Peace Corps
Office of Inspector General

Information Technology Governance

**Final Audit Report:
Peace Corps Office of the Chief Information
Officer Budget Formulation and Management**

January 2010

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Gerald P. Montoya
Assistant Inspector General for Audit

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EXECUTIVE SUMMARY

BACKGROUND

The Clinger-Cohen Act of 1996 and the Office of Management and Budget (OMB) Circular A-130 required agencies to establish an information technology (IT) investment process and defined the responsibilities of the agency Chief Information Officers. Peace Corps established a governance process to ensure that its IT strategy aligns with business strategy and to manage its investments in IT. IT governance is essential to the Office of the Chief Information Officer (OCIO) budget formulation because it establishes OCIO priorities and influences resource allocation.

The Chief Information Officer (CIO) is responsible for providing advice and other assistance to the Peace Corps Director to ensure that IT is acquired and information resources are managed in accordance with federal regulations. In FY 2008, the CIO managed an office of 58 employees and 27 contractors and a budget of approximately $8,470,500 in operations and maintenance funds and approximately $9,157,200 in centrally managed funds.

We reviewed the Peace Corps IT investment and OCIO budget processes to determine whether Peace Corps complied with federal requirements and ensured the most efficient and effective use of agency resources.

IT GOVERNANCE PROCESS

Peace Corps did not establish an effective IT governance process as required by the Clinger-Cohen Act of 1996 and OMB Circular A-130. Specifically, Peace Corps did not:

- Develop an Information Resource Management strategy.
- Maintain a current IT roadmap to guide future decisions.
- Clearly define the criteria for prioritizing and selecting IT investments.
- Have a standard method for monitoring and evaluating all project costs and schedules.

As a result Peace Corps:

- Management lacked the necessary information to make informed IT planning and budget decisions and did not fully understand the IT investment process.
- Offices made short-term decisions that did not ensure the most efficient and effective use of information resources. For example, the agency spent more than $99,000 in funds and labor costs that could have been avoided for two uncompleted IT projects.
- Management did not adequately plan high priority initiatives and failed to allocate sufficient resources to fulfill federal IT requirements.
- Project managers frequently allowed IT projects to exceed budget estimates and miss scheduled milestones.

See finding A for more information.

BUDGET MANAGEMENT
The OCIO did not ensure its budget resources were sufficient and expended efficiently. Although controls were in place and operating effectively to ensure fund allocation and expenditures were necessary, justified, and properly approved, the OCIO inappropriately commingled its two fund accounts and relied heavily on additional agency funds to support routine business activities. The OCIO also did not adequately manage its contracts and oversee the agency's IT personnel.

Because of poor budget management, the OCIO:

- Risked that essential and required functions would not have adequate funding.
- Did not maintain adequate oversight to ensure that its workforce completed tasks timely and efficiently.
- Paid $35,000 in unnecessary contract services and failed to properly track an additional $149,000 in contract costs.
- Did not properly manage $97,000 in lapsed salary costs.
- Did not maintain oversight of all agency IT resources as required by the Clinger-Cohen Act of 1996.

In addition, the Office of the Chief Financial Officer (OCFO) did not provide Peace Corps offices with adequate guidance concerning the request of additional agency funds and failed to monitor the use of the additional funds. As a result, OCFO did not have sufficient administrative control of funds to ensure the most efficient use of agency resources and could not make fully informed decisions when providing additional resources to offices.

See findings B and C for more information.

RECOMMENDATIONS
Peace Corps Office of the Chief Information Officer made improvements during FYs 2008 and 2009 by revising the investment review board process, reviewing its budgetary accounts, and reevaluating its contract mechanisms. However, the Peace Corps will continue to expend resources inefficiently until the agency establishes an overall information resource management strategy and IT plan. See the Agency Initiatives section for more information.

Our report contains 23 recommendations, which, if implemented, should strengthen internal controls and correct the deficiencies in the Peace Corps OCIO budget formulation and execution processes. Among our recommendations, we address the need for an agency-wide information resource management strategy, criteria for investment review board decisions, a process that clearly defines responsibilities related to preparing and retaining project documentation, a consistent project evaluation method, and clearly defined and separated OCIO fund accounts.

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INTRODUCTION

GENERAL

The Office of Inspector General conducted an audit of the budget formulation and budget management of the OCIO January 28, 2009 - June 12, 2009. We reviewed the agency's IT investment and OCIO budget processes from fiscal years (FYs) 2007, 2008, and 2009. We performed this audit in accordance with generally accepted government auditing standards.

BACKGROUND

The Clinger-Cohen Act of 1996 (CCA) and the Office of Management and Budget (OMB) Circular A-130 required agencies to establish an information technology (IT) investment process and defined the responsibilities of agency CIOs. The purpose of the Peace Corps OCIO is to ensure prompt, efficient, and effective implementation of information policies; compliance with federal IT regulations; and management of IT resources for the Peace Corps. OCIO responsibilities include:

- Providing agency IT direction, standards, enterprise architecture (EA), infrastructure, and IT strategy. [1]
- Developing agency approved technology solutions.
- Evaluating new technologies and researching products.
- Testing information technology.
- Providing technical oversight of IT projects.
- Providing technical guidance to agency offices.
- Coordinating with agency offices to ensure IT success.

The OCIO uses its funds for the development and application of IT products, training, and security of Peace Corps domestic and international operations. The OCIO FY 2008 budget included operations and maintenance funds of approximately $8,470,500 and centrally managed funds of approximately $9,157,200. In addition, agency offices use their funds for IT projects.

Peace Corps has attempted to implement a successful IT governance process since 2002 with mixed results. The IT governance process involves aligning IT strategy with business strategy, ensuring that IT projects stay on track to achieve their strategies and goals, and measuring IT performance. IT governance is an essential element of the OCIO budget

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[1] See appendix C for a glossary of terms.

formulation because it establishes OCIO priorities and influences resource allocation.

OBJECTIVES

The overall objective of this audit was to determine whether the OCIO, in conjunction with the OCFO, implemented effective budget formulation and budget execution procedures that resulted in the most efficient use of Peace Corps budgetary resources. Appendix A provides a description of the audit objectives, scope, and methodology.

FINDING A. INFORMATION TECHNOLOGY PLANNING AND INVESTMENT CONTROL

Peace Corps did not manage its information technology investments efficiently and effectively in accordance with OMB Circular A-130. Although Peace Corps made several attempts to define the IT investment process and continued to refine the procedures, it had not developed a sustainable and mature solution. This occurred because:

- The Peace Corps failed to develop adequate long-term IT planning necessary to guide investment decisions.
- The Peace Corps did not implement an adequate planning and investment control process to select, prioritize, control, and evaluate information technology.
- The OCIO did not clearly define and enforce its project management policies necessary to ensure all required information was obtained and maintained for the life of the IT investment.

As a result, Peace Corps expended time and resources on IT that was not cost effective, failed to allocate sufficient resources to fulfill federal IT requirements, and did not adequately plan high priority initiatives. Further, Peace Corps IT projects were frequently over budget and schedule. Additionally, the agency inappropriately spent more than $99,000 in funds and labor on two uncompleted projects. These costs could have been avoided with proper planning and documentation.
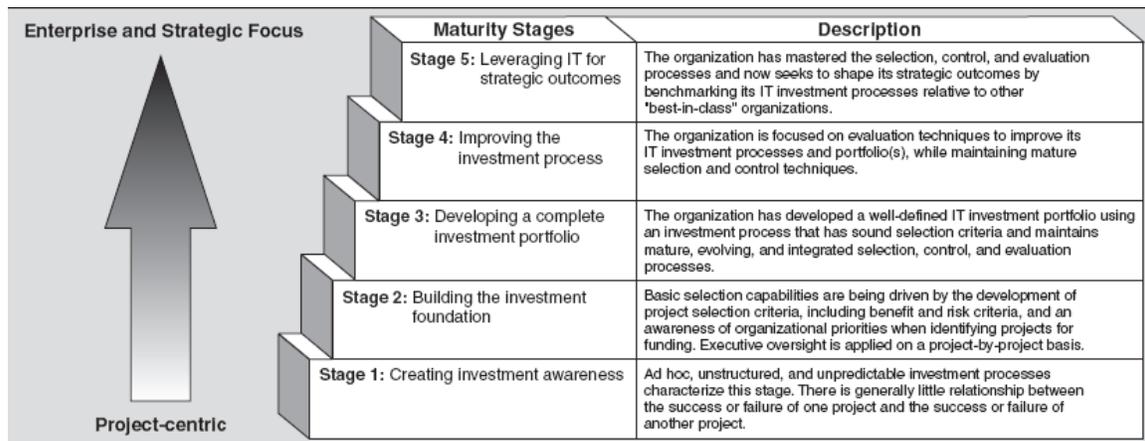
IT INVESTMENT MANAGEMENT

Over the last seven years Peace Corps has attempted to implement a governance process to manage its IT investments. However, the agency's IT process was not strategically focused and many of the processes were not followed. The following provides a timeline of the major developments in the agency's governance processes.

2002 – Established the Office of IT Architecture, Standards, and Practices in the OCIO to manage the agency's EA program.

2003 – Developed draft EA documents for four IT systems.

2003 – Implemented the Investment Review Board (IRB) consisting of senior management that reviewed IT investments and recommended to the Director which projects to fund.

2003 – Chartered the EA Advisory Board (EAAB) to ensure projects aligned with the agency's EA.

2005 – Established a Project Management Office (PMO) to coordinate all IT project requests, ensure no duplications of effort exists among offices, and serve as the central repository for tracking all agency IT projects.

2005 – Drafted change management policies designed to mitigate risk, reduce disruptions, and coordinate activities for all changes that impact any shared computing system or service.

2006 – Updated the Systems Development Life Cycle (SDLC) Handbook that defines the required documents and decisions applicable for each project phase, from project concept to disposal.

The Government Accountability Office (GAO) defined five maturity stages of agency IT investment management, ranging from merely investment awareness to a strategic focus reliant on the EA to guide IT investments. See the chart below for a description of the five stages. Higher maturity stages require long-term strategies to guide the agencies IT investments and clearly defined processes for controlling and managing the IT projects throughout the lifecycle.

The Peace Corps IT governance process provided a framework for the IT investment process to achieve higher maturity stages. However, Peace Corps did not fully implement the procedures. In addition, frequent staff turnover prevented the process from fully developing into efficient and effective IT governance. As a result, Peace Corps had not advanced into the higher maturity levels and remained focused on individual projects instead of agency-wide strategy.

Source: GAO-04-394G, "Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity," March 2004

LONG-TERM IT PLANNING	*Peace Corps did not have an adequate Information Resource Management (IRM) Strategic Plan or detailed EA roadmap to guide the agency IT initiatives. OMB Circular A-130 requires Peace Corps to "establish and maintain capital planning and investment control process that links mission needs, information, and IT in an effective and efficient manner."*

IRM STRATEGIC PLAN	Peace Corps' did not have an IRM strategic plan that fulfilled all the requirements of OMB Circular A-130. OMB requires

the use of IRM and IT planning documents to guide agency IT investments. OMB Circular A-130 states:

> The IRM Strategic Plan is strategic in nature and addresses all information resources management of the agency. Agencies must develop and maintain the agency Information Resource Management Strategic Plan (IRM) as required by 44 U.S.C. 3506 (b) (2). IRM Strategic Plans should support the agency Strategic Plan required in OMB Circular A-11, provide a description of how information resources management activities help accomplish agency missions, and ensure that IRM decisions are integrated with organizational planning, budget, procurement, financial management, human resources management, and program decisions.

In the report GAO-04-59, "Governmentwide Strategic Planning, Performance Measurement, and Investment Management Can Be Further Improved," GAO states, "effective strategic is important to ensure that agencies' IT goals are aligned with the strategic goals of the agency." The IRM strategic plan should provide an agency-wide vision for the long-term that offices use to help plan their future IT investments and the IRB uses to guide decisions for approving and prioritizing projects.

