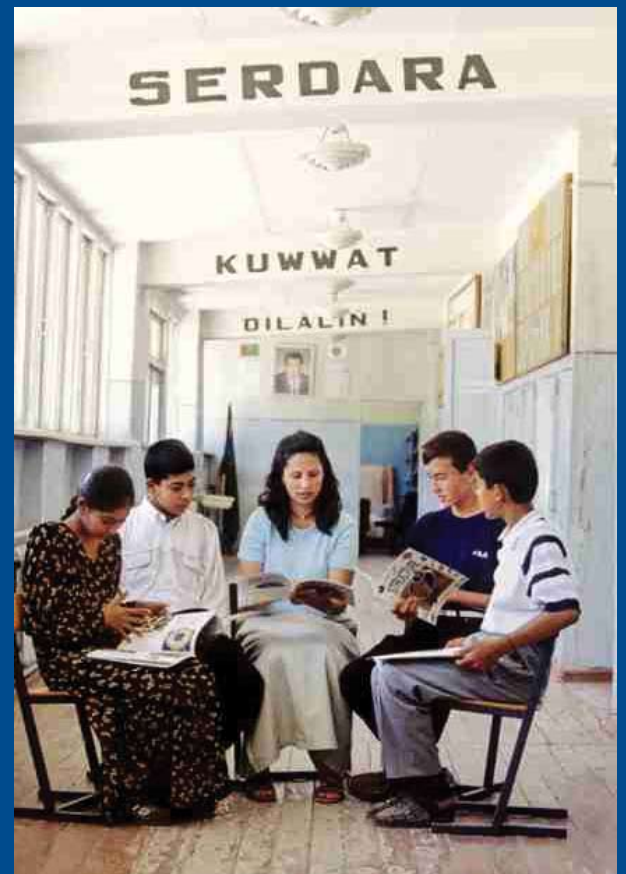


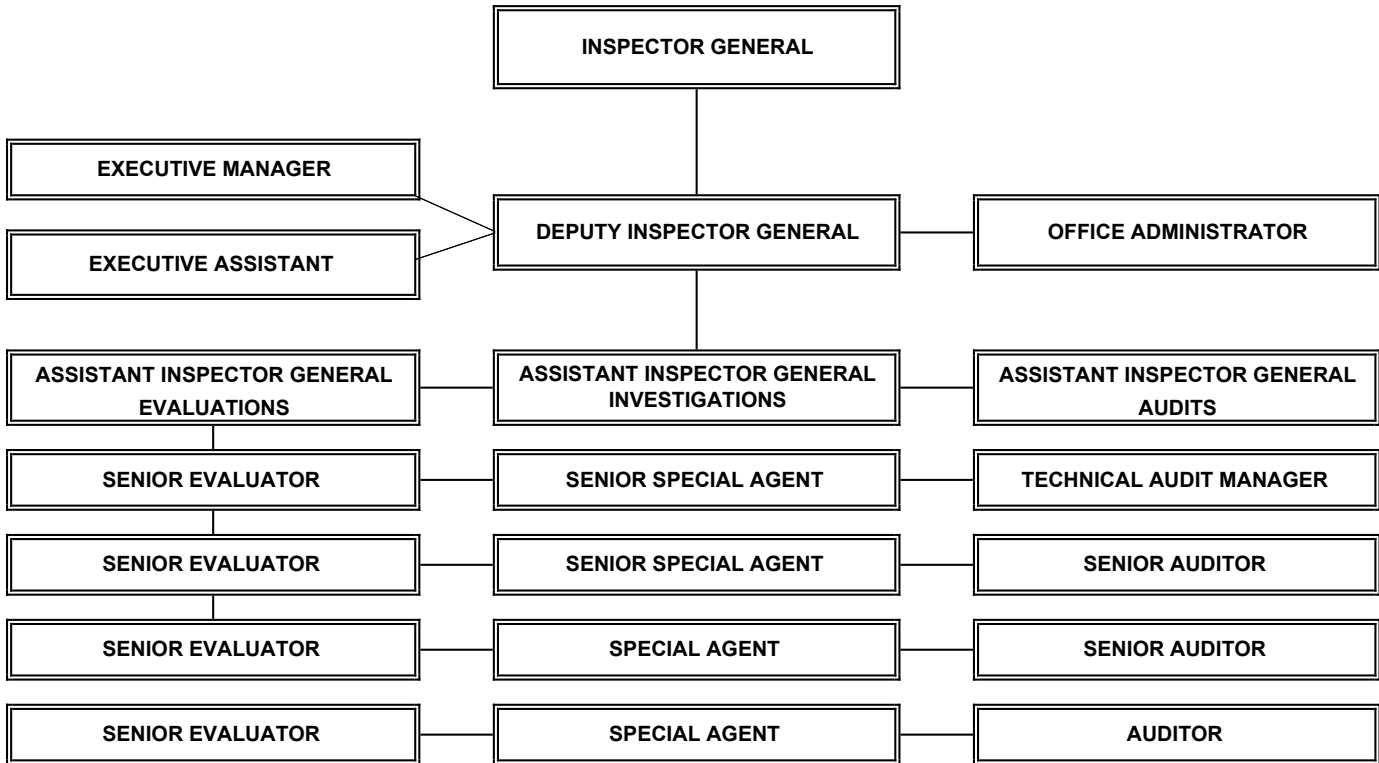


# Peace Corps Office of Inspector General



Semiannual Report to Congress  
October 1, 2006 - March 31, 2007

**PEACE CORPS  
OFFICE OF INSPECTOR GENERAL  
ORGANIZATIONAL CHART**



# PEACE CORPS

## OFFICE OF INSPECTOR GENERAL

### Vision

To conduct audits, evaluations, and investigations that uphold the effectiveness, efficiency, and integrity of the agency in achieving the goals set forth in the Peace Corps Act that Peace Corps Volunteers help the people of the countries in which they serve in meeting their needs for trained manpower, and in helping promote a better understanding of the American people on the part of the people served, and a better understanding of other people on the part of the American people.

## SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2006 – MARCH 31, 2007



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# HIGHLIGHTS FROM THIS REPORT

## MESSAGE FROM THE INSPECTOR GENERAL



I am proud to present this Semiannual Report on the activities and accomplishments of the Peace Corps Office of Inspector General (OIG) from October 1, 2006 to March 31, 2007. The audits, evaluations, and investigations described in this report illustrate the commitment of the Peace Corps OIG to promote efficiency and effectiveness in the Peace Corps as well as the tremendous effect and impact that the Peace Corps OIG has had upon Peace Corps operations.

Our auditors completed audits of Peace Corps posts in the Kyrgyz Republic, South Africa, China, and Ecuador and follow-up audits in Zambia and Uganda. In addition, we contracted a firm to conduct the audit of Peace Corps' FY 2006 financial statements in accordance with Government Auditing Standards. On November 10, 2006, the firm issued a qualified opinion on the Peace Corps' balance sheet as of September 30, 2006 and disclaimed an opinion on the balance sheet as