



The Peace Corps  
Performance and Accountability Highlights  
Fiscal Year 2007



# Contents

## Message from the Director

## Management's Discussion and Analysis

Mission and Organizational Structure	2
Key Performance Measures	4
Analysis of Financial Statements	7
Analysis of Systems, Controls and Legal Compliance	9
Management Assurances	
Core Issues	10

## Financial Section

Message from the Chief Financial Officer	13
Financial Statements	16



THE DIRECTOR OF THE PEACE CORPS  
WASHINGTON, D.C.

On behalf of all Americans serving in the Peace Corps around the world, I am pleased to present the Peace Corps' Performance and Accountability Report for fiscal year (FY) 2007. This report provides an account of the Peace Corps' financial and performance results, enabling the President, Congress, and the American people to assess the agency's operations during the past year.

Since 1961, the Peace Corps has partnered with 139 countries, and more than 190,000 Americans have served around the world carrying out the agency's mission of promoting world peace and friendship. The agency traces its roots and mission to the early 1960s, when then-Senator John F. Kennedy inspired Americans to serve their country in the cause of peace by living and working in developing countries.

Volunteers share their time and talents by serving as teachers, business advisors, youth counselors, agriculture and environmental specialists, and health and HIV/AIDS educators, carrying out the agency's three goals:

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

At the end of FY 2007, 8,079 Americans were serving as Peace Corps Volunteers at 68 posts in 74 countries encouraging sustainable development and cross-cultural understanding at the grassroots level.<sup>1</sup> The number of Volunteers currently serving is the highest level in 37 years. In April 2007, the agency broadened its international reach with the historic arrival of 20 Volunteers in a new country entry, the Kingdom of Cambodia. Additionally, the Peace Corps is preparing for Volunteers to return to Ethiopia in October 2007 and assessments are being performed for entry consideration in Indonesia, Liberia, Rwanda, and Sierra Leone.

Three new strategic initiatives were launched during FY 2007. They are Strategic Recruitment and Outreach (enhancing recruitment and outreach to the 50+ age population, national organizations, and returned Peace Corps Volunteers), Measuring our Success and Impact, and Promoting Volunteerism at Home and Abroad. To better measure our success and impact, we created the Office of Strategic Information, Research, and Planning which focuses on performance planning and reporting, measurement and evaluations, and data management functions for the agency. We also have an ongoing task force defining steps to better promote volunteerism through our staff and Volunteers at posts.

Among our continuing initiatives, Volunteer safety and security remains the agency's highest priority and the Peace Corps continues to contribute significantly to the global fight against HIV/AIDS. Our internal management assessments of posts were continued in FY 2007 to partner with regional and post senior leadership to strengthen and improve post management.

The crowning financial achievement of FY 2007 was attaining the first-ever unqualified opinion from the external auditors on the Peace Corps financial statements for the fiscal year ending September 30, 2007. All

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<sup>1</sup> The on board count for all Peace Corps Volunteers and trainees, and Crisis Corps Volunteers, from all funding sources serving under the Peace Corps as of September 30, 2007, is 8,079. This number includes 195 Volunteers funded by the President's Emergency Plan for AIDS Relief and nine Volunteers funded by USAID Tsunami funds. Some posts cover more than one country. The on board count includes posts in which the Peace Corps is active or suspended, but not closed.

existing material weaknesses were resolved this year and the financial system was successfully certified and accredited. This success can be attributed to our continuing internal control program coupled with intensive management efforts across the agency and implementation of financial management and information technology (IT) systems improvements throughout this fiscal year. Notable among the developing systems efforts is the creation of Magellan, a global IT network that will securely connect posts to the headquarters and regional recruiting offices, exploration of online collaboration tools, and continuing work to improve and enhance the Volunteer Delivery System.

Our FY 2007 performance measures were ambitious. I am pleased to report that the agency exceeded its performance targets in five of its eight performance goals and approximately 73 percent of 33 performance indicators. These results show continued improvement by staff and Volunteers as well as improved research and management of performance data. Overall, the Peace Corps has made great progress in documenting and streamlining its performance reporting process and can provide solid results on performance measures.

The accompanying financial statements in this Performance and Accountability Report submission were prepared from the Peace Corps' financial system and processes using the most reliable and complete data available. The agency's total assets were \$166 million as of September 30, 2007, and \$173 million as of September 30, 2006. Budgetary resources available from all years and all sources for use by the agency totaled \$345 million in FY 2007 and \$344 million in FY 2006, of which appropriated funds totaled \$320 million and \$322 million, respectively.

Improvements and refinements can always be made in the financial management world and those are reflected in the Message from the Chief Financial Officer that appears later in this report.

The agency's financial and performance data for this fiscal year are reliable and complete which is a tribute to the hard work of Peace Corps employees. I am most pleased with the increase this year in the number of dedicated Volunteers proudly serving around the world and I look forward to increasing the number of Volunteers age 50 and above in the years ahead. Volunteers represent the very best of America in serving the needs of others at this time of great conflict throughout the world. Our Volunteers share their skills and experiences while living in distant communities around the globe and their ability to quietly foster peace and friendship around our world has never been more important.

A handwritten signature in black ink, appearing to read "Ron Tschetter". The signature is fluid and cursive, with a large initial "R" and "T".