Agency-wide IRM Strategy. Peace Corps did not have a defined process to involve all offices in the development of the IRM strategic plan. The OCIO had its office-specific annual budget strategic plan and an OCIO 3 year update presentation from November 2008 which discussed agency IT projects. However, these documents originated from the OCIO office and did not identify how IRM helps accomplish the agency mission and strategic goals of all Peace Corps offices.

Although the OCIO is responsible for ensuring agency compliance with information policies and information resources management, it is the agency program officials that are responsible and accountable for information resources assigned to their programs. Title 44, U.S. Code 3506, states:

> "In consultation with the Chief Information Officer

designated under paragraph and the agency Chief Financial Officer (or comparable official), each agency program official shall define program information needs and develop strategies, systems, and capabilities to meet those needs. With respect to general information resources management, each agency shall…develop and maintain a strategic information resources management plan that shall describe how information resources management activities help accomplish agency missions…"

It is important that each office contribute to the development of a formal IRM strategic plan to incorporate all elements of information resource management and how the agency uses those resources to achieve its goals. The IRM strategic plan must be an agency-wide document that guides IT planning and decision making. For example, according to 5 Foreign Affairs Manual 1020, "Information Technology (IT) Strategic Plan," the State Department's strategic plan includes department mission and strategic goals and an IT vision for the next five years. Further, the State Department's IT governance board approves their strategic plan and uses it as a guide to control the allocation of IT development funds.

Peace Corps can ensure management is aware and concurs with the use of agency IRM resources to achieve its goals by including management in the development and approval of the IRM Strategic Plan.

Long-Term Vision. The OCIO strategic plan did not fulfill the intent of an IRM strategic plan because it only covered the next three years. In contrast, the Peace Corps' agency-wide strategic plan identified goals and initiatives for five years. An IRM strategic plan is the long-term planning document used to guide all elements of IRM.

The OIG questioned whether a three-year planning document provides sufficient foresight necessary to develop a robust, agency-wide strategy. Our review of 14 federal agencies' IRM strategic plans found that 10 of the 14 agencies' IRM strategic plans covered five or more years. Therefore, OCIO could better align the IT strategy to the agency's strategic plan and prepare for emerging technology and future initiatives by expanding the IT strategic plan to five years.

IRM Elements. The IRM strategic plan did not include all elements of IRM. Specifically, the plan provided by OCIO did not describe how it supported the Paperwork Reduction Act (covering information collection, privacy, and records management), Freedom of Information Act, nor E-government initiatives.

GAO recognized that many federal agencies did not include these additional OCIO responsibilities in their IRM strategic plans and noted this deficiency in GAO-04-49, "Governmentwide Strategic Planning, Performance, Measurement, and Investment Management Can Be Further Improved." GAO stated that:

> [IRM Strategic] plans generally include individual IT projects and initiatives, security, and enterprise architecture elements but do not often address other information functions— such as information collection, records management, and privacy—or the coordinated management of all information functions.

In the report GAO-04-823, "Federal Chief Information Officers Responsibilities, Reporting Relationships, Tenure, and Challenges," GAO tracks these additional responsibilities to the OCIO based on federal laws. See Appendix D for a list of the specific CIO responsibilities and statutory requirements identified by GAO. Therefore, the IRM strategic plan must include all information resource management elements and how the CIO ensures proper coordination of information management and compliance with federal regulations.

IT ROADMAP

Peace Corps did not have a working document that clearly defined the current IT environment, its relationship to business processes, and the desired future IT environment.

CCA requires agencies to "develop, maintain, and facilitate the implementation of a sound and integrated information technology architecture for the executive agency." IT architecture is "an integrated framework for evolving or maintaining existing information technology and acquiring new information technology to achieve the agency's strategic goals and information resources management goals."

According to OMB Circular A-130, the EA is a roadmap for transitioning from the current IT environment to the target IT

environment. The EA must guide both strategic and operational IRM planning. However, Peace Corps' EA was outdated. The last documented EA was still in draft form and dated January 21, 2004. Not all the IT systems described were still in place and new systems were not included.

In addition, Peace Corps did not develop an adequate plan for a target EA environment. The Peace Corps developed EA scenarios to describe how IT would support future processes. However, the scenarios were not descriptive in how the agency would achieve the future processes described in the narratives. The EA documents did not provide a roadmap that would help management identify IT needs and determine the most feasible solutions.

CONCLUSION

Without clearly defined IRM and IT strategies, Peace Corps made short-term decisions that did not ensure the most efficient and effective use of information resources. Further, the IRB and Peace Corps offices could not make informed decisions about IT planning and budgeting. To better ensure information resources will help the agency achieve its mission, the Peace Corps must develop an agency-wide IRM strategy involving all offices and use it to establish an EA roadmap. These documents will help guide the agency's IT decisions and offices' IT budgets.

WE RECOMMEND:

1. That the Peace Corps Director, in conjunction with the Chief Information Officer, develop an Information Resource Management strategic plan that establishes the agency's long-term information technology goals, describes how information technology supports all information resource management, and connects information technology initiatives to the Peace Corps mission.

2. That the Chief Information Officer update the enterprise architecture to reflect the current information technology environment.

3. That the Chief Information Officer develop an enterprise architecture roadmap that supports how the agency's information technology initiatives will support the information resource management strategic plan.

PLANNING AND INVESTMENT CONTROL PROCESS	*Peace Corps did not implement an adequate governance process to select, prioritize, control, and evaluate IT investments. Although OCIO developed an IRB charter, it did not clearly define how the IRB would fulfill the responsibilities required by CCA and OMB A-130. Further, the IRB did not always follow its own written procedures. As a result, some IRB members were unclear on the IRB's mission and questioned the fairness and effectiveness of the IT investment process.*

The CCA requires federal agencies to develop a capital planning and investment control process. CCA requires that the Peace Corps Director design and implement a "process for maximizing the value and assessing and managing the risks of the information technology acquisitions of the executive agency." The CCA described the necessary processes of IT governance to include the selection of IT investments, application of criteria when considering IT investments, identification of investment measurements, and communication of project results to management.

To comply with the CCA, Peace Corps established an IRB consisting of management officials. The IRB charter experienced several revisions over the last five years, but was not formalized as agency policy in a Peace Corps Manual section. It is essential for the agency to define the IT investment process, including the IRB, in the Peace Corps Manual to provide the necessary authority and clarification. In addition, because of the constant staff turnover required by the Peace Corps Act, defining the process in the Peace Corps Manual will ensure continuous compliance with the CCA.

According to the IRB charter, the IRB responsibilities included:

- Selecting IT projects and creating an IT portfolio.
- Aligning IT investments with budgets and the EA.
- Monitoring and controlling projects against their outcomes, costs, schedules, and benefits.
- Evaluating return on investment.
- Recommending and approving IT projects.

Peace Corps did not establish a consistent method for selecting and prioritizing IT projects; because it did not clearly define what constituted an IT project, which IT projects required presentation to the IRB, and what documents were required to initiate an IT project. The CCA requires agencies to develop a process for selecting IT investments integrated with the budget, financial, and program management decisions of the agency. It further requires agencies to develop minimum criteria when investing in IT, including criteria related to the return on investment and specific quantitative and qualitative analyses for comparing and prioritizing alternative IT projects. Establishing criteria for selecting IT investments helps ensure that an agency compares investments consistently and that IT decisions are transparent.

Peace Corps had a Systems Development Life Cycle (SDLC) Handbook from 2006 that provided a standard methodology for categorizing IT projects and listed the required documentation. For example, the SDLC Handbook defined the first stage in a project's life cycle as the concept and business case state and required the following documents:

- a project concept
- commercial purchase versus government developed evaluation
- EA compliance statement
- business case
- preliminary security risk
- timeline and cost estimates

According to the SDLC handbook, these documents were required before IRB approval and release of funds for the project. However, the IRB did not use the SDLC to determine which documents and information were required when selecting IT projects. As a result, management could not evenly compare IT projects and make the most informed decisions.

Classification. The Peace Corps SDLC project classification spreadsheet assigns projects to one of three tiers: tier 1 projects cost less than $25,000 and do not require IRB presentation; tiers 2 and 3 require additional documentation and IRB approval. The different levels of projects and documentation are important to ensure the agency fulfills all IT and procurement requirements while avoiding over

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burdensome and unnecessary procedures. OMB Capital Programming Guide advises agencies to use a stratified capital programming process involving more or less detail and review based on the size or strategic importance of proposed investments. The guide also recommends that agencies have well documented thresholds clearly disseminated and implemented across the organization.

However, Peace Corps did not consistently use the SDCL project classification spreadsheet when developing IT projects. Without these classification spreadsheets, project managers could not determine which documents were required. During our review of IT project documentation, seven out of 15 selected projects did not include a classification spreadsheet that identified the tier level. As a result, we could not determine whether the projects initially required IRB presentation and the required level of documentation.

An April 2009 revision to the IRB charter required EAAB approval for all projects and IRB approval for all projects that are politically sensitive, high risk, impacting multiple offices, or with total cost above $25,000. However, OCIO had not defined whether the level of documentation for each project would remain in accordance with the SDLC handbook.

Major IT Investments. Proper project classification is also necessary to ensure compliance with federal regulations. OMB requires agencies to prepare a list of all IT investments called an IT portfolio (OMB exhibit 53) and a business case for all major investments (OMB exhibit 300). OMB Circular A-11, part 7, section 300 defines a major investment as:

> A system or an acquisition requiring special management attention because it: has significant importance to the mission or function of the agency, a component of the agency or another organization; is for financial management and obligates more than $500,000 annually; has significant program or policy implications; has high executive visibility; has high development, operating, or maintenance costs; is funded through other than direct appropriations; or is defined as major by the agency's capital planning and investment control process.

Peace Corps had prepared an exhibit 53 each year, but had not updated or created an exhibit 300 since September 2003. OCIO listed five systems in its FY 2009 OMB exhibit 53 that were essential to the Peace Corps mission: Odyssey, Volunteer Delivery System, Human Capital Management project, infrastructure, and Enterprise Architecture Program. The CIO stated that OMB did not require Peace Corps to provide exhibit 300s for their projects, but could not provide a waiver or other documentation supporting this decision.

An OCIO project manager also said that an updated exhibit 300 was not necessary because many of the Peace Corps IT projects were fully developed and in use. However, based on a review of 10 other federal agencies, all 10 had developed exhibit 300s for IT projects in use. Furthermore, the exhibit 300 contains information related to projects that are in use, including sections that list operations and maintenance costs to compare with original estimates, performance indicators that include actual results, and fields for updates to security testing schedules for operational systems. Many of the Peace Corps IT projects were also still undergoing enhancements that should have been included in updates to an exhibit 300. OMB requires additional sections for exhibit 300s of major IT projects that are considered mixed life-cycle investment, meaning "an investment having both development / modernization / enhancement (DME) and steady state components."

The exhibit 300 is a useful tool designed to help agencies plan, budget, acquire, and manage capital assets. OMB states, "For IT, exhibit 300s are designed to be used as one-stop documents for many of IT management issues such as business cases for investments, IT security reporting, Clinger Cohen Act implementation, E-Gov Act implementation, Government Paperwork Elimination Act implementation, agency's modernization efforts, and overall project (investment) management. It is important to understand, all information necessary to complete an exhibit 300 already exists as part of the agency's overall Information Resources Management activities and within project specific documentation." The exhibit 300 is also intended to ensure that each investment supports the agency's mission statement, long-term goals and objectives, and annual performance plans.

Therefore, the Peace Corps must determine which IT projects require an exhibit 300 and maintain current information on those projects to ensure compliance with OMB circular A-11 and federal IT investment requirements.

