarters
1111 20th Street NW | Washington, DC 20526