Ron Tschetter, Director  
November 15, 2007



## Mission and Organizational Structure

### Mission Statement

The Peace Corps' mission is to promote world peace and friendship. While much has changed in the world since the Peace Corps' founding in 1961, its mission has not. The Peace Corps' three core goals are as relevant today as they were 46 years ago:

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

The Peace Corps carries out its mission and goals by assisting interested countries with their development needs while providing an effective and satisfying Volunteer experience for a diverse group of Americans in a safe and secure environment; and by building an operational infrastructure that efficiently and effectively supports Peace Corps Volunteers in the 21st century.

Since the program's inception, more than 190,000 Americans have served as Peace Corps Volunteers, and the agency has partnered with 139 countries throughout the world. These Volunteers foster positive relationships with host country nationals, dispel myths about Americans, and promote sustainable development. Upon their return, Volunteers bring messages back to the American people about life overseas, the people they have served, and the cultures they have experienced.

The women and men who serve as Peace Corps Volunteers reflect the rich diversity of the United States and represent some of the finest character-

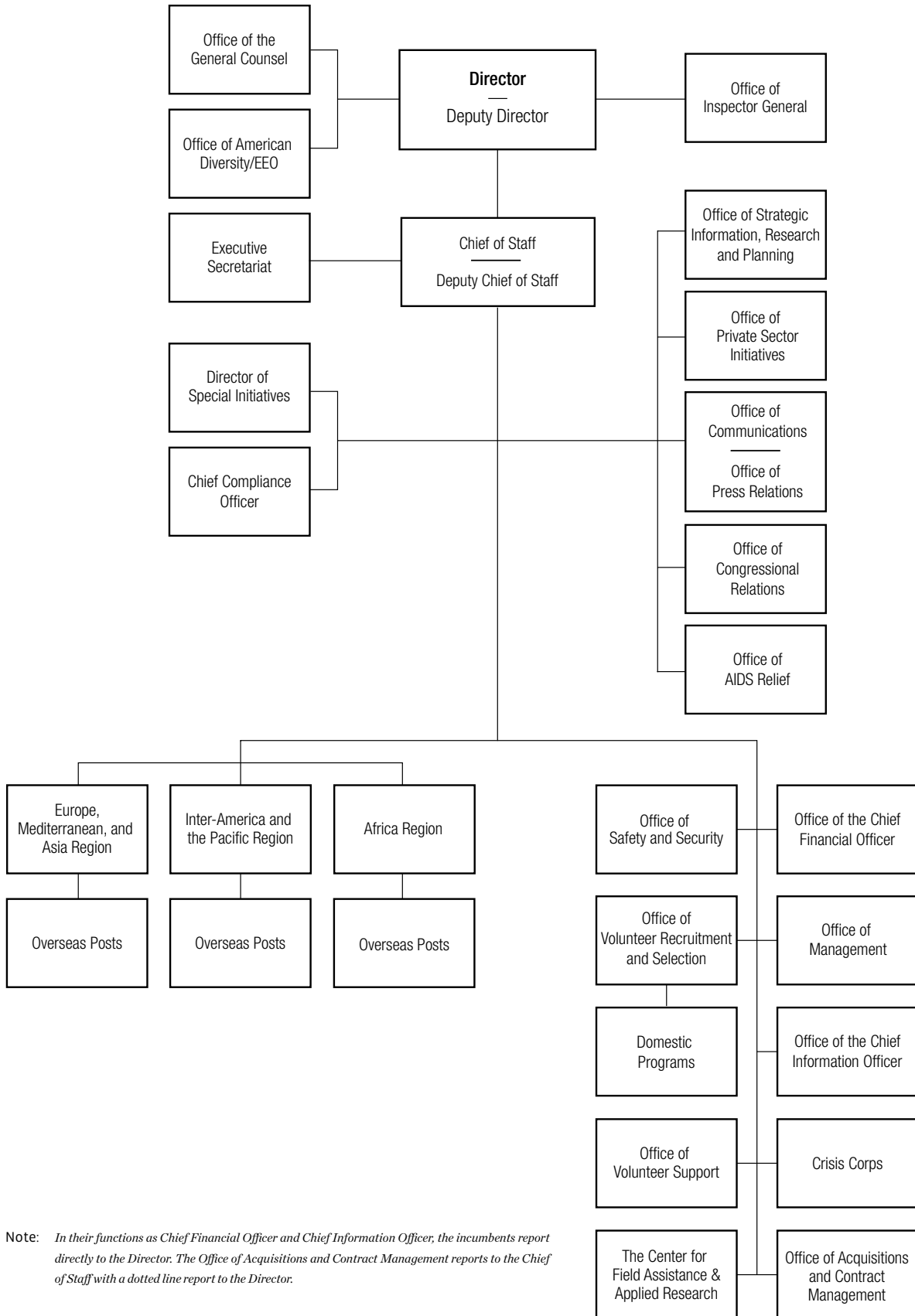
istics of the American people: a generosity of spirit, a strong work ethic, a commitment to service, and an approach to problems that is both optimistic and pragmatic. Our Volunteers are afforded no special privileges and often live in remote, isolated communities where they speak local languages and learn the cultures and customs of the people they serve. In 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 never met an American.

Offices throughout the agency deliver services ranging from recruitment and selection of Volunteers to providing training and support to Volunteers in the field to carrying out essential financial, information technology, and administrative support functions.