Presentation. After identifying the need for a potential IT project, the project's sponsor[2] presents a request to the IRB. The IRB approves a project for recommendation to the Director, requests additional information, or rejects the project. However, the IRB did not require consistent information and did not have selection criteria to compare projects. GAO-04-49 states:

> To achieve desired results, it is important that agencies have a selection process that, for example, uses selection criteria to choose the IT investments that best support the organization's mission and that prioritizes proposals.

The project sponsor's presented a variety of information to the IRB through demonstrations, slide presentations, or handouts. The presentations did not always include cost estimates, alternatives, and projected return on investment. Without standard information, the IRB could not make a fully informed decision on which projects merited approval.

OCIO Projects. The IRB had limited control over the selection of OCIO IT projects. The OCIO maintained a separate list of OCIO IT projects presented to the IRB for informational purposes. As a result, the OCIO's IT projects were not subject to the same IRB review and approval process as IT projects submitted by other offices within the agency. In addition, the OCIO's list inappropriately included and prioritized several of its processes, such as security assessments and disaster recovery testing. Some of the OCIO IT projects presented to the IRB were part of the OCIO's normal business operations and not IT projects. Furthermore, the list of OCIO IT projects was incomplete, sometimes skipping numbers in the priority listing and excluding some OCIO IT projects. For example, the OCIO contracted for an E-vault data management project in September 2007, but did not include the project in its FYs 2007 and 2008 lists of project. The project's purpose was to allow for more efficient data storage, search, and retrieval

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[2] The project sponsor is the Peace Corps office requesting the IT project.

functionality. The project proposal scheduled work was October 1 - 31, 2007, with an estimated cost of $101,000 for the software and storage equipment and 100 labor hours. Therefore, OCIO should have presented the project for approval to the IRB because it exceeded the $25,000 threshold.

Although the project was never completed, OCIO has already paid the contractor $46,368 for the project. As of May 2009, OCIO had not installed the E-vault software and no longer had plans to use it. Had the OCIO followed the required IT investment process and conducted the necessary cost analysis, it may have avoided spending $46,368.

Budget Integration. Peace Corps offices requested and spent resources on IT projects without the required IRB approval. CCA requires the integration of budget, financial, and program management decisions for IT investments. Before an office receives funds for IT projects, it should have the proper approvals from the EAAB or IRB. This will ensure budgetary resources align with the agency's IT strategy and target environment.

IRB approval was not required before some offices received additional agency funds for IT projects. For example, in May 2009 OCFO received an additional $1,080,100 in agency funds to acquire budget software without presenting the information to the IRB and EAAB. Although Peace Corps was revising the IRB process when the OCFO submitted this request for agency resources (RAR),[3] OCFO still should have communicated with senior management and OCIO staff before requesting the funds.

During our review, we located RAR instructions that required IT related requests be approved by IRB before submission to the OCFO. This ensured the project was reasonable and feasible before the agency assigned its resources. However, neither OCFO nor OCIO budget personnel were aware of these instructions.

IRB RESPONSIBILITIES:

SELECT
⇒*ALIGN*

Peace Corps did not maintain adequate documentation to justify IT project prioritization. Prioritization helps ensure that the agency and OCIO properly align resources to meet statutory requirements and achieve strategic goals.

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[3] An RAR is the form used to request additional agency funds to pay for an activity or requirement not sufficiently covered by an office's allotted funds.

Prioritization. The IRB was responsible for prioritizing agency projects. However, IRB members did not fully understand the process because the agency did not have a standard method for evaluating and comparing projects for prioritization. As a result, the agency's IT priority list was not an effective tool for determining resource allocation. For example, Peace Corps initiated the Magellan project in January 2007, to provide an integrated system to better connect domestic and international databases. This project was an agency-wide initiative requiring several years, all domestic and overseas operations, and an original estimate of $9.4 million to complete. However, the IRB assigned the Magellan project priority number 15 out of 21 in FY 2008. Because of the size and impact of the Magellan project, the IRB should have assigned it a higher priority.

The CIO prioritized OCIO projects. The OCIO project prioritization lists from FYs 2007 through 2009 show that the CIO did not properly prioritize federal requirements. For example,

- In April 2007, CIO listed a project to comply with OMB Memorandum 06-16 as priority 12 out of 15. OMB required agencies to comply with this policy by August 2006.

- In April 2008, CIO listed a project to comply with OMB Memorandum 07-11 as priority 11 out of 13. OCIO originally scheduled this project to meet the OMB required completion date of February 1, 2008. Because of the delays and change in staff, OCIO had to revisit the requirements and updated the estimated completion date to July 2009.

- In April 2008, CIO listed the Federal Information Security Management Act required certification and accreditation process for one system as priority 12 out of 13.

As previously discussed, the Peace Corps had not fully documented its IT strategic plan and target EA. Without a clear IT strategy, the IRB and OCIO prioritization was subjective and did not clearly align agency resources to its goals. Further, because the IRB did not maintain detailed meeting minutes to justify its decisions, the IRB's prioritization of IT investments was vulnerable to scrutiny.

Peace Corps did not adequately monitor projects throughout their life cycle to ensure projects met budget and schedule targets.

CCA required agencies to provide the means for senior management personnel to obtain timely information regarding the progress of an investment in an information system. This includes a system of milestones for measuring progress, on an independently verifiable basis, in terms of cost, capability of the system to meet specified requirements, timeliness, and quality.

The OMB Circular A-130 requires agencies to:

- Institute performance measures and management processes that monitor actual performance compared to expected results. Agencies must use a performance based management system that provides timely information regarding the progress of an information technology investment. The system must also measure progress towards milestones in an independently verifiable basis, in terms of cost, capability of the investment to meet specified requirements, timeliness, and quality.
- Establish oversight mechanisms that require periodic review of information systems to determine how mission requirements might have changed, and whether the information system continues to fulfill ongoing and anticipated mission requirements. These mechanisms must also require information regarding the future levels of performance, interoperability, and maintenance necessary to ensure the information system meets mission requirements cost effectively.
- Ensure that major information systems proceed in a timely fashion towards agreed-upon milestones in an information system life cycle. Information systems must also continue to deliver intended benefits to the agency and customers, meet user requirements, and identify and offer security protections.

The IRB charter states, "the IRB reviews and prioritizes existing 'Development,' 'Enhancement,' and 'O&M' [Operations and Maintenance] projects for cost, progress, and alignment compliance as project progresses." However, the charter does not document what the IRB would review. Project sponsors occasionally presented updates to the IRB on

project progress, but the information varied and rarely included cost and schedule information.

Consolidating Project Information. The Peace Corps had not established a process to ensure that the PMO received all of the necessary cost and schedule information necessary to track IT projects. The PMO was responsible for reporting project status to the IRB and inform management of project costs that exceeded budget and missed milestones. The OCIO PMO used a three-color metric (ranging from green - on target to red – significantly behind) for each project's budget, schedule, and scope in the IRB project lists. However, the PMO determined the metrics based on discussions with the project managers or a TRM instead of verifying the information with cost and schedule documentation. As a result, the OCIO and agency management did not have visibility over all IT projects and could not make informed decisions about resource allocation, project continuation, or early termination.

Tracking Costs. Peace Corps had not developed a process to accumulate all costs by project and compare the results to original estimates. IT projects costs may include contract costs, security and training, internal labor, and equipment. During our review, we determined that projects did not always include security and training in costs totals and did not track the total number of internal labor hours. This issue was further complicated by the lack of coordination between the OCIO and project sponsors.

Tracking and reporting costs is necessary to comply with federal regulations and ensure projects are not wasteful. For example, the Federal Acquisition Streamlining Act of 1994 requires agency heads to achieve on average, 90% of cost and schedule goals for major and non-major acquisition programs of the agency. Further, OMB has issued policies on implementing an earned value management system for IT projects to ensure performance measurement baselines have clear cost, schedule, and performance goals.

An agency-wide costing technique and tracking mechanism would help ensure all offices involved with the IT project report associated costs. This would allow agency management to make more informed decisions about IT projects, such as reallocating resources, and ensure

compliance with federal regulations. We discuss this issue further in the Project Management paragraph.

Scheduling Work. The IRB did not have sufficient information concerning project schedules and milestones to provide adequate oversight of IT projects. In the PMO reports to the IRB, projects were consistently listed as behind schedule. For example, the PMO December 2008 report listed seven out of 17 agency projects (41%) and four out of eight OCIO projects (50%) as behind schedule.

However, we determined that the percent of projects behind schedule exceeded these numbers, because the PMO incorrectly reported some projects as on schedule. For example, the PMO reported the property management system on schedule in December 2008, even though it had an original completion date of September 2008.

The IRB did not have specific information on work schedules because projects were not clearly defined and divided by phases. For example, the PMO December 2008 report included the human capital management system with an estimated completion date of July 1, 2007. This date represented the original project completion date; the system was completed but remained on the list because of continued security testing and enhancements. Further, projects such as Magellan, online collaboration, and the Volunteer Delivery System were difficult to track against schedules because they involved several projects; as the projects developed, OCIO separated them into various smaller projects. In order for the IRB to properly monitor projects, the OCIO must delineate the specific IT projects and the different project phases.

OCIO implemented the work breakdown structure for some of its IT projects. The work breakdown structure lists specific tasks and target completion dates. This information is essential for the IRB to properly monitor project schedules. Some smaller projects may not require a work breakdown structure, but need a process to track work in comparison to the scheduled completion.

IRB RESPONSIBILITIES:

    SELECT
    ALIGN
    MONITOR

The Peace Corps did not review projects after their implementation to ensure the agency achieved the desired return on investment and to document lessons learned. OMB Circular A-130 states that as part of the evaluation component of the capital planning process an agency must:

⇒*EVALUATE*	• Conduct post-implementation reviews of information systems and information resource management processes to validate estimated benefits and costs, and document effective management practices for broader use.
	• Evaluate systems to ensure positive return on investment and decide whether continuation, modification, or termination of the systems is necessary to meet agency mission requirements.
	• Document lessons learned from the post-implementation reviews. Redesign oversight mechanisms and performance levels to incorporate acquired knowledge.
	• Re-assess an investment's business case, technical compliance, and compliance against the EA.
	• Update the EA and IT capital planning processes as needed.
	The SDLC handbook required lessons learned documentation and post-implementation evaluation upon completion of an IT project. However, none of the nine completed IT projects reviewed contained a post implementation evaluation or lessons learned documentation. In addition, project sponsors did not always show cost totals or return on investment when presenting the completed project to the IRB. This information is necessary at the end of the project to determine whether the project fulfilled its expectations, to reevaluate the benefits, and to identify best practices.
CONCLUSION	The Peace Corps IT governance process relied on the IRB to select and prioritize IT projects, recommend IT projects to the Director, monitor and control projects, evaluate return on investment, and align IT investments with budgets and EA. However, the IRB process for managing the agency's IT projects was not clearly defined and documented. As a result, IRB decisions were not transparent and management did not have assurance that the IT governance process promoted the most efficient use of IT resources.

WE RECOMMEND:

4. That the Chief Information Officer develop a Peace Corps Manual section to describe the information technology governance process, including the various review boards and their functions.

5. That the Chief Information Officer update the System Development Life Cycle handbook to discuss the current information technology life cycle and required documentation.

6. That the Chief Information Officer review all information technology projects to determine whether any require an exhibit 300 and prepare the documentation when necessary.

7. That the Investment Resource Board develop and implement a standard list of required information and selection criteria for all information technology projects presented for approval. The Investment Resource Board must use this criteria to assist the Information Resource Board in prioritizing information technology projects.

8. That the Investment Resource Board maintain records to support all approval and prioritization decisions and ensure the information is readily available to agency management.

9. That the Investment Resource Board and Enterprise Architecture Advisory Board establish the process and criteria that will be used to monitor information technology projects during development and implementation.

10. That the Chief Information Officer develop a costing technique to track total information technology costs and establish guidelines for how the agency will implement the costing technique for information technology projects.

11. That the Investment Resource Board and Enterprise Architecture Advisory Board establish the process and criteria that will be used to evaluate information technology projects after implementation.