of September 30, 2005 and related statements of net costs, changes in net position, financing, and budgetary resources for the years ending September 30, 2005 and 2006. This was a significant achievement for the agency and demonstrates progress in the agency's financial management. In prior year audits, the Peace Corps has not been able to achieve an opinion on any of its statements.

In addition, during this reporting period, our evaluators issued a report titled "Blueprint for Success," which summarized the evaluation unit's landmark and innovative programming study in which they traveled to superior-performing Peace Corps posts to assess what makes these posts perform at such a high level. This report, which highlighted best practices all over the world, was met with a very enthusiastic response from the agency. The evaluators also conducted program evaluations at Peace Corps posts in South Africa, Ecuador, and Cameroon.

During this reporting period, the evaluators have also begun work on two overarching and comprehensive assessments of critical functions of the Peace Corps. The first is a survey of the safety and security measures implemented in the agency over the past few years. The goal of this assessment is to determine whether: (a) adequate safety and security information is provided to Volunteers before their departure overseas and throughout their service; (b) the Peace Corps has provided Volunteers with accurate and relevant training on safety and security; (c) the agency

has placed Volunteers at sites that have been inspected for safe living and working environments and continue to be monitored in accordance with agency policy; (d) Volunteers and Peace Corps staff have appropriately reported and responded to safety issues; and (e) the agency has adequately planned for emergencies at overseas posts. This survey will involve trips to 17 overseas posts and interviews with hundreds of Volunteers and staff.