Development indicators suggest that nations face significant challenges in agriculture, education, business, information technology, health and HIV/AIDS, the environment, and youth development. The Peace Corps, in partnership with interested countries, provides skilled Americans who work to transfer their knowledge about these areas and to build greater understanding between cultures. Thus, the Peace Corps provides practical assistance to developing countries by sharing America's most precious resource—its people. 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. Indeed, the core values of the Peace Corps since its establishment on March 1, 1961, remain relevant, vital, and strong.

The organization chart of the Peace Corps follows:

## Peace Corps Organization



**Note:** 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.



## Key Performance Measures

### Performance Goals and Results Summary

The agency is currently utilizing its 2003-2008 strategic plan which was revised for 2006-2008 to better align the plan with the Peace Corps' three goals and internal processes, including new and modified strategic objectives with outcome-oriented targets and indicators. The FY 2008 *Congressional Budget Justification* (CBJ), which is submitted to Congress each year, includes the updated strategic plan. The CBJ is available to the public on the agency's website [www.peacecorps.gov](http://www.peacecorps.gov). The key strategic goals outlined in the agency's revised strategic plan focus on:

- Delivering a trained and diverse group of Volunteers to interested countries to transfer tangible skills and promote cross-cultural understanding;
- Ensuring Volunteers have a quality experience by providing relevant health, safety, and programmatic support;
- Increasing the exposure of Americans to other cultures by sharing Volunteer experiences through a variety of avenues; and
- Meeting the needs of applicants and Volunteers with efficient and effective support.

Thus, FY 2007 is the second year for the agency to report out on its current set of ambitious but achievable performance goals and indicator targets outlined in the revised strategic plan. In FY 2007, the agency was above target for five of its eight performance goals and approximately 73 percent of its 33 performance indicators.

### Performance Goals and Status

At the end of FY 2007, 8,079 Americans were serving in 74 countries through 68 posts as Peace Corps Volunteers, encouraging sustainable development and cross-cultural understanding at the grassroots level. The number of Volunteers is noteworthy because it represents a 37-year high for Volunteers serving in the field during the period covered by the present strategic plan. The agency has also broadened its international reach with Volunteer placements in the Kingdom of Cambodia and the historic return of the Peace Corps program to Ethiopia. In addition, a number of assessments have been completed for potential new country entries in FY 2008.

The agency was slightly below target on the number of Peace Corps applicants representing diverse ethnicities and people 50+. While the agency has set ambitious goals in these categories, more efforts are planned to help meet targets. These include pilot recruitment efforts including 50+ recruitment liaisons at every regional recruitment office. These offices will also target specified associations and gatherings to help boost applications from older Americans and from Americans of diverse ethnicities. In FY 2007, the agency rolled out a new 50+ website and the Coverdell World Wise Schools did a major redesign of its website, which seems to have increased Web traffic.

Media outreach efforts are strong, and the agency exceeded its goals in FY 2007 for press coverage of diverse Volunteers or in outlets covering diverse audiences. Likewise goals were exceeded for placement of public service announcements (PSAs) in minority- and diversity-oriented media.

The Peace Corps uses various survey instruments to capture Volunteer feedback on key indicators of the agency's effectiveness in delivering different services. As the agency strives to continuously improve, these survey results can benefit currently



PERFORMANCE GOALS SUMMARY

Performance Goals	Under	On	Over
1.1.1 Number of Volunteers serving			
1.2.1 Transfer skills and knowledge			
1.3.1 Represent American diversity			
2.1.1 Volunteer healthcare*			
2.2.1 Volunteer safety*			
3.1.1 Interactions with Americans to build cross-cultural understanding			
4.1.1 Reduce response time to applicants			
4.2.1 Cap Volunteer resignation rate			
<b>Total Performance Goals</b>	<b>3</b>		<b>5</b>

**Note** \* The agency does not have official FY 2007 targets and results for certain performance goals and indicators because the biennial Volunteer survey is not administered this year. Rather than indicating N/A for both the goals and results, the agency has interpolated goals and utilized close-of-service survey results in order to provide alternate information of agency performance in these areas.

serving and future Volunteers. The biennial Peace Corps Volunteer survey provides an important snapshot of Volunteer satisfaction during the same period of time worldwide. The close-of-service survey, which is given when Volunteers complete their service overseas, provides the agency with ongoing feedback from the field.

There are numerous steps in the application process to become a Peace Corps Volunteer. This enables the agency to recruit and thoroughly screen applicants for specific skills and medical and suitability issues prior to approving and inviting them to serve as Volunteers. The application process has been broken down into the various stages to allow the Peace Corps to best analyze its efficiencies. The agency is pleased to have exceeded its FY 2007 goal of response time to applicants and remains committed to streamlining the processes that enable Americans to obtain information, apply, join, and complete service as Volunteers.

High levels of returned Peace Corps Volunteer (RPCV) participation during Peace Corps Week and the work of our regional recruiters in tracking RPCV participation in activities that contribute directly to this goal historically were not sufficient to demonstrate achievement of our target in this area. The agency implemented changes to create a more objective and verifiable method of calculating these results moving forward. RPCV outreach activities

help carry the message of understanding of other cultures as they share their stories and experiences with schools, community groups and other philanthropic organizations across the country.