PROJECT MANAGEMENT	*The OCIO did not implement a process to ensure IT projects progressed timely and all required documentation was maintained throughout the project life-cycle. The SDLC handbook lists the required milestones and associated documentation necessary for IT projects from concept to retirement. The SDLC established milestones for presenting to the EAAB and IRB and the required documents such as an IT project justification, costs comparisons, IT security impact, and cost and schedule tracking sheets. This documentation ensured management had the information to make informed decisions and helped the agency comply with OMB Circular A-130 and other federal regulations. However, project managers and agency sponsors did not follow the SDLC handbook because OCIO did not clearly define responsibilities and enforce the standards.*

The OCIO did not adequately communicate with project sponsors to ensure projects progressed timely. Depending on the size and impact of an IT project, numerous personnel from different Peace Corps offices may be involved; such as OCIO IT specialists, project sponsors, contracting OCIO security team, and IT training staff. Although the SDLC handbook had a list of deliverables required for IT projects by phase, IT personnel were not aware of the handbook and did not follow its guidelines. A clearly defined list of required documents and document owners is essential to ensuring that all personnel involved are aware of their responsibilities.

For agency projects, the OCIO Technical Relationship Managers (TRM)'s role is to support the project sponsor by guiding them through the IT governance process and helping them understand and articulate their business requirements and technology needs. TRMs also help the CIO PMO maintain a list of projects and their status. However, several project sponsors said they were not fully informed of the requirements during development and who was responsible for preparing and maintaining the required documents.

*DOCUMENTATION
CONSOLIDATION AND
RETENTION*

During our review, we determined that the TRMs did not consistently maintain documentation to support IT project cost analysis and estimates and often relied on the project sponsor to maintain the cost documentation. As a result, the IT project documentation was not readily available to support requirements. Without an adequate central repository for IT project documentation, it was difficult to verify that IT managers followed Peace Corps policies and complied with federal regulations.

Incomplete Documentation. The OCIO had a PMO to track project development and provide a central repository for all agency IT projects. The PMO established project folders on the agency's network to retain all of the documentation required in the SDLC handbook. However, the TRMs did not place documents in the folders and the PMO did not enforce the practice. Therefore, project information did not flow to the PMO.

During our review of 15 IT projects, we determined that the PMO records were incomplete. See the table for a complete description of which documents were not maintained in a readily available location.

Documentation Missing from the Project Management Folders	
Name of Document	**Projects without Required Documentation***
Project initiation form	10
Project classification sheet	7
Risk Assessment	10
IT security assessment	11
Scope documentation	7
Work breakdown structure	6
Procurement documents	6
Test plan	10
Training plan	12
Time tracking sheet	12
Cost tracking sheet	10
Weekly/monthly updates	9

* Based on a judgmental sample of 15 IT projects.

Cost Benefit Analysis. One of the documents required by the SDLC was the cost benefit analysis. This analysis is especially important to ensure compliance with federal regulations. OMB A-130 requires agencies to "prepare and update a benefit-cost analysis for each information system throughout its life cycle" and "support work processes that it has simplified or otherwise redesigned to reduce costs, improve effectiveness, and make maximum use of commercial, off-the-shelf technology."

Neither the TRM nor the project sponsor could provide the cost documentation for three of the 10 agency IT projects we reviewed. One of the projects was a planned property management system. Because of frequent staff turnover, several TRMs had assisted the project through initiation. After 11 months of project design, a new TRM assumed responsibility for the project, but she did not have the required documentation to support the decision for OCIO staff to develop the system. The new TRM had to re-evaluate the project requirements and cost analysis. As a result, the agency may have avoided spending approximately $52,763 in labor costs had OCIO and the project sponsor developed and maintained the necessary cost documentation to support the decision to build the system.

CONCLUSION

The OCIO did not implement an effective process to maintain all IT project documentation throughout the project's life-

cycle. Although the SDLC handbook listed the required documents necessary for IT projects, Peace Corps did not follow it. For agency projects, the TRM did not clearly define responsibilities for creating and maintaining documentation, causing confusion about which documents the project sponsor or OCIO staff would create and store. In addition, OCIO did not fully utilize the PMO for monitoring and reporting all IT projects. As a result, IT project documentation was not readily available and could not always support projects costs and schedules. Without this information management could not make well informed decisions concerning project initiation, development, continuation, and termination.

WE RECOMMEND:

12. That the Chief Information Officer issue guidance that describes the roles and responsibilities of the technical representatives and their relationship with project sponsors and managers. The guidance must clearly define who is responsible for each required document throughout the information technology project's life cycle and who will retain the documentation.

13. That the Chief Information Officer develop and enforce standard operating procedures that will ensure the required information technology documentation is prepared timely and maintained in a readily available location for the life of the project.

14. That the Chief Information Officer design the layout within the information technology's collaboration tool to assist users in determining which documentation is required and who is responsible for each step of the information technology process.

FINDING B. OFFICE OF THE CHIEF INFORMATION OFFICER BUDGET FORMULATION

Overall, Peace Corps had budgetary controls in place and operating effectively to ensure that OCIO fund allocation and expenditures were necessary, justified, and properly approved. ***However, OCIO commingled its operation and maintenance fund account and IT centrally managed resources fund account and relied heavily on additional agency funds.*** This occurred because:

- OCIO did not define and separate the OCIO fund accounts.
- OCFO did not provide Peace Corps offices with adequate guidance concerning the request of additional agency funds and failed to monitor the use of the additional funds.

As a result, OCIO did not practice good budget management and increased the risk that essential functions would not have adequate funding. In addition**,** OCFO did not have sufficient administrative control of funds to ensure the most efficient use of agency resources and could not make fully informed decisions when providing additional resources to offices.

ADMINISTRATIVE CONTROL OF FUNDS

Peace Corps budget controls over OCIO resources were in place and operating effectively. Peace Corps policies establish key administrative controls over funds and review processes. The Peace Corps Director allots all funds to the Chief Financial Officer. The OCFO then creates sub-allotments at the highest possible organizational level consistent with effective and efficient management. A separate allotment to each allottee or sub-allottee is made for each fund account.

The Chief Financial Officer delegates authority to incur obligations and make expenditures through the issuance of "operating budget advices." These advices are reflected in the agency's operating plan and are based on operating budget levels approved by the allottee. Through the allotment process, statutory responsibility is placed on the allottee to ensure that obligations are not incurred and expenditures are not made in excess of the allotment.

The Peace Corps' Office of Budget and Analysis, within the OCFO, carefully monitors automated accounting reports and monthly obligations of administrative budget holders. The OCFO has policies in place to provide effective controls and oversight to mitigate the risk of over-obligation and misuse of agency funds.

SEPARATION OF **OCIO** **FUND ACCOUNTS**	*The OCIO did not adequately define and separate its two fund accounts.*

The OCIO manages two fund accounts: (1) OCIO operations and maintenance and (2) IT centrally managed resources. OCIO used these funds for IT equipment, OCIO salaries, OCIO travel expenses, and IT services. During interviews, OCFO personnel explained that the OCIO operations and maintenance account contains the costs that do not fluctuate except for inflation. The operating budgets showed that the OCIO operations and maintenance account funded salaries, travel costs, equipment, IT security, training, and supplies; while the IT centrally managed account funded disaster recovery, telecommunications, advisory services, and agency IT subscriptions.

The Peace Corps' FY 2009 budget request sent to OMB stated that the OCIO operations and maintenance account was for the OCIO office to provide "leadership for and management of the development and application of IT and methodologies in support of the Peace Corps' mission at headquarters, U.S. regional offices, and overseas posts. It serves as the primary source of IT advice and counsel to the agency director." It also stated that the IT centrally managed funds included "the costs of telecommunications, data center operations, mainframe and distributed computer environments, overseas equipment, disaster recovery, and enterprise information architecture."

However, we determined that OCIO did not always adhere to these definitions. For example, OCIO assigned $127,000 for disaster recovery to the OCIO operations and maintenance account. Further, OCIO paid for all travel and training costs using the OCIO operations and maintenance account regardless of whether the expense related to day-to-day OCIO operations, overseas operations, or agency IT.

In FY 2008 and early FY 2009, OCIO and OCFO revised the two accounts. However, Peace Corps still needs to clearly define the two accounts and delineate costs accordingly. The separation of funds is necessary for budget management and to ensure OMB and Congress are adequately informed of the Peace Corps budgets plan.

15. That the Chief Financial Officer in conjunction with the Chief Information Officer clearly define the Office of the Chief Information Officer's operations and maintenance account and the information technology centrally managed account and include the updated definition in the annual Peace Corps budget submission.

16. That the Chief Information Officer establish procedures to ensure the obligations are properly assigned to the Office of the Chief Information Officer's operations and maintenance account and the information technology centrally managed account based on the account definitions.

REQUEST FOR AGENCY RESOURCES	*Peace Corps had not established guidance on the use of agency resources to cover unfunded requirements.*

When an office requests additional funds, it submits a Request for Agency Resources (RAR) through the OCFO to the Director. The OCFO budget analysts work with the offices submitting the request to determine whether the request is justified and reasonable and makes recommendations to the Director's office. However, OCFO did not document the RAR process, which allowed offices to present varied levels of documents and support.

RAR Supporting Documentation. Without clear guidance concerning RAR preparation and responsibilities, the OCFO did not ensure requestors consistently supported and justified their submission. In order to ensure consistent information when evaluating how to allocate agency resources, it is essential that offices understand which costs to include, what to use as support, and how the IRB process relates to IT requests.

We identified several inefficiencies and discrepancies in the OCIO's RARs that OCFO should have identified and required more information for before processing the request. In FYs 2007, 2008, and 2009; OCIO:

- Submitted numerous RARs for the same project. This was not efficient and did not ensure OCFO and the Director had complete visibility of the total projects costs and requirements.

- Did not always provide specific information regarding how requests fulfilled office and agency needs and aligned to the agency's plan.

- Did not justify how the cost and labor hour estimates were calculated.

- Did not always include total costs associated with a request, such as future maintenance costs, security costs, and labor costs.

- Did not always provide an effective performance measurement to ensure the project funded by the RAR met goals and expectations.

Therefore, OCFO allowed the OCIO to receive additional agency resources without fully justifying the request or providing support to demonstrate that the funds were used for the requested purpose. As a result, OCFO did not maintain sufficient administrative control of funds to ensure the most efficient use of agency resources and could not fully informed decisions when providing additional resources to offices.

OCIO Use of RARs. OCIO relied heavily on RARs to fund essential business activities. We determined that more than 31% of the OCIO's budget was funded by RARs over the last two and half years. Based on a review of FY 2007, 2008, and 2009 OCIO RARs, we determined that more than 50% were requests for funds to fulfill federal mandates and routine OCIO activities such as staff training, IT refresh, and security testing. The Director approved the OCIO RARs for the federal mandates and routine OCIO activities. However, by not ensuring funding at the beginning of the fiscal year, Peace Corps increased the risk that essential mission-related activities will not be completed in a timely manner.

In 2008, the OCIO performed an analysis of the its base budget, recognizing that RARs were covering budget shortfalls, and that in order to protect its IT investment, core IT services should be fully funded in baseline in order to facilitate effective financial planning.

WE RECOMMEND:

17. That the Chief Financial Officer establish standard operating procedures concerning the preparation and submission of the requests for agency resources. Specifically, the guidance must describe which costs to include, establish what documentation is necessary to support the cost estimates, and require information review board approval for requests related to information technology.

18. That the Chief Information Officer, in conjunction with the Chief Financial Officer, review the Office of the Chief Information Officer's requests for agency resources to determine whether any of the costs should be included in the operating budget to mitigate the risk that essential information technology activities are not funded in a timely manner.