The second comprehensive study is a review of the Peace Corps' ability to properly screen prospective Volunteers for Peace Corps service, particularly in light of Peace Corps Director Ronald Tschetter's "50-plus" initiative that encourages individuals over the age of fifty years to apply for Peace Corps service. The objectives of this study are to: (a) evaluate the medical screening aspects of the Volunteer Delivery System, which is the agency's mechanism for bringing Volunteers in the door; (b) focus on transparency, information and communication, efficiency, timeliness, and the cost of the medical screening process (particularly as they relate to older applicants); and (c) review impediments in the process including those relating to medical and health care costs.

There have been important developments on the investigative side of the OIG during this reporting period as well. We have achieved significant and tangible gains in our Federal Employees' Compensation Act (FECA) investigation, uncovering numerous examples of abuse in the system, resulting in overall savings to the agency of over \$2,000,000. The details of our investigative efforts as well as a summary of the approaches we utilized to achieve these extraordinary results are contained in an article I penned for the PCIE/ECIE Fall/Winter 2006-2007 edition of the Journal of Public Inquiry. During this reporting period, our investigative unit also found evidence of fraud in connection with improper disposal of computers, cyber crimes, ethics and criminal conflict of interests, and misappropriation of government funds, which led to disciplinary action and resignations.

Our investigative unit also continued its important work in connection with its authority to coordinate the agency's response to violent crimes against Volunteers. We entered into a memorandum of agreement with the Armed Forces Institute of Pathology (AFIP) to obtain forensic pathology investigative assistance in the case of a death of a Volunteer and obtained several significant convictions in rape and assault cases all around the world.

I appreciate the cooperation of the Peace Corps' Director, management, employees and Volunteers and am justifiably proud of the staff of the Peace Corps OIG for their tireless efforts to promote efficiency and integrity in the Peace Corps.

Finally, on a personal note, during this reporting period, I completed my work for the U.S. Commission on Civil Rights, which was undertaken pursuant to an interagency reimbursable agreement first executed in July 2006. In this effort, I



assisted the Commission in evaluating and developing appropriate internal policies and procedures as recommended by the Government Accountability Office (GAO) in its May 2006 report on the Commission and made recommendations to strengthen the objectivity, accountability and transparency policies that govern the Commission's work products. I greatly enjoyed the experience working with the Commission and am very proud of the significant results that we achieved together.

A handwritten signature in black ink, appearing to read 'H. Kotz', written in a cursive style.

H. David Kotz  
Inspector General

# MANAGEMENT AND ADMINISTRATION

## AGENCY CONTEXT

At the end of FY 2006, 7,749 Peace Corps Volunteers and Trainees were serving in 73 countries at 67 posts. This total includes: 111 Volunteers and Trainees funded by the President's Emergency Plan for AIDS Relief working on HIV/AIDS projects in nine countries; 35 Crisis Corps Volunteers serving overseas in short-term assignments in 11 countries; and 10 Volunteers serving in Thailand on tsunami relief efforts funded through an inter-agency agreement with the U.S. Agency for International Development.

The Volunteers and their programs are supported by approximately 891 American direct hire staff—196 overseas, 120 in the regional recruiting offices, and the remaining 575 in headquarters. Approximately 2,000 locally hired personnel complete post staffing. The Peace Corps also has corporate contracts domestically and overseas, principally for guard services and training, and hires expert consultants, largely for training and financial management.

## OIG STAFFING

During the reporting period, the Office of Inspector General filled three critical positions, including the position of Assistant Inspector General (AIG) for Audits. The new AIG for Audits, Gerald Montoya, joined the OIG from the Department of Defense (DOD), where he worked in different audit capacities since 1990. Most recently, he had been assigned to the Financial Resources Division of DOD, where he was responsible for conducting audits focusing on military pay and benefits. Before that, he had been detailed to the Special Inspector General for Iraq Reconstruction, where he served as the Deputy Assistant Inspector General for Audit, and was assigned to Baghdad, where he was responsible for the whole gamut of audits relating to the Iraq Relief and Reconstruction Fund. He has a bachelor's degree with a minor in accounting and political science, and earned his master's degree from Georgetown University in policy management, graduating with a grade point average of 3.9.