**Performance Reporting Procedures**

In FY 2007, the Peace Corps built on significant improvements to its performance reporting process. Throughout FY 2007, the agency continued to institutionalize its internal controls and documentation of processes surrounding strategic performance reporting. The creation of the Office of Strategic Information, Research, and Planning (OSIRP) has helped institutionalize agency performance planning and reporting, allowing for greater continuity and reliability in reporting and helping mitigate the effect of staff changes on consistent performance reporting.

Addressing mid-year performance results during FY 2007 mid-year budget reviews allowed the agency to take another positive step toward aligning performance with budgeting. The integrated mid-year review allows for the reallocation of funding and human resources to correct a course of action if there are challenges in meeting performance goals, or to validate positive actions taken to meet performance targets.

To continue emphasizing transparency and performance, the agency is using results from the close-of-service survey in FY 2007 to provide alternate data for indicators that used the biennial survey information in FY 2006. This is due to the unavailability of biennial survey data in FY 2007. The Peace Corps plans to continue this practice in future years when the biennial survey is not conducted.

The Peace Corps' FY 2007 performance results are based on reliable, actual data that are complete as of the production of the results at the close of the fiscal year. While the data are largely a complete and accurate view of the full fiscal year results, they are limited by instances of unforeseen challenges with technology and data that flow in beyond the reporting dates. Overall, the Peace Corps has made great progress in institutionalizing its performance reporting procedures and is well-positioned to provide solid results on its performance measures.



*Environment Volunteer, Cambodia*



## Analysis of Financial Statements

### Overview

The certification and accreditation of the financial system during fiscal year 2007 was a landmark achievement for the Peace Corps. This fiscal year, all required federal financial statements were generated directly from the financial system for the first time. Another major accomplishment—gaining better control of the property, plant, and equipment (PP&E) capital assets—was achieved by implementing an Oracle fixed asset module to streamline PP&E tracking and depreciation and initiation of a semiannual PP&E asset verification process with each post.

### Analysis of the Peace Corps' Financial Statements

The Peace Corps' financial statements were prepared from its financial system and processes using the most reliable and complete data available. The financial system was certified and accredited during this fiscal year and conforms fully to government-wide standards. During FY 2007, generation of the financial statements was enhanced by implementing formalized and comprehensive reconciliation and quality control processes and by further documenting and publishing the basis for each fund classification and its treatment in the financial statements.

The agency had total assets of \$166 million as of September 30, 2007, and \$173 million as of September 30, 2006. As mentioned above, a major accomplishment—gaining better control of PP&E capital assets—was achieved by implementing an Oracle fixed asset module to streamline PP&E tracking and depreciation and initiation of a semi-annual PP&E asset verification process with each post.

Operational improvements have resulted in a significant reduction in the outstanding accounts receivable and accounts payable with the public in the FY 2007 closing balances as compared to the FY 2006 balances. Improvements in system and accounting procedures resulted in more accurate reporting of prepayments and accruals. The substantial increase in net outlays from FY 2006 to FY 2007 is a result of 1) operational efficiencies in accounts payable, 2) expensing more than \$5 million to partially fund the host country residents contractors separation liability fund established during FY 2007 and 3) increases in the number of Volunteers and the associated infrastructure and support costs.

Budgetary resources available for use by the agency totaled \$345 million in FY 2007 and \$344 million in FY 2006, of which appropriated funds totaled \$320 million and \$322 million, respectively.

### Improper Payments Information Act (IPIA)

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). Again this fiscal year, no improper payments were identified internally or by independent auditors that would reach the defined Improper Payments Information Act (IPIA) threshold of 2.5 percent and \$10 million. A risk assessment, though, was performed in the global accounts payable area this year in recognition of the inherent risk associated with improper payments. Additionally, internal control sample testing conducted during this fiscal year on high dollar payments did not reveal any significant improper payments for the agency.

### 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 books and records of the entity in accordance with generally

acceptable accounting principles for Federal entities and the formats prescribed by 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.



*Business Volunteer, Ukraine*



## Analysis of Systems, Controls, and Legal Compliance

### Management Assurances

#### *Federal Managers' Financial Integrity Act*

The Federal Managers' Financial Integrity Act (FMFIA) requires agencies to establish accounting and administrative controls to include program, operational, and administrative areas as well as accounting and financial management. 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).

#### *Internal Control Over Peace Corps Operations*

Oversight of the Peace Corps' internal control program is conducted by top agency management functioning as the senior assessment team that was established during FY 2006 and led by the Chief Financial Officer. Offices throughout the agency conducted risk assessments for their business areas during FY 2007 and identified no reportable material weaknesses. Additionally, Peace Corps managers prepared annual assurance statements attesting to the adequacy of internal controls, identifying no reportable material weaknesses in any area. Assurances were based on the managers' personal knowledge of day-to-day operations, existing controls, and other related reviews and evaluations. Internal control testing was conducted during this fiscal year to strengthen the reliability of personal service contract payment processing for the overseas contractors and to further substantiate the financial statement balances. During FY 2008, internal control testing will be expanded.