FINDING C. OFFICE OF THE CHIEF INFORMATION OFFICER BUDGET MANAGEMENT

The OCIO did not adequately oversee contracts and manage IT personnel. This occurred because the OCIO did not:

- Ensure the contract officer's technical representatives were fulfilling their responsibilities.
- Fill vacant OCIO positions timely.
- Establish clear lines of communication with all agency IT specialists.

As a result, the OCIO could not ensure its workforce completed tasks timely and efficiently and could not fulfill all requirements of the Clinger-Cohen Act. Peace Corps paid $35,000 for unnecessary contract services and failed to properly track an additional $149,000 in contract costs. In addition, Peace Corps could have better utilized $97,000 by reducing lapsed salary costs and could have saved additional time and resources by properly aligning IT resources.

OCIO BUDGETED AMOUNTS

The OCIO budget consisted of costs for personnel (such as salaries, awards, and benefits), travel, training, equipment, supplies, and IT service contracts. In FY 2008, the OCIO contract and salary costs comprised approximately 99.5% of the budgeted operations and maintenance funds ($8,430,600) and 80% of the budgeted centrally managed fund ($7,330,680).

In FY 2008, OCIO had 56 employees and 33 contractors assigned to five offices:

1. operations and infrastructure
2. planning and training
3. IT security
4. application systems
5. IT architecture standards and practices

In addition, Peace Corps headquarters staff included 10 IT specialists in offices other than the OCIO and overseas posts employed personal service contractors as IT specialists.

CONTRACT MANAGEMENT	***OCIO did not always track contract performance and ensure that contractors completed work in accordance with contract terms.***

The Office of Acquisitions and Contract Management was the contracting officer for OCIO contracts. OCIO personnel served as the contracting officer's technical representative

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(COTR) to manage and measure contract performance and provide technical direction. Within the OCIO, the operations and infrastructure office oversaw the majority of the contractors. The contractors' primary tasks were to manage IT equipment, provide service desk support, and test IT security.

Based on a review of five contracts, we determined that OCIO personnel did not always fulfill their COTR responsibilities. Two of the five contracts we reviewed had poorly defined deliverables, and OCIO did not adequately track goods and services. Without retaining the invoice support for specific contract deliverables, the OCIO could not ensure it received the necessary services and that the contractor fulfilled all contractual obligations.

The largest OCIO contract became difficult to manage, because of numerous contract modifications that were not properly tracked to invoices and deliverables. In August 2006, Peace Corps issued the original contract for IT services including asset management, help desk support, and IT security at an approximate cost of $4.8 million a year. By November 2008, Peace Corps had issued 29 modifications for an additional $3 million in goods and services. Contract management became even more difficult because the COTR left the agency in November 2008. By that time, the contract already contained the following issues:

- Deliverables listed in the contract modifications were vague and could not be easily traced to actual goods or services. Twelve out of 56 contract line items listed as "catalog purchase" did not specify which product OCIO planned to purchase using these line items.

- Invoices did not specify the contract line item to which the goods or services applied. The vendor submitted invoices listing all costs on contract line item number 1, instead of assigning the purchases to one of the 56 specific line item numbers. The contract required the contractor to provide deliverable information in attachments to the invoices; however, OCIO personnel could not provide this information.

- The COTR and OCIO administrative personnel could not provide information regarding which goods and services have been received and what was outstanding on the

contract. We determined that four contract line items were over-expended by approximately $149,000. Although the contract was not over-obligated because other lines were under-expended or not yet billed, the OCIO could not efficiently determine which goods and services it received and which were outstanding.

- Services appeared duplicate and inadequately justified. Although disaster recovery had been included in the contract's original statement of work, it did not specify what costs the service included. In February 2007, OCIO modified the contract by adding $35,000 for disaster recovery testing.

  In addition, disaster recovery testing was included in a separate contractor's statement of work. Without a sufficient documentation explaining the different responsibilities of the two contractors, we question whether the charges were necessary.

- Peace Corps accepted and paid for a contractor's proposal for an IT project involving software and installation services, but the contractor never completed the project. In September 2007, the contractors submitted a proposal to test and install E-vault data management software [4] by October 31, 2007. OCIO increased the contract by $46,368 based on the proposal and paid the contractor for these services in December 2007. Although OCIO received the E-vault software, as of May 2009, it was not installed and OCIO did not have plans to use it. As a result, the contractor did not fulfill the scope of work defined in its project proposal and the contract statement of work.

To provide adequate contract management, COTRs must monitor contractor performance and require the contractor to provide the contract line item information on the invoices to facilitate tracking deliverables to the contract.

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[4] We discuss this project in the finding A project presentation paragraph.

19. That the Chief Acquisition Officer review the Office of the Chief Information Officer's procedures for providing technical oversight and provide instruction for the its contracting officer's technical representatives when managing large information technology contracts.

20. That the Chief Acquisition Officer request an audit of the August 2006 Office of Chief Information Officer contract for information technology services.

21. That the Chief Information Officer ensure all Office of the Chief Information Officer personnel assigned as contracting officer's technical representatives are properly trained and are fulfilling the required responsibilities.

OCIO PERSONNEL	*OCIO did not fill vacancies timely, leaving essential functions understaffed and causing other positions to assume additional responsibilities.*

OCIO had 11 vacancies out of 56 positions (19.6%) in December 2007 and 11 vacancies out of 58 positions (19.0%) in December 2008. Two of the vacancies remained open over 300 days and an additional two positions (an emergency management specialist and a telecom specialist), approximately $173,100 in annual salary costs and benefits, were not filled in more than a year and a half. Although some delay in filling positions is unavoidable, offices can reduce the amount through good hiring and employee retention practices.

The delay in filling vacancies creates a salary lapse that can fund other expenses.[5] OCIO salary lapse and vacancies indicate that OCIO inappropriately used funds budgeted for salaries to routinely cover budget shortfalls. In FY 2008, OCIO salary lapse totaled approximately $768,000. With the proper OCFO approval, OCIO reprogrammed these funds to cover budget shortfalls including travel costs associated with the Magellan and the Volunteer Information Database Application projects, staff training, and new project studies.

Offices should only budget for the positions and salaries necessary to complete their mission. Offices must also

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[5] The OCFO regulates the savings from salary lapse through routine budget review.

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conduct the proper budget planning and allocate the necessary resources to cover expected costs. To ensure the OCIO is properly staffed and can accomplish its mission, it must make a concerted effort to fill vacancies timely or return the positions and associated salary costs to the OCFO for reallocation.

By April 2009, OCIO had reduced the number of vacancies to 9 out of 72 positions (12.5%) and began filling one of the two vacancies open for more than a year. The emergency management specialist position, vacant since September 2007, had not been filled as of June 2009. Therefore, Peace Corps could put the $107,989 for this position to better use by reallocating the costs.

WE RECOMMEND:

22. That the Chief Information Officer, in conjunction with the Director of Personnel Management, review the Office of the Chief Information Officer organizational structure and positions to determine the most efficient alignment. Based on the review identify whether vacancies require filled or should be realigned to other positions or offices.

AGENCY IT PERSONNEL   *The OCIO did not have clear lines of communication with all agency IT specialists.*

In FY 2009, Peace Corps headquarters staff included 10 IT specialists not assigned to OCIO. Three of the 10 served as a liaison between OCIO and their office. These individuals communicated regularly with OCIO. The remaining seven IT specialists were in the OCFO financial systems office. In addition, at overseas posts approximately 60 personal services contractors served as IT specialists.

OCIO is required to have visibility over all IT resources, including personnel. Title 40 U.S. Code 11315 requires the CIO "annually, as part of the strategic planning and performance evaluation process. . .

> (A) Assesses the requirements established for agency personnel regarding knowledge and skill

in information resources management and the adequacy of those requirements for facilitating the achievement of the performance goals established for information resources management.

(B) Assesses the extent to which the positions and personnel at the executive level of the agency and the positions and personnel at management level of the agency below the executive level meet those requirements.

(C) Develops strategies and specific plans for hiring, training, and professional development to rectify any deficiency in meeting those requirements."

The OCFO IT personnel provided technical support for the Peace Corps financial management system. Although the OCFO financial systems office communicated with the OCIO as necessary, there was no process to ensure that the IT specialists received the proper support and oversight of the OCIO. As a result, OCIO did not have proper oversight of all IT managers, timely information regarding all OCFO IT expenses, and administrative control over staff training and qualifications. Specifically:

- The director in charge of the OCFO financial systems office did not report to the OCIO nor have a performance element assessed by the OCIO. OMB memorandum 9-02 reaffirmed and clarified the organizational, functional, and operational governance framework. To manage and optimize the effective use of IT in federal agencies, the memorandum stated that the agency CIO may establish and provide evaluations and appraisals in collaboration with the appropriate supervisors within the performance plans of IT and IT-related executives and senior managers.

- In finding A, the budget integration paragraph described how the OCFO financial systems office did not always inform OCIO of IT projects timely and was able to receive $959,300 in funding for an IT project before receiving approval from the IRB. By permitting offices to receive or spend IT related funds without following the necessary IT investment review process the agency risks

spending funds on projects that may be unnecessary, under budgeted, or not feasible.

- OCFO financial systems office did not report its staff's IT training and qualifications to the OCIO to ensure the OCIO tracked all agency IT knowledge and skills.

Without a requirement to report to OCIO, there is no assurance that OCIO has complete visibility of all agencies IT resources. The CIO must have visibility over all IT resources, projects and personnel, to perform the functions required by CCA and properly account for all information resources management activities. One way to ensure OCIO control over agency IT is to create an organizational structure that aligns IT personnel along reporting chains that feed to the OCIO.

WE RECOMMEND:

23. That the Peace Corps Director consider realigning all headquarters information technology personnel positions to the Chief Information Officer reporting chain or requiring the Chief Information Officer provide input for a performance element concerning information technology responsibilities in the annual performance plan of all managers with significant information technology responsibilities.

AGENCY INITIATIVES

Peace Corps OCIO made several improvements during FYs 2008 and 2009 as it revised the investment review board process, reviewed its budgetary accounts, and reevaluated its contract mechanisms.

- In April and May 2009, the OCIO drafted revisions to the IRB and EAAB charters. The updated charters included additional details on the decision making process and defined which IT projects require EAAB and IRB review. The charter still did not fully describe costs, schedule tracking, or the evaluation process. To ensure compliance with CCA and OMB A-130, all elements of the IT governance process must be fully documented in Peace Corps policy, such as the Peace Corps Manual, and followed by all Peace Corps offices.

- In May 2009, OCIO began maintaining the IRB approvals electronically. If maintained in a readily available location, these records will help improve the IT governance's transparency.

- OCIO is also developing a collaboration tool that will enable Peace Corps offices to communicate during IT planning and development and consolidate IT project documents. However, OCIO has not clearly defined the responsibilities for preparing documents. To ensure the appropriate documents are maintained in a readily available location, the collaboration tool must be designed so the users can easily identify what is required and who is responsible for each document. If well-designed and implemented across the agency, this collaboration tool will facilitate sharing of information and provide a useful repository of IT project information.

- In FY 2009, OCIO did not renew the full contract for IT asset management and support services and began terminating it. OCIO redistributed the IT services by issuing smaller contracts and increasing OCIO personnel levels. Although reducing the dollar amount and scope of each individual contract, OCIO issued more contracts by separating the services. Therefore, it is still important that OCIO managers clearly define contractor level work, track costs, and ensure performance.

The recent OCIO initiatives combined with corrective actions taken in response to this report will help promote efficiency and ensure compliance with federal regulations.

INTERNAL CONTROLS

The Government Accountability Office report GAO/AIMD-00-21.3.1, "Standards for Internal Control in the Federal Government," established guidance for implementing internal controls in federal agencies. Internal controls provide reasonable assurance that the following objectives are being achieved:

- effectiveness and efficiency of operations,
- reliability of financial reporting, and
- compliance with applicable laws and regulations.