In addition, we filled a vacant audit position with an experienced auditor from the private sector, who also was a former Peace Corps Volunteer. Finally, we hired an executive manager to provide additional administrative support to all the units in the OIG. She has been a valuable addition to the team.

In light of the above, at this point in time, other than the Deputy Inspector General position, we are at full capacity, with five auditors, including the AIG for Audits; five evaluators, including the AIG for evaluations; five investigators, including the AIG for Investigations; and three administrative support employees. Our IG counsel remains on an extended detail with the U.S. Department of Treasury.

# ADVISE AND ASSISTANCE PROVIDED TO THE AGENCY AND OTHERS

During this reporting period, we provided advice to management on a number of serious issues that were brought to our attention. This advice was conveyed through written communication as well as oral briefings and meetings with the Director of the agency and other senior-level Peace Corps officials.

## REFERRALS TO THE OFFICE OF INSPECTOR GENERAL

In an effort to effectively and efficiently meet our responsibilities under the Inspector General Act of 1978, as amended, 5 U.S.C. App., the Office of Inspector General issued guidance on January 18, 2007 to the agency on referring matters to our office. According to section 2 of the Inspector General Act, the Office of Inspector General was created: (1) “to conduct and supervise audits and investigations relating to the programs and operations of the [Agency]”; (2) “to provide leadership and coordination and recommend policies for activities designed (A) to promote economy, efficiency, and effectiveness in the administration of, and (B) to prevent and detect fraud and abuse in, such programs and operations;” and (3) to keep the Director of the Agency “and the Congress fully and currently informed about problems and deficiencies relating to the administration of [the Agency’s] programs and operations and the necessity for and progress of corrective action.”

OIG guidance sent to all Peace Corps employees reiterated that pursuant to Peace Corps Manual section 861, all Peace Corps personnel (domestic and overseas) should report instances of “misconduct or wrongdoing” to the OIG. Furthermore, the guidance reminded Peace Corps employees that under a specific Peace Corps protocol, the OIG has the primary authority for response to and coordination of all activities associated with violent crimes, involving Volunteers, including death, rape, and assault. In addition, we reiterated that all Peace Corps employees, Trainees, Volunteers, experts, consultants, and all other Peace Corps personnel are required by Peace Corps Manual section 861 to cooperate fully and truthfully with the OIG during the course of an audit, investigation, review, or inspection.

The guidance further explained that compliance with the reporting requirements will advance the ability of the OIG to investigate matters within our jurisdiction and improve the integrity of Peace Corps programs and operations.

## SUPPORT OVERVIEW FOR VOLUNTEERS IN HIGHLY CHALLENGED POSTS

The OIG provided special assistance to a working group headed up by the Office of AIDS Relief with respect to the agency’s efforts to enhance and improve Volunteer

support to those working in countries with high HIV prevalence. We had identified disturbing trends in several Peace Corps posts regarding the adverse effect on Peace Corps Volunteers because of their work in HIV-prevalent countries. We provided the Office of AIDS Relief with the results of the data that we collected from several countries regarding the emotional difficulties that Volunteers engaged in this kind of work were experiencing, which was then utilized as a basis for devising and developing agency strategies to address these issues.

We also worked with the Office of Special Services to provide specific suggestions with regard to the following areas: (a) training for Peace Corps staff in identifying mental health needs; (b) training to increase Volunteers' understanding and coping strategies for the emotional demands that they face; and (c) training Volunteers in peer support skills and the development of a post support network. Based upon these discussions, the Office of Special Services developed a strategic plan for providing support for Volunteers in these highly challenged posts, which involves practices and procedures to be implemented from the recruiting and screening phases throughout the Volunteer's overseas service and continuing with post service support.

#### **AFRICA REGION'S CHANGES IN RESPONSE TO IG ISSUES**

OIG staff met with the senior management and the regional director for the Africa Region on January 11, 2007 to discuss ways the region could improve on the management of its posts.