#### *Summary*

The Peace Corps is proud to have achieved an unqualified statement of assurance for FY 2007 and that the internal controls and financial management systems meet FMFIA objectives. Future agency efforts will remain focused to support this unqualified statement of assurance and an unqualified audit opinion on the agency's financial statements. Chang-

es made within the agency over the last few years that produced sound financial processes, a certified and accredited financial system, and strong operational management have supplied the pillars for a solid financial management foundation.

#### *FY 2007 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 (FMFIA) Section 2 and OMB Circular A-123, *Management's Responsibility for Internal Control*. Based on this assessment, the Peace Corps can provide reasonable assurance for FY 2007 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 government-wide financial systems requirements in accordance with FMFIA Section 4 and OMB Circular A-123. 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 for FY 2007.

Ron Tschetter, Director  
November 15, 2007

George A. Schutter III, CPA, CPCPM  
Chief Financial Officer  
November 15, 2007



## Core Issues

The Peace Corps provides practical assistance to developing countries by sharing America's most precious resource—its people. The close interaction between Peace Corps Volunteers and local communities has allowed the Peace Corps to establish a record of service that is admired and recognized around the world.

At the end of FY 2007, 8,079 Americans were serving as Peace Corps Volunteers at 68 posts in 74 countries (posts in the Eastern Caribbean and Micronesia provide support to eight island nations) and fostering sustainable development and cross-cultural understanding at the grassroots level. Currently, about 20 percent of the Volunteers are serving in nations with predominantly Muslim populations. Volunteers work in the areas of agriculture, business, education, the environment, health and HIV/AIDS, and youth development, incorporating cross-cutting themes such as information and communications technology into their work. In addition to transferring skills to host country nationals and promoting cross-cultural understanding between Americans and other peoples, the Peace Corps service also provides the American workforce with overseas experience. In fact, in September 2007, the Peace Corps was again recognized by *Business Week* as one of the top 50 best places to launch a career. Returned Peace Corps Volunteers also contribute to America's legacy of service by offering their time and skills to community volunteer programs or organizations around the country and through Peace Corps programs such as Crisis Corps, Fellows/USA, and Peace Corps Week.

In FY 2007, the Peace Corps embarked on three strategic initiatives: Recruitment and Outreach; Measuring Success and Impact; and Volunteerism at Home and Abroad.

### Recruitment and Outreach

The 50+ population represents a tremendous opportunity for the Peace Corps. Individuals in this population already volunteer at high rates and have a desire to share their expertise and skills. The Peace Corps has a strong relationship with AARP, which is helping the agency recruit older Americans. Additionally, the agency has identified pilot posts in each of the three regions to review the needs of potential 50+ Volunteers and make recommendations.

The Peace Corps must continue to be strategic and creative in increasing recruitment efforts at small colleges and universities. Relationships with groups like the Historically Black Colleges and Universities (HBCU), and the American Association of Community Colleges are helping with these efforts, leading to initiatives such as the Baccalaureate and Peace Corps Prep programs.

The Peace Corps will also work to ensure that its returned Peace Corps Volunteer (RPCV) community is engaged and ready to assist the agency in Volunteer recruitment as active alumni. The agency is pursuing opportunities for increased involvement, such as the mentoring program between RPCVs and recently returning Volunteers.

To increase public awareness for the Peace Corps, targeted websites were created such as the Teens website and the 50+ website, or significantly redesigned, such as the Coverdell World Wise Schools website.

### Measuring Our Success and Impact

While we feel that the Peace Corps brings great value to the world, the agency needs to better measure its success and impact to better document results and better articulate its success and impact internally and to others.

The Peace Corps took concrete steps in FY 2007 to position itself for enhanced performance measurement in the future. The agency created the Office of Strategic Information, Research, and Planning to focus and integrate the efforts of the agency to improve the evaluation and measurement of performance, outcomes and impact; the management of data and information, and performance planning and reporting within the agency.

### Volunteerism at Home and Abroad

We believe that the Peace Corps represents the gold standard for volunteerism, and we can assist our partners around the world in promoting volunteerism among their own people. Our Volunteers reached more than 1.4 million young people in 2006, and many posts are already working with youth in-service learning projects, teaching them the value of giving back to their own communities. We surveyed our posts to see how our Volunteers promote volunteerism in their host communities and created a task force to look at the way that the Peace Corps can encourage the spirit of volunteerism in our countries of service and here at home. The agency will be placing additional emphasis in this area as we implement our worldwide organizational plans for FY 2008 activities.

Other on-going significant core activities include:

#### *Volunteer Safety and Security*

Volunteer safety and security remains the agency's highest priority. In early FY 2007, the Office of Safety and Security determined that a program assessment would be useful to ensure that the office was appropriately staffed and fulfilling its programmatic responsibilities. This program assessment included interviews and a survey of the primary stakeholders of the safety and security program.

The following enhancements were identified for implementation in FY 2008:

Continue to enhance the roles of key safety and security overseas staff in supporting the safety and security of Volunteers; continue to emphasize the importance of site selection and Volunteer safety and security training; spearhead improvements to the existing process for monitoring critical safety and security recommendations; and continue the agency focus on under-reporting of crimes committed against Volunteers and explore creative solutions for encouraging additional incident reporting.