The five internal control standards are control environment, risk assessment, control activities, information/communication, and monitoring. During our audit, we reviewed whether Peace Corps had adequate internal controls over OCIO budget formulation and management. In our report, we identified the internal control weaknesses related to three of the five standards; control environment, control activities, and information/communication.

The OCFO manages the agency's risk assessment program. OCIO complied with OCFO risk assessment program by submitting annual risk assessments and statements of assurance; we did not test the validity of the risk assessments. Monitoring includes audits and the agency's responsiveness to our recommendations. There were no previous audit recommendations outstanding at the time of our audit and therefore, no internal control weakness related to monitoring.

Control Environment. We determined that the OCIO did not have oversight of all IT personnel and therefore could not properly manage all the agency's IT resources. Further, OCIO did not fill vacancies timely. According to the Government Accountability Office,

> Another factor affecting the environment is the agency's organizational structure…. A good internal control environment requires that the agency's organizational structure clearly define key areas of authority and responsibility and establish appropriate lines of reporting.… Good human capital policies and practices are another critical environmental factor. This includes establishing appropriate practices for hiring, orienting, training, evaluating, counseling, promoting, compensating, and disciplining personnel. It also includes providing a proper amount of supervision.

Control Activities. OCIO did not have sufficient control activities to ensure compliance with federal regulations and Peace Corps policies. We determined that documentation was not always prepared and maintained to support key IT decisions. Further, OCIO COTRs did not adequately oversee contracts to ensure the agency received the contracted goods and services. Government Accountability Office states,

Control activities are the policies, procedures, techniques, and mechanisms that enforce management's directives, such as the process of adhering to requirements for budget development and execution. They help ensure that actions are taken to address risks. Control activities are an integral part of an entity's planning, implementing, reviewing, and accountability for stewardship of government resources and achieving effective results.

Information/communication. The PMO did not report accurate and complete project information to the investment review board. This information was necessary for management to make decisions on whether to recommend IT investments to the Director for funding. Government Accountability Office states,

Information should be recorded and communicated to management and others within the entity who need it and in a form and within a time frame that enables them to carry out their internal control and other responsibilities.

QUESTIONED COSTS AND FUNDS PUT TO BETTER USE

We identified questioned costs and funds to be put to better use during the course of the audit. They are discussed in the accompanying audit report and enumerated below along with the recommendation number in the report.

Questioned Costs

Recommendation number	Description	Amount
19	Disaster Recovery Testing	$35,000

Funds Put to Better Use

Recommendation number	Description	Amount
7	Purchase of E-vault Software	$46,368
22	Lapsed Salary Costs	$107,989
Total		**$154,357**

LIST OF RECOMMENDATIONS

WE RECOMMEND:

1. That the Peace Corps Director, in conjunction with the Chief Information Officer, develop an IRM strategic plan that identifies the agency's long-term IT goals, describes how IT supports all Information Resource Management, and connects IT initiatives to the Peace Corps mission.

2. That the Chief Information Officer update the enterprise architecture to reflect the current IT environment.

3. That the Chief Information Officer develop an enterprise architecture roadmap that supports how the agency's IT initiatives will support the IRM strategic plan.

4. That the Chief Information Officer develop a Peace Corps manual section to describe the information technology governance process, to include the various review boards and their functions.

5. That the Chief Information Officer update the system development life cycle handbook to discuss the current information technology life cycle and required documentation.

6. That the Chief Information Officer review all information technology projects to determine whether any require an exhibit 300 and prepare the documentation when necessary.

7. That the Investment Resource Board develop and implement a standard list of required information and selection criteria for all information technology projects presented for approval. Use the criteria to assist the Information Resource Board in prioritizing information technology projects.

8. That the Investment Resource Board maintain records to support all approval and prioritization decisions and ensure the information is readily available to agency management.

9. That the Investment Resource Board and Enterprise Architecture Advisory Board establish the process and criteria that will be used to monitor information technology projects during development and implementation.

10. That the Chief Information Officer develop a costing technique to track total information technology costs and establish guidelines for how the agency will implement the costing technique for information technology projects.

11. That the Investment Resource Board and Enterprise Architecture Advisory Board establish the process and criteria that will be used to evaluate information technology projects post implementation.

12. That the Chief Information Officer issue guidance that describes the roles and responsibilities of the technical representatives and their relationship with project sponsors and managers. The guidance must clearly define who is responsible for each required document throughout the information technology project's life cycle and who will retain the documentation.

13. That the Chief Information Officer develop and enforce standard operating procedures that will ensure the required information technology documentation is prepared timely and maintained in a readily available location for the life of the project.

14. That the Chief Information Officer design the layout within the information technology's collaboration tool to assist users in determining which documentation is required and who is responsible for each step of the information technology process.

15. That the Chief Financial Officer in conjunction with the Chief Information Officer clearly define the Office of the Chief Information Officer's operations and maintenance account and the information technology centrally managed account and include the updated definition in the annual Peace Corps budget submission.

16. That the Chief Information Officer establish procedures to ensure the obligations are properly assigned to the Office of the Chief Information Officer's operations and maintenance account and the information technology centrally managed account based on the account definitions.

17. That the Chief Financial Officer establish standard operating procedures concerning the preparation and submission of the requests for agency resources. Specifically, the guidance must describe which costs to include, establish what documentation is necessary to support the cost estimates, and require information review board approval for requests related to information technology.

18. That the Chief Information Officer, in conjunction with the Chief Financial Officer, review the Office of the Chief Information Officer's recent requests for agency resources to determine whether any the costs should be included in the operating budget to mitigate the risk that essential information technology activities are not funded in a timely manner.

19. That the Chief Acquisition Officer review the Office of the Chief Information Officer's procedures for providing technical oversight and provide instruction for the its contracting officer's technical representatives when managing large information technology contracts.

20. That the Chief Acquisition Officer request an audit of the August 2006 Office of Chief Information Officer contract for information technology services.

21. That the Chief Information Officer ensure all Office of the Chief Information Officer personnel assigned as contracting officer's technical representatives are properly trained and are fulfilling the required responsibilities.

22. That the Chief Information Officer, in conjunction with the Director of Personnel Management, review the Office of the Chief Information Officer organizational structure and positions to determine the most efficient alignment. Based on the review identify whether vacancies require filled or should be realigned to other positions or offices.

23. That the Peace Corps Director consider realigning all headquarters information technology personnel positions to the Chief Information Officer reporting chain or requiring the Chief Information Officer provide input for a performance element concerning information technology responsibilities in the annual performance plan of all managers with significant information technology responsibilities.

OBJECTIVES, SCOPE, AND METHODOLOGY

The overall audit objective was to determine whether the OCIO, in conjunction with the OCFO, implemented effective budget formulation and budget execution procedures that resulted in the most economic and efficient use of Peace Corps budgetary resources. Additionally, we reviewed internal controls as they relate to budget formulation and budget management.

We based our audit conclusions on information from the following three primary sources: document and data analysis, interviews, and direct observations. We interviewed all OCIO project managers, OCIO administrative personnel, and OCFO budget personnel. We did not use computer-processed data during this audit. We reviewed the IT investment, budget formulation, and budget management processes. The IT governance process and Peace Corps administrative control of funds provide internal control over the budget process. We reviewed whether these processes were in place and operating effectively and noted any weaknesses in this report.

We reviewed FY 2007, 2008, and 2009 funding documents including OCIO operating budgets, RARs, reprogramming actions, and budget of funds used reports. We judgmentally selected contracts and invoices to review for accuracy and completeness. In addition, we analyzed the OCIO position descriptions and salary expenses to determine whether OCIO properly managed human resources. We also reviewed a judgmental selection of 15 IT projects for documentation to support cost estimates, cost and schedule tracking, and benefit analysis.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B

ACRONYMS AND GLOSSARY

ACRONYMS

CCA	Clinger Cohen Act
CIO	Chief Information Officer
COTR	Contracting Officer's Technical Representative
EA	Enterprise Architecture
EAAB	Enterprise Architecture Advisory Board
GAO	Government Accountability Office
IT	Information Technology
IRB	Investment Review Board
IRM	Information Resource Management
OCFO	Office of the Chief Financial Officer
OCIO	Office of the Chief Information Officer
OMB	Office of Management and Budget
PMO	Program Management Office
SDLC	Systems Development Life Cycle
TRM	Technical Relationship Managers

GLOSSARY

Clinger-Cohen Act of 1996. Federal law that establishing a comprehensive approach for executive agencies to improve the acquisition and management of their information resources, by focusing information resource planning to support their strategic missions; implementing a capital planning and investment control process that links to budget formulation and execution; and rethinking and restructuring the way they do their work before investing in information systems.

Enterprise Architecture. The explicit description and documentation of the current and desired relationships among business and management processes and information technology. It describes the current architecture (as-is) and the target architecture (to be) along with the standards and systems life cycle information to optimize and maintain the environment which the agency wishes to create and maintain through its IT portfolio.

Information Technology. Any equipment or interconnected system or subsystem of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information by an executive agency. This includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

Information Resource Management. The process of managing information resources to accomplish agency missions. The term encompasses both information itself and the related resources, such as personnel, equipment, funds, and information technology.

Information Technology Investment Portfolio. A list of major IT projects and total costs covering the entire risk-adjusted life cycle of each system and including all budgetary resources. Federal agencies must report their portfolio and any updates to OMB in compliance with the CCA.

Project. A temporary endeavor undertaken to create a unique product, service, or result. An IT project as one that, "involves the delivery of an information technology product, service, or system." The OCIO processes were part of the normal business operations and not IT projects.

Major Information Technology Investment. A system or acquisition requiring special management attention because of its importance to the mission or function of the agency, a component of the agency or another organization; is for financial management and obligates more than $500,000 annually; has significant program or policy implications; has high executive visibility; has high development, operating, or maintenance costs; is funded through other than direct appropriations; or is defined as major by the agency's capital planning and investment control process.

Systems Development Life Cycle. The phases through which an information system passes, typically characterized as initiation, development, operation, and termination. It provides a common understanding between project managers and agency sponsors in terms of expected tasks and accomplishments, deliverables, and requirements from one life cycle phase to the next.

CHIEF INFORMATION OFFICER RESPONSIBILITIES

In its report, GAO-04-823, GAO identified the following 13 major areas of Chief information Officer responsibilities as either statutory requirements or critical to effective information and technology management.

- **IT/IRM strategic planning.** CIOs are responsible for strategic planning for all information and information technology management functions—thus, the term IRM strategic planning [44 U.S.C. 3506(b)(2)].

- **IT capital planning and investment management.** CIOs are responsible for IT capital planning and investment management [44 U.S.C. 3506(h) and 40 U.S.C. 11312 & 11313].

- **Information security.** CIOs are responsible for ensuring compliance with the requirement to protect information and systems [44 U.S.C. 3506(g) and 3544(a)(3)].

- **IT/IRM workforce planning.** CIOs have responsibilities for helping the agency meet its IT/IRM workforce or human capital needs [44 U.S.C. 3506(b) and 40 U.S.C. 11315(c)].

- **Information collection/paperwork reduction.** CIOs are responsible for the review of agency information collection proposals to maximize the utility and minimize public "paperwork" burdens [44 U.S.C. 3506(c)].

- **Information dissemination.** CIOs are responsible for ensuring that the agency's information dissemination activities meet policy goals such as timely and equitable public access to information [44 U.S.C. 3506(d)].

- **Records management.** CIOs are responsible for ensuring that the agency implements and enforces records management policies and procedures under the Federal Records Act [44 U.S.C. 3506(f)].

- **Privacy.** CIOs are responsible for compliance with the Privacy Act and related laws [44 U.S.C. 3506(g)].

- **Statistical policy and coordination.** CIOs are responsible for the agency's statistical policy and coordination functions, including ensuring the relevance, accuracy, and timeliness of information collected or created for statistical purposes [44 U.S.C. 3506(e)].

- **Information disclosure.** CIOs are responsible for information access under the Freedom of Information Act [44 U.S.C. 3506(g)].