Representatives from both the OIG's evaluation and audit units participated in this meeting, requested by the Africa region, in which we shared our findings and observations from our numerous audits and evaluations of posts in Africa over the years. Specific areas discussed were communication concerns relating to the region's responsiveness to post issues, the appropriate levels of post staffing, post administration support and management issues, methods to enhance the effectiveness of staff at posts, the need for ongoing mentoring activities after training has been conducted, and how to better utilize OIG reports. We also provided examples of where the region's interactions and support of posts were effective and resolved lingering issues and concerns abroad.

The Africa regional director thanked us for our input and stated that our comments had been most helpful.

#### **OIG ASSISTANCE ON REVISION OF OVERSEAS FINANCIAL MANAGEMENT HANDBOOK**

The OIG audit team reviewed and provided suggestions to the Office of the Chief Financial Officer during their revision of the agency's Overseas Financial

Management Handbook (OFMH). The OFMH is a significant document to the agency, because it provides the detailed guidance for consistent financial operations at Peace Corps' overseas posts.

Based on their extensive post auditing experiences, the OIG audit team reviewed each revised chapter and provided substantive suggestions and comments to ensure that the OFMH was in compliance with federal requirements and regulations such as those mandated by the U.S. State Department's Foreign Affairs Manual (FAM) and related Handbook, and to strengthen the financial management processes. For example, we recommended that specific language be added to the section on procurements to strengthen the prohibition on circumventing the procurement ceiling. We received appreciative comments on our suggestions from the Office of the Chief Financial Officer.

#### **AGENCY RESPONSE TO DATA BREACHES**

In reaction to a memorandum issued by the Office of Management and Budget at the end of fiscal year 2006 that strongly encouraged each agency to establish plans for responding to data breaches which could result in identity theft, Peace Corps' management requested OIG representation on the Peace Corps' core response group to ensure that the OIG is cognizant of possible identity breaches which may result in law enforcement action. Representatives from both the Investigation and Audit units participated in the core response group and helped coordinate the agency's procedures in development.

#### **AFRICAN DEVELOPMENT BANK**

On February 7, 2007, the OIG met with the African Development Bank's director of the Office of the Auditor General and other Bank senior management to provide insight into the operations of an Office of Inspector General and our experiences in Africa detecting waste, fraud, and other crimes – including cyber crime. We also provided the representatives from the Bank with a blueprint to develop a system to protect “whistle-blowers” and to establish an anonymous complaint or hotline system.

In March 2007, based in part on expertise provided by our office, the Bank officially established a comprehensive policy on the handling of whistle blowing complaints that will strengthen the Bank's system of integrity and the fight against corruption. The African Development Bank staff expressed their thanks and appreciation for our meeting and expressed hope for continued fruitful cooperation and exchange.

# AUDITS AND PROGRAM EVALUATIONS

## OVERVIEW

The Peace Corps' OIG focuses principally on the programs, financial and administrative operations, and staff support that sustain Peace Corps Volunteers serving around the world. We accomplish this through audits and evaluations of the agency's posts overseas and its functions in headquarters and domestic recruiting offices.

Both individual staff members and multi-disciplined teams carry out these reviews. During this period, when teams visited the same overseas post, we published a single, combined report. For some highly technical audits, we also contract with firms and individual experts.

**Audits** examine operations and financial transactions to ensure that good management practices are being followed and that resources are adequately protected in accordance with laws and regulations. Our audits are conducted in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States.

Most of our audits focus on the operations and management of Peace Corps' overseas posts, which include a review of financial and administrative practices and the management and security of resources. We also conduct audits of specific headquarters and regional activities, as well as contract and follow-up audits, as needed. In addition, the Accountability of Tax Dollars Act provides the OIG with the responsibility for an annual audit of Peace Corps' financial statements. Furthermore, the Federal Information Security Management Act specifies that the OIG annually review the information security program of the agency, as part of our auditors' responsibilities.

**Program Evaluations** review the operation and administration of a specific unit of the Peace Corps or may involve a limited review of a particular problem, issue, or function.

Most evaluations are of overseas posts and provide management with a comprehensive assessment of how overseas programs are functioning. This includes a review of the Volunteers' sites and assignments, their integration into their communities, the quality of their training, the quality of the support provided to them, and the adequacy of the post's administrative infrastructure to manage the program. Evaluations focus particularly on the effectiveness, satisfaction, and well-being of the Volunteers, including their housing, health care, and safety. Evaluators issue a survey to all Volunteers in country, interview a representative sample of one-third or more of the Volunteers at their sites, and interview appropriate Peace Corps staff and some of the Volunteers' co-workers and supervisors.