#### *HIV/AIDS Initiative*

The Peace Corps continues to contribute significantly to the global fight against HIV/AIDS. Peace Corps Volunteers, by living and working at the grassroots level in communities and speaking the local language, are uniquely suited to reach populations most in need of HIV/AIDS prevention and care services. The Office of AIDS Relief continues to provide agency-level policy guidance; overall leadership; and general supervision, direction, and coordination of Peace Corps' HIV/AIDS activities, including the agency's participation in the President's Emergency Plan for AIDS Relief (PEPFAR). The Peace Corps continues to be a valuable participant in the PEPFAR program with 195 PEPFAR-funded Volunteers serving in 10 of PEPFAR's 15 focus countries.<sup>2</sup> In addition to posts in the focus countries, 12 other Peace Corps posts implemented PEPFAR-funded activities in FY 2007.<sup>3</sup>

As a result of the Peace Corps' increased involvement in HIV/AIDS efforts globally, the agency is evaluating how issues around death, dying, grief, and loss due to HIV/AIDS are affecting Volunteers' emotional health to ensure the agency is providing adequate support to Volunteers. The results of this

<sup>2</sup> PEPFAR has identified 15 focus countries. The Peace Corps has posts in ten of these focus countries—Botswana, Ethiopia, Guyana, Kenya, Mozambique, Namibia, South Africa, Tanzania, Uganda, and Zambia. The other focus countries are Haiti, Ivory Coast, Nigeria, Rwanda, and Vietnam.

<sup>3</sup> Other Peace Corps posts implementing PEPFAR-funded activities include: Dominican Republic, Eastern Caribbean, Georgia, Ghana, Honduras, Kazakhstan, Kyrgyz Republic, Lesotho, Malawi, Swaziland, Thailand, and Ukraine.

evaluation will define where the Peace Corps needs to strengthen support systems to ensure that those Volunteers performing these difficult tasks are well-prepared to cope with these issues.

### Continuous Improvement

In an effort to focus on the efficiency and effectiveness of Peace Corps operations, the agency continued its program of Internal Management Assessments (IMA) of posts in FY 2007. The goal of the IMA program is to partner with regional and posts' senior leadership to strengthen and improve post management. Assessment teams have pursued meaningful solutions to improve posts' operations and to enhance Volunteer service and programmatic impact. Nine post assessments were conducted in FY 2007, leading to specific recommendations with agency-wide implications.

In addition, the Peace Corps' Office of the Inspector General (OIG) regularly conducts audits and evalu-

ations in the utilization of agency resources, and the efficiency and effectiveness of programs that support Peace Corps Volunteers. Audits focus on fiscal accountability and effectiveness of internal controls over Peace Corps wide resources. Evaluators analyze the program operations of the Peace Corps at both overseas posts and domestic offices. Audits and evaluation reports identify internal control weaknesses, best practices and recommend program improvements and means to comply with Peace Corps' policies and procedures. During FY 2007, the OIG issued six program evaluation reports and 16 audit reports in 21 countries.

### Overall

The Peace Corps' mission and efforts around the globe are as important as ever. The agency will continue to strive to operate at its optimum level to ensure more Americans are given the opportunity to serve as Peace Corps Volunteers to carry out the agency's mission of world peace and friendship.



*Health Volunteer, Benin*





## Message from the Chief Financial Officer

Fiscal year 2007 saw the results of the past years transition and maturation of the financial systems and our personnel culminating in an unqualified opinion on the agency's financial statements. For the first time since the financial audits began, there were no new material weaknesses or federal system non-compliances identified during the financial audit. Great credit needs to be given to the staff throughout the Peace Corps as sound financial management has been embraced across the organization. I give special thanks to the finance and administrative staff who have completely redefined their business practices to move from a disclaimer of an opinion to an unqualified audit opinion in two years. The production of the financial statements has moved from a project to a process and our internal controls have significantly improved.

The enterprise-wide federal system non-compliance (i.e., information systems control environment) from prior years was resolved by the successful certification and accreditation of the financial system earlier this fiscal year and by successfully testing the agency's disaster recovery strategy process and the contingency plan in February 2007. Certification and accreditation of the Odyssey financial system was in accordance with the Federal Information Security Management Act, Public Law 107-347. Other information technology issues at the overseas posts were resolved by completing the software refresh in all three regions and by rolling out monthly software patches.

Existing material weaknesses from past year audits in the financial management structure, accounting business processes, and the beginning balances were mitigated by the following:

- Implementing formalized and comprehensive reconciliation and quality control processes for material account balances and further documenting the basis for each fund classification and its treatment in the financial statements.
- Providing an obligation funds documentation matrix to the posts and reinforcing obligation and disbursement guidance in the *Overseas Financial Management Handbook*.
- Conducting internal control testing to strengthen the reliability of personal service contract payment processing for overseas contractors and to further substantiate financial statement balances.
- Implementing a standardized accrual matrix, accrual templates and procedures and changing how accounts payable accruals are estimated.
- Gaining better control of the property, plant, and equipment (PP&E) capital assets by publishing PP&E procedures, implementing an Oracle fixed asset module, and implementing an ongoing semiannual PP&E asset verification process with each post. The asset module streamlines PP&E tracking and depreciation and facilitates reconciliation with the financial statements.

Close, aggressive monitoring and completing corrective actions necessary to satisfy the agency's corrective action plan coupled with dedicated managerial and employee efforts throughout the fiscal year significantly reduced the number of outstanding audit findings and eliminated material weaknesses for the Peace Corps.