APPENDIX C

- **Enterprise architecture.** Federal laws and guidance direct agencies to develop and maintain enterprise architectures as blueprints to define the agency mission, and the information and IT needed to perform that mission.

- **Systems acquisition, development, and integration.** We have found that a critical element of successful IT management is effective control of systems acquisition, development and integration [44 U.S.C. 3506(h)(5) and 40 U.S.C. 11312].

- **E-government initiatives.** Various laws and guidance direct agencies to undertake initiatives to use IT to improve government services to the public and internal operations [44 U.S.C. 3506(h)(3) and the E-Government Act of 2002]

MANAGEMENT'S RESPONSE TO
THE PRELIMINARY REPORT

Management provided consolidated comments from the chief information officer, chief acquisition officer, and chief financial officer on December 16, 2009. The comments did not provide the response from the Peace Corps Director for recommendations 1 and 23. Responses to recommendations 1 and 23 were subsequently provided on January 8, 2010. We inserted the January 8, 2010 response into the December 16, 2009 response.

DATE: December 16, 2009

TO: Kathy Buller, Inspector General

FROM: Chris Sarandos, Acting Chief Information Officer

CC: Stacey Rhodes, Chief of Staff
             Kathy Rulon, Acting Senior Advisor to the Chief of Staff
             Thomas Bellamy, Acting Chief Financial Officer
             Carey Fountain, Chief Acquisition Officer
             Nicola Cullen, Policy & Program Analyst

SUBJECT: Office of the Chief Information Officer's Response to the OIG Preliminary Report on the
             Audit of Peace Corps Office of the Chief Information Officer Budget Formulation and
             Management

The following responses reflect the consensus of the Office of the Chief Information Officer.

1. That the Peace Corps Director, in conjunction with the Chief Information Officer, develop an IRM
    strategic plan that identifies the agency's long-term IT goals, describes how IT supports all
    Information Resource Management, and connects IT initiatives to the Peace Corps mission.

    Response:
    *Concur – the Enterprise Architecture (EA) team will prepare a preliminary IRM strategic plan based on the
    existing OCIO strategic plan and submit this to the CIO and subsequently to the Director for review and
    approval.*

    Revised response provided on January 8, 2010:
    Response: Concur – The Director's Office has tasked the Acting CIO to draft a preliminary
    Information Resource Management plan based on the existing needs of the agency and the plans for
    growth. This includes automating the Volunteer Delivery System and establishing an Electronic
    Health Record system. Once the Chief Information Officer is appointed, the Chief of Staff will charge
    him/her to conduct a review of the preliminary plan to ensure that the agency's IT priorities are
    planned and budgeted for in the out years,

2. That the Chief Information Officer update the enterprise architecture to reflect the current IT
    environment.

    Response:
    Concur – the EA team is currently working on this initiative, and will continue to do so, particularly as
    the Volunteer Delivery System (VDS) implementation moves forward. This effort is currently
    constrained by a lack of resources.

3. That the Chief Information Officer develop an enterprise architecture roadmap that supports how the agency's IT initiatives will support the IRM strategic plan.

   Response:

   Concur – the EA team will develop this in conjunction with the IRM as noted in the response to recommendation 1 above.

4. That the Chief Information Officer develop a Peace Corps manual section to describe the information technology governance process, to include the various review boards and their functions.

   Response:

   Non-Concur – the governance process is an internal OCIO process, but it is not necessary for it to become a manual section.

5. That the Chief Information Officer update the system development life cycle handbook to discuss the current information technology life cycle and required documentation.

   Response:

   Concur – this update has already begun, and as in item 2, it is currently constrained by a lack of resources.

6. That the Chief Information Officer review all information technology projects to determine whether any require an exhibit 300 and prepare the documentation when necessary.

   Response:

   Concur – at this time, the OCIO believes that the only current project that requires an exhibit 300 is the VDS and the exhibit 300 and associated documentation will be developed as the project progresses.

7. That the Investment Resource Board develop and implement a standard list of required information and selection criteria for all information technology projects presented for approval. Use the criteria to assist the Information Resource Board in prioritizing information technology projects.

   Response:

   Concur – the OCIO concurs with the premise of this recommendation that there should be selection criteria developed. However, it is not the responsibility of the OCIO to develop the criteria, but rather it should be determined by the senior management of the Agency.

8. That the Investment Resource Board maintain records to support all approval and prioritization decisions and ensure the information is readily available to agency management.

   Response:

   Concur – the EA team has already implemented a better record keeping process and will continue to refine and improve the process as new employees are added to the team.

9.	That the Investment Resource Board and Enterprise Architecture Advisory Board establish the process and criteria that will be used to monitor information technology projects during development and implementation.

Response:

Concur – significant progress will be made as new Project Management Office (PMO) staff is hired. OCIO also has submitted an RAR to address this issue, and is waiting funding for this initiative.

10.	That the Chief Information Officer develop a costing technique to track total information technology costs and establish guidelines for how the agency will implement the costing technique for information technology projects.

Response:

Concur – with this recommendation to the extent that a TCO evaluation is done at the beginning of the project. However, there are no chargeback mechanisms in place (fee for service) to allow for ongoing project cost allocation.

11.	That the Investment Resource Board and Enterprise Architecture Advisory Board establish the process and criteria that will be used to evaluate information technology projects post implementation.

Response:

Concur – the process and criteria will be developed in conjunction with the new PMO personnel coming on board within the OCIO.

12.	That the Chief Information Officer issue guidance that describes the roles and responsibilities of the technical representatives and their relationship with project sponsors and managers. The guidance must clearly define who is responsible for each required document throughout the information technology project's life cycle and who will retain the documentation.

Response:

Concur – the current management team of the OCIO, together with the EA team, has a plan to address this recommendation.

13.	That the Chief Information Officer develop and enforce standard operating procedures that will ensure the required information technology documentation is prepared timely and maintained in a readily available location for the life of the project.

Response:

Concur – significant progress will be made as new Project Management Office (PMO) staff is hired and when the solution to recommendation 12 is implemented. In the meantime, the existing EA staff will work to ensure better compliance with project documentation standards enforcement.

14.	That the Chief Information Officer design the layout within the information technology's collaboration tool to assist users in determining which documentation is required and who is responsible for each step of the information technology process.

Response:

Non-Concur – OCIO provides templates and guidance for project documentation. However, given the current PMO infrastructure, there are insufficient resources to address this recommendation as outlined by the recommendation.

15. That the Chief Financial Officer in conjunction with the Chief Information Officer clearly define the Office of the Chief Information Officer's operations and maintenance account and the information technology centrally managed account and include the updated definition in the annual Peace Corps budget submission.

    Response:

    Concur – the OCFO agrees that clarification and definition on the use of the OCIO's operations and maintenance account and the information technology (IT) centrally managed account should be documented and proposes to issue coordinated guidance. There does not seem, however, to be any need for Senior Agency Management level conversations other than what would normally be required in order to coordinate and issue the additional guidance.

16. That the Chief Information Officer establish procedures to ensure the obligations are properly assigned to the Office of the Chief Information Officer's operations and maintenance account and the information technology centrally managed account based on the account definitions.

    Response:

    Concur – this has already begun in conjunction with the FY2010 budget process and will see full implementation as the new CAO is brought on board.

17. That the Chief Financial Officer establish standard operating procedures concerning the preparation and submission of the requests for agency resources. Specifically, the guidance must describe which costs to include, establish what documentation is necessary to support the cost estimates, and require information review board approval for requests related to information technology.

    Response:

    Concur – the CIO will work with the CFO to develop standard operating procedures concerning the preparation and submission of the requests for agency resources. While general guidance on Requests for Agency Resources (RAR) is contained in CFO Bulletin Number 06-03, Subject: Reengineering of Peace Corps' Integrated Planning and Budget System (IPBS), dated January 6, 2006, under the Requests for Agency Resources (RAR) bullet and the Reprogramming Defined and Thresholds Revised bullet, the OCFO agrees that this guidance could be expanded to include specific treatment of the IT centrally managed account in order to not "commingle" funds and that coordinated, clarifying guidance should include any other issues that would impact not only the OCIO but also other Departments.

18. That the Chief Information Officer, in conjunction with the Chief Financial Officer, review the Office of the Chief Information Officer's recent requests for agency resources to determine whether any the costs should be included in the operating budget to mitigate the risk that essential information technology activities are not funded in a timely manner.

Response:

Concur – the response to finding 15 applies to this recommendation. The OCFO agrees that a joint review with the CIO on RARs should be conducted in accordance with the Director's resource priorities. The OCFO further believes that the RARs of the other departments should be subjected to further review in conjunction with the expected receipt of additional funding in the near future.

19. That the Chief Acquisition Officer review the Office of the Chief Information Officer's procedures for providing technical oversight and provide instruction for its contracting officer's technical representatives when managing large information technology contracts.

Response:

Partially Concur – OACM currently provides instructions to Contracting Officer Technical Representatives (COTR) regarding general contract oversight responsibilities in it's delegation of authority letters. However, staff turnover, insufficient training and the lack of clearly defined contract surveillance plans contribute to contract oversight falling short of what's needed. To address the root cause of this problem, OACM has developed and is in the process of implementing an agency level COTR certification policy and a Contract Surveillance Review Program. The certification policy will establish minimum training standards for COTRs, and through periodic reviews, the Surveillance Review Program will help ensure contract surveillance plans are developed and contractor performance is being tracked in accordance with the plan. At this time, OACM does not have sufficient resources to fully implement these two initiatives. A request for agency resources has been submitted and approval is pending.

20. That the Chief Acquisition Officer request an audit of the August 2006 Office of Chief Information Officer contract for information technology services.

Response:

Non-Concur – The SEAT Contract issued in August 2006 is a Firm Fixed Price Commercial Contract and is not subject to contract audit requirements. OACM has no knowledge of any improprieties associated with the contract and therefore has no basis for requesting an audit of this type. However, if OIG believes that some other audit of a specialized nature is appropriate, the background and basis for the audit should be provided or the audit should be performed by OIG. It should also be noted that OCIO did reconcile invoices to products delivered under the SEAT catalog to help develop the agency's negotiating position to settle the partial contract termination (still in process) issued in early 2008.

21. That the Chief Information Officer ensure all Office of the Chief Information Officer personnel assigned as contracting officer's technical representatives are properly trained and are fulfilling the required responsibilities.

Response:

Concur – the OCIO has begun the appropriate training process, and will complete it with staff once the guidelines currently under development in the Office of the Chief Acquisition Officer are published and funding is provided.

22. That the Chief Information Officer, in conjunction with the Director of Personnel Management, review the Office of the Chief Information Officer organizational structure and positions to determine the most efficient alignment. Based on the review identify whether vacancies require filled or should be realigned to other positions or offices.

    Response:
    Non-Concur – the findings of the IG are consistent with the practices in all areas of the Agency and are heartily endorsed by the OCFO.

23. That the Peace Corps Director consider realigning all headquarters information technology personnel positions to the Chief Information Officer reporting chain or requiring the Chief Information Officer provide input for a performance element concerning information technology responsibilities in the annual performance plan of all managers with significant information technology responsibilities.

    Response:
    Concur – however, the decision will need to be deferred to the Director. While any realignment of all Headquarters IT personnel to the CIO reporting chain would ultimately be the Director's decision, it should be realized that the successful certification and accreditation of the Odyssey financial management system and, further, achieving the three Unqualified (clean) audit opinions for FY 2007 thru FY 2009 were accomplished with the CFO Financial Services IT personnel under the focused, direct control of the CFO. The efforts of these personnel could far more easily be diverted to alternative system requirements if under the CIO's more broad systems umbrella. After the successful required recertification and accreditation of Odyssey is achieved later this fiscal year, this could be given further consideration if desired.