Notable among the financial management improvements this year to benefit the worldwide posts were enhanced training for new country directors and administrative officers; initiatives to better use electronic funds transfer capabilities; and cash improvements that allow immediate canceling and crediting of payments and reuse of funding. Other financial management improvement efforts implemented this fiscal year included:

- Implementing financial management performance metrics that measure critical activities to evaluate the agency's financial health.
- Monitoring closely the Inspector General's post and headquarters audits and reducing the outstanding financial oversight audit findings from 23 to one.
- Eliminating a \$1.2 million debit card backlog that spanned several fiscal years.
- Changing to a new debit card platform that will automatically unload unused amounts on debit cards based on expiration date preventing future debit card problems.
- Replacing the manual method of referring debts to Treasury for collection with the Treasury's automated method, the FedDebt System.
- Publishing updated financial policy and disseminating it rapidly throughout the agency.
- Clearing outstanding cashier accountability out-of-balance conditions with the State Department in January 2007, with that balance remaining at zero at year's end.
- Issuing 10 *Peace Corps Manual* Sections, 11 *CFO Bulletins*, two CFO Policy Statements; updating 35 of 52 Chapters in the *Overseas Financial Management Handbook*; and issuing *Travel* and *Fiscal Coding Handbooks*.
- Clearing 515 old travel advances from expired funds which totaled more than \$200,000.
- Developing a process to monitor outstanding collections at posts using the FOR-Post accounting system.

The Auditor's report identified no material weaknesses during this year's financial audit but did identify significant deficiencies in our internal controls for the accounting business processes and the information system security controls. Those deficiencies will be addressed and corrected during the next fiscal year. Additionally, there are a few remaining outstanding audit findings from prior-year audits not yet fully resolved but progressing in accordance with the structured corrective action plan. Generally, resolving the outstanding audit findings is tied to future agency-wide events, such as conducting post IT audits or requires interaction with other federal agencies.

Looking forward to next year, internal control testing will be further expanded to include all key processes that impact financial reporting, further strengthening of the documentation for financial functions and processes, focus on financial management training for domestic and overseas staff, continued emphasis on hiring and retaining qualified staff, and continuing ongoing efforts to maintain and update Peace Corps manuals and handbooks.

We remain committed to excellence in financial management with a goal to refine the maturation level of Peace Corps financial systems and key agency-wide financial processes that maintain financial performance and to support all agency efforts to secure future unqualified opinions on the agency's financial statements.

The financial statements that follow were prepared in accordance with generally accepted accounting principles for federal government entities and by subjecting the statements to an independent audit. The Peace Corps' financial statements were prepared from its financial systems and processes using the most reliable and complete data available.



George A. Schutter III, CPA, CPCM  
Chief Financial Officer  
November 15, 2007



*CFO George Schutter, Niger*

**Peace Corps**  
**Balance Sheet**  
**As of September 30, 2007 and 2006**  
(In Thousands)

	<u>2007</u>	<u>2006</u> (Restated)
<b>Assets</b>		
<b>Intragovernmental</b>		
Fund Balance With Treasury (Note 2 and 3)	\$ 125,652	\$ 134,516
Accounts Receivable (Note 5)	630	980
<b>Total Intragovernmental</b>	<u>126,282</u>	<u>135,496</u>
Cash and Other Monetary Assets (Note 4)	65	65
Accounts Receivable, Net (Note 5)	58	183
General Property, Plant, and Equipment, Net (Note 6)	32,657	32,980
<b>Other</b>		
Prepaid Volunteer Living Allowances (Note 7)	3,984	3,813
Other Assets (Note 8)	2,510	430
Subtotal Other	<u>6,494</u>	<u>4,243</u>
<b>Total Assets</b>	<u>\$ 165,556</u>	<u>\$ 172,967</u>
<b>Liabilities</b>		
<b>Intragovernmental</b>		
Accounts Payable	\$ 1,024	\$ 442
<b>Other</b>		
FECA Liability (Note 9)	24,236	24,157
Other Liabilities (Note 10)	2	2
Subtotal Other	<u>24,238</u>	<u>24,159</u>
<b>Total Intragovernmental</b>	<u>25,262</u>	<u>24,601</u>
Accounts Payable	8,313	11,767
Federal Employee and Veteran Benefits (Note 9)	116,450	116,451
<b>Other</b>		
Other Employment Related Liability (Note 9)	7,590	9,840
Non-Entity Funds	32,597	27,379
Accrued Funded Payroll and Leave	3,680	3,241
Annual Leave (Note 9)	7,310	6,673
Other Liability (Note 10)	750	500
Subtotal Other	<u>51,927</u>	<u>47,633</u>
<b>Total Liabilities</b>	<u>201,952</u>	<u>200,452</u>
<b>Commitments and Contingencies (Note 12)</b>		
<b>Net Position</b>		
Unexpended Appropriations - Other Funds	81,586	92,863
Cumulative Results of Operations - Other Funds	(117,982)	(120,348)
<b>Total Net Position</b>	<u>\$ (36,396)</u>	<u>\$ (27,485)</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 165,556</u>	<u>\$ 172,967</u>

The accompanying notes are an integral part of these statements

**Peace Corps**  
**Statement of Net Cost**  
**For the Years Ended September 30, 2007 and 2006**  
(In Thousands)

	<u>2007</u>	<u>2006</u> (Restated) (Unaudited)
<b>Program Costs:</b>		
<b>Gross Costs</b>	\$ 335,688	\$ 314,734
<b>Less: Earned Revenue (Note 14)</b>	3,158	5,532
<b>Net Program Costs</b>	332,530	309,202
<b>Costs Not Assigned to Programs</b>	-	-
<b>Less: Earned Revenues Not Attributed to Programs</b>	-	-
<b>Net Cost of Operations</b>	\$ 332,530	\$ 309,202

The accompanying notes are an integral part of these statements

**Peace Corps**  
**Statement of Changes in Net Position**  
**For the Years Ended September 30, 2007 and 2006**  
(In Thousands)

	<u>2007</u>	<u>2006</u>
		(Restated) (Unaudited)
<b>Cumulative Results of Operations</b>		
<b>Beginning Balances</b>	\$ (120,348)	\$ (120,425)
<b>Adjustments</b>		
<b>Corrections of Errors</b>	(511)	(6,492)
<b>Beginning Balances, As Adjusted</b>	<u>(120,859)</u>	<u>(126,917)</u>
 <b>Budgetary Financing Sources:</b>		
<b>Appropriations Used</b>	330,685	310,377
 <i>Other Financing Sources (Non-Exchange):</i>		
<b>Transfers-In/Out Reimbursement</b>	(102)	702
<b>Imputed Financing (Note 13)</b>	4,824	4,692
<b>Total Financing Sources</b>	<u>335,407</u>	<u>315,771</u>
 <b>Net Cost of Operations</b>	<u>(332,530)</u>	<u>(309,202)</u>
<b>Net Change</b>	<u>2,877</u>	<u>6,569</u>
 <b>Cumulative Results of Operations</b>	<u>(117,982)</u>	<u>(120,348)</u>
 <b>Unexpended Appropriations</b>		
<b>Beginning Balances</b>	92,863	84,896
<b>Adjustments</b>		
<b>Corrections of Errors</b>	(135)	(2)
<b>Beginning Balances, As Adjusted</b>	<u>92,728</u>	<u>84,894</u>
 <i>Budgetary Financing Sources:</i>		
<b>Appropriations Received</b>	319,700	322,000
<b>Appropriations Transferred In/Out</b>	-	1,100
<b>Other Adjustments</b>	(157)	(4,753)
<b>Appropriations Used</b>	<u>(330,685)</u>	<u>(310,377)</u>
<b>Total Budgetary Financing Sources</b>	<u>(11,142)</u>	<u>7,970</u>
<b>Total Unexpended Appropriations</b>	<u>81,586</u>	<u>92,863</u>
 <b>Net Position</b>	<u>\$ (36,396)</u>	<u>\$ (27,485)</u>

The accompanying notes are an integral part of these statements

**Peace Corps**  
**Statement of Budgetary Resources**  
**For the Years Ended September 30, 2007 and 2006**  
(In Thousands)

	<u>2007</u>	<u>2006</u>
		(Restated) (Unaudited)
<b>Budgetary Resources:</b>		
Unobligated Balance, Brought Forward, October 1	\$ 21,148	\$ 20,356
Budgetary Authority		
Appropriations	319,700	322,000
Spending Authority From Offsetting Collections (Gross)		
Earned		
Collected	4,789	6,802
Change in Receivables from Federal Sources	(334)	376
Change in Unfilled Customer Orders		
Advance Received	-	-
Without Advance from Federal Sources	(150)	(2,064)
Subtotal	324,005	327,114
Nonexpenditure Transfers, Net, Anticipated and Actual	-	1,100
Permanently Not Available	158	4,753
<b>Total Budgetary Resources</b>	<u>\$ 344,995</u>	<u>\$ 343,817</u>
<b>Status of Budgetary Resources:</b>		
Obligations Incurred		
Direct	\$ 320,848	\$ 319,146
Reimbursable	2,646	3,522
Subtotal	323,494	322,668
Unobligated Balance		
Apportioned	10,648	7,828
Unobligated Balance Not Available	10,853	13,321
<b>Total Status of Budgetary Resources</b>	<u>\$ 344,995</u>	<u>\$ 343,817</u>
<b>Change in Obligated Balance:</b>		
<b>Obligated Balance, Net</b>		
Unpaid Obligations, Brought Forward, October 1	\$ 87,860	\$ 82,624
Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	438	2,126
Total Unpaid Obligated Balance, Net	87,422	80,498
Obligations Incurred, net	323,494	322,668
Gross Outlays	338,407	317,433
Obligated Balance Transferred, Net	-	-
Change in Uncollected Customer Payments from Federal Sources	(484)	(1,688)
Obligated Balance, Net, End of Period		
Unpaid Obligations	72,947	87,860
Uncollected Customer Payments from Federal Sources	(46)	438
<b>Total Unpaid Obligated Balance, Net, End of Period</b>	<u>\$ 72,993</u>	<u>\$ 87,422</u>
<b>NET OUTLAYS</b>		
Net Outlays		
Gross Outlays	\$ 338,407	\$ 317,433
Offsetting Collections	4,789	6,802
<b>Net Outlays</b>	<u>\$ 333,618</u>	<u>\$ 310,631</u>

The accompanying notes are an integral part of these statements