    Revised response provided on January 8, 2010:
    Concur – The Chief of Staff or the Deputy Director will review IT personnel and their reporting chain to determine the appropriateness of the current structure and consider realignments if appropriate. Historically, there have been significant advantages to decentralizing IT support in selected offices. For example, the Agency has been successful in obtaining certification and accreditation of the Odyssey financial management system and three unqualified (clean) audit opinions for FY 2007 thru FY 2009. These were accomplished with IT personnel under the focused, direct control of the CFO.

OIG COMMENTS

Of the 23 recommendations made in our report, management fully concurred with 18 recommendations, partially concurred with one recommendations, and nonconcurred with four recommendations.

Overall, management comments were not responsive. After receiving an incomplete response, we explained the need for supporting documentation and completion dates for corrective actions in an email to the chief information officer. We received the finalized response from management more than 10 weeks beyond the usually six-week response period. However, management still did not provide us with evidence supporting actions it had taken to correct the identified weaknesses. As a result, we were unable to close any the recommendations. The 23 recommendations remain open pending confirmation from the chief compliance officer that the following has been received:

- For recommendations 1, 2, and 3: a copy of the IRM strategic plan, enterprise architecture, and enterprise architecture roadmap.

  Peace Corps paid a contractor to develop enterprise architecture documentation in January 2004. However, Peace Corps did not finalize the documents and neglected to update the information as it acquired and implemented new IT systems. Now the documents are no longer relevant and do not provide the agency with the information required to make informed IT planning and budgeting decisions. According to OMB Circular A-130:

  > "Agencies must establish and maintain a capital planning and investment control process that links mission needs, information, and information technology in an effective and efficient manner. The process will guide both strategic and operational IRM, IT planning, and the Enterprise Architecture by integrating the agency's IRM plans, strategic and performance plans prepared pursuant to the Government Performance and Results Act of 1993, financial management plans prepared pursuant to the Chief Financial Officer Act of 1990 (31 U.S.C. 902a5), acquisition under the Federal Acquisition Streamlining Act of 1994, and the agency's budget formulation and execution processes. The capital planning and investment control process includes all stages of capital programming, including planning, budgeting, procurement, management, and assessment."

- For recommendation 4: a copy of the new or updated Peace Corps Manual section to include the information technology governance process. We also request an estimated completion date for the new or updated Peace Corps Manual section.

The chief information officer stated that the governance process was an internal Office of the Chief Information Officer process and did not need to be stated in a Manual section. We strongly disagree. The governance process is an agency-wide policy that all offices must comply with to ensure efficient information technology decisions and investments. The governance process is required by the Clinger Cohen Act of 1996 and Office of Management Budget Circular A-130. These regulations require the Director to design and implement a process for maximizing the value and assessing and managing the risks of the information technology acquisitions of the executive agency. Formalizing the governance process in a Peace Corps Manual section will help to inform offices of the required procedures and provide a clear understanding of the responsibilities and requirements. We believe this will help eliminate some of the management concerns expressed during this audit about unclear responsibilities for project ownership and documentation, offices bypassing the governance process; and a lack of transparency in the information technology decision making process.

- For recommendations 5: documentation stating the estimated completion date for the updated system development lifecycle handbook and a copy of the finalized version of the handbook upon issuance.

- For recommendation 6: documentation defining the criteria used to determine which information technology projects require exhibit 300s and a copy of the current exhibit 300 for the Volunteer Delivery and Support System.

We could not determine which systems required an exhibit 300 because the Office of the Chief Information Officer did not provide us with the criteria used when determining which information technology projects require an exhibit 300.

The chief information officer stated that the only current project requiring an exhibit 300 is the Volunteer Delivery and Support System and that associated documentation will be developed as the project progresses. On the contrary, during our audit the Office of the Chief Information Officer provided an outdated exhibit 300 for the agency's financial management system.

The Office of Management and Budget requires agencies to prepare an exhibit 300 for all major investments, including a system requiring special management attention because of its importance to the mission or function of the agency, has significant program or policy implications, has high executive visibility, or has high costs. Exhibit 300 is more than just a requirement, it is designed to be used as a one-stop document for many management issues such as business cases for investments, information technology security reporting, Clinger Cohen Act implementation, E-Gov Act implementation, Government Paperwork Elimination Act implementation, agency's modernization efforts, and overall project management.

APPENDIX E

- For recommendations 7, 8, 9, and 11: a copy of the finalized list of criteria for use by the Investment Resource Board in approving and prioritizing information technology projects and documentation of the processes the Board will use when monitoring the development and implementation of projects and evaluating the completed project. Further, we request an estimated completion date for these criteria and process documentation.

  The recommendations were addressed to the Investment Resource Board, chaired by the chief of operations and the chief architect. However, only the Office of the Chief Information Officer provided comments to these recommendations.

  In recommendation 7, the Office of the Chief Information Officer stated that senior management of the agency should determine the criteria needed when approving and prioritizing information technology projects. The Investment Resource Board is the executive level decision maker that approves and prioritizes information technology projects. Therefore, the members of the Investment Resource Board must agree to and document a standard list of required information, the method for retaining these documents, and how the documentation will be used to determine resource allocation, monitor information technology projects progress, and evaluate projects after implementation.

  The guidance for information technology investments is necessary to ensure Peace Corps complies with the Clinger Cohen Act of 1996 that requires executive agencies to develop a capital planning and investment control process that includes the selection of information technology projects; integration with budget, financial, and program management decisions; criteria used when approving, comparing, and prioritizing information technology projects; quantifiable measurements of benefits and risks; and timely information regarding the progress of information technology projects.

- For recommendation 10: documentation showing the development of a costing technique to track information technology costs and compare results to budgets throughout the lifecycle.

  Although the chief information officer concurred with the recommendation to develop a costing technique, he stated that there are no chargeback mechanisms in place and cost evaluation is done at the beginning of the project.

  Cost evaluation at the beginning of the project can only provided budget information and estimates. It is essential that Peace Corps have a method to track costs throughout system development to ensure projects are on schedule, avoid cost overruns, and make informed decisions about resource allocation. Further, costing techniques are necessary to comply with the Federal Acquisition Streamlining Act of 1994 that requires agencies to establish cost, schedule, and measurable performance goals for all major acquisition programs, and achieve on

APPENDIX E

- For recommendation 14: copy of the templates and guidance for IT project documentation.

  The chief information officer non-concurred with our recommendation to design the new collaboration tool to better identify the required documents, where the documentation is located within the folders, and who is responsible for the document. The chief information officer stated that this office provides templates and guidance for project documentation.

  Our audit identified weaknesses in the document retention practices of the Office of the Chief Information Officer that the collaboration tool was designed to correct. Although the collaboration tool could be modified to provide a folder structure that better aligned with the system development life cycle handbook requirements, we recognized that an enforced guidance for project documentation and templates could also ensure documents are properly prepared and maintained.

- For recommendation 15: documentation stating the estimated completion date for the Office of the Chief Financial Officer's guidance and a copy of the guidance once final.

  The Office of the Chief Financial Officer agreed with the need to clarify and define the Office of the Chief Information Officer's budgetary accounts and proposed to issue coordinated guidance, but stated that there does not seem to by the need for senior agency management level conversation beyond what would normally be required. Our recommendation was directed to the chief financial officer and the coordinated guidance will satisfy the intent of this recommendation if it clearly defines the budgetary accounts and their uses.

- For recommendation 16: we will be able to close this recommendation when recommendation 15 is complete and the chief information officer provides us with procedures for ensuring expenses are assigned to the appropriate budgetary accounts in accordance with the Office of the Chief Financial Officer coordinated guidance.

  The chief information officer concurred with the recommendation for procedures to ensure obligations are assigned to the proper budgetary account and stated that this has already begun in conjunction with the FY 2010 budget process. However, in recommendation 15 the Office of the Chief Financial Officer agreed that Office of the Chief Financial Officer budgetary accounts required clarification. Until these budgetary accounts are clearly defined, the Office of the Chief Information Officer will be unable to ensure obligations are properly assigned.

- For recommendations 17 and 18: documentation stating the estimated completion date for the development of standard operating procedures for Requests for Agency Resources and a copy of these procedures once final.

The Office of the Chief Financial Officer commented that the Request for Agency Resources for other departments should be reviewed and that guidance could be expanded to include additional issues. We encourage the Office of the Chief Financial Officer to take the necessary action to improve the agency's Request for Agency Resources process, but we refrain from making additional recommendations because of the scope of our audit was limited to the Office of the Chief Information Officer.

- For recommendation 19: a copy of the COTR certification policy and the procedures of the Contract Surveillance Review Program. We also request the completion date for when the COTR certification policy will be fully implemented.

- For recommendation 20: documentation showing that the COTR and contracting officer have determined whether the contractor fulfilled the requirements of the $46,368 contract amendment for the implementation of E-vault data management software and a copy of Office of the Chief Information Officer's reconciliation of invoices to products.

  The chief acquisition officer non-concurred because he was not aware of an issue related to certain undelivered contract services that may improve the government's position in negotiating contract termination costs. Our audit identified improprieties including invoices not reconciled to deliverables; over-expended contract line items; potential duplicative services; and services paid for but not fully received. Further, we determined that reconciliation of line items to deliverables in early 2008 did not correct the discrepancies identified during the audit. Specifically, Peace Corps agreed to the contractor's proposal and modified the original contract to include services associated with the installation and testing of E-vault data management software. However, we found that although the contractor invoiced, and was subsequently paid for 100% of these services, the E-vault software had not been installed. As a result, we concluded that Peace Corps purchased goods and services that were not required; approved an invoice that was not accurate; and reimbursed the contractor for services that were only partially received. The COTR and contracting officer must determine to what extent the contractor has failed to perform all of the requirements associated with the E-vault project and its effect on the contract close out process, including determination of reasonable termination costs.

- For recommendation 21: a copy of the training records for all Office of the Chief Information Officer contracting officer's technical representatives.

- For recommendation 22: a copy of documentation showing that the positions identified in our report were filled or that the positions were eliminated and the full-time equivalents were released.

  The chief information officer did not concur and stated, "The findings of the IG were consistent with practices in all areas of the Agency and heartily endorsed by

the OCFO." Although we recognize that a level of salary lapse is unavoidable, our audit identified essential positions that remained vacant for excessive amounts of time. If the position is essential, then the Office of Chief Information Officer risked not fulfilling mission requirements. However, the Office of the Chief Information Officer operated for more than a year and a half without two of the vacant positions. This indicates that these positions were not essential and that the salary lapse created by these vacancies could have been properly budgeted to meet more urgent needs. Further, in the chief information officer's comments to our recommendations he states that efforts were constrained by a lack of resources. By properly aligning personnel and budgeting salaries, the Office of the Chief Information Officer can improve its use of resources.

- For recommendation 23: a copy of the Deputy Director's review of the current structure of Peace Corps information technology personnel and their reporting chain.

In their response, management describes actions they are taking or intend to take to address the issues that prompted each of our recommendations. We wish to note that in closing recommendations, we are not certifying that they have taken these actions nor that we have reviewed their effect. Certifying compliance and verifying effectiveness are management's responsibilities. However, when we feel it is warranted, we may conduct a follow-up review to confirm that action has been taken and to evaluate the impact.

APPENDIX F

AUDIT COMPLETION AND OIG CONTACT

AUDIT COMPLETION

Mr. Bradley Grubb performed the audit and Mr. Gerry Montoya supervised.

OIG CONTACT

If you wish to comment on the quality or usefulness of this report to help us strengthen our product, please email Gerald P. Montoya, Assistant Inspector General for Audits, at gmontoya@peacecorps.gov, or call him at 202.692.2907.

REPORT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT

Fraud, waste, abuse, and mismanagement in government affect everyone from Peace Corps Volunteers to agency employees to the general public. We actively solicit allegations of inefficient and wasteful practices, fraud, abuse, and mismanagement related to Peace Corps operations domestically or abroad. You can report allegations to us in several ways, and you may remain anonymous.

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