## SUMMARY OF AUDITS AND EVALUATIONS

### PEACE CORPS FISCAL YEAR 2006 FINANCIAL STATEMENT AUDIT

Under a contract monitored by the OIG, Urbach Kahn and Werlin LLP (UKW), an independent certified public accounting firm, performed the audit of Peace Corps' FY 2006 financial statements in accordance with Government Auditing Standards, Office of Management and Budget (OMB) Bulletin No. 06-03, Audit Requirements for Federal Financial Statements and applicable sections of the GAO/President's Council on Integrity and Efficiency (PCIE) Financial Audit Manual. In its report, dated November 10, 2006, UKW issued a qualified opinion on the balance sheet as of September 30, 2006 and disclaimed an opinion on the balance sheet as of September 30, 2005 and for the related statements of net cost, changes in net position, financing, and budgetary resources for the years ending September 30, 2005 and 2006.

Except for not maintaining adequate accounting records and sufficient supporting documentation for certain obligations recorded, the balance sheet as of September 30, 2006 presents fairly in all material respects, the financial position of Peace Corps in conformity with accounting principles accepted in the United States. Peace Corps had not maintained adequate accounting records and sufficient supporting documentation for material balances presented in the balance sheet as of September 30, 2005; and therefore, UKW was not able to sufficiently extend auditing procedures to determine the extent to which the statements net cost, changes in net position, financing and budgetary resources may have been affected by this condition.

Although, the qualified opinion on the September 30, 2006 balance sheet represents progress made by the Peace Corps in improving its overall financial management during FY 2006, UKW reported the following four material weaknesses in its Independent Auditor's Report on Internal Control:

- Peace Corps did not have adequate controls over its financial management structure, monitoring processes, and financial reporting.
- Peace Corps did not have adequate controls over its accounting business processes.
- Peace Corps was not able to substantiate material prior period account balances.
- Peace Corps did not have adequate controls over its information systems control environment.

UKW's test of compliance with specific laws and regulations, exclusive of the Federal Financial Management Improvement Act (FFMIA), disclosed no instances of noncompliance with laws, regulations and provisions of contracts and grants that are required to be reported under Government Auditing Standards and OMB Bulletin No. 06-03. However, UKW's tests disclosed instances where Peace Corps financial

management systems did not substantially comply with federal financial management system requirements as required in FFMIA.

As required by OMB Circular A-136, Financial Reporting Requirements, this audit report has been incorporated within *The Peace Corps Performance and Accountability Report: Fiscal Year 2006* and was not issued as a separate OIG audit report. In addition, a separate letter describing internal control weaknesses which do not meet the definition of reportable conditions, was issued directly to agency management as required by government auditing standards.

#### **REVIEW OF THE AGENCY'S FEDERAL INFORMATION SECURITY PROGRAM**

The Federal Information Security Management Act (FISMA) requires each federal agency to establish security protections and a program to secure its information systems from unauthorized access, use, disclosure, modification, and other harmful impacts by using specific guidelines established by the National Institute of Standards and Technology. In addition, FISMA requires the OIG to review the security program annually. Because OMB is required to report to Congress on the progress made by federal agencies as a whole, OMB developed a data collecting process which combines reporting from each federal agency and their respective OIGs to measure the progress of developing and institutionalizing each security program.

Through a contract with an independent accounting firm, we assessed the status of Peace Corps' information security program while providing responses to the OMB data collection instrument. At the completion of that assessment, it was determined that the agency had not progressed to a level beyond what was reported during the fiscal year 2005 FISMA review, and further determined that it would be more beneficial to conduct a focused review assessing the privacy and vulnerability of the agency's external website and intranet to ensure agency systems are adequately protected against the access and/or loss of privacy-related information. The results of this assessment will be included in the next Semiannual Report.

#### **CHINA: AUDIT**

We conducted an audit of Peace Corps/China March 7 - 25, 2006. The Peace Corps/China office was opened in 1993 and the first group of 18 Volunteers arrived later that year. At the time of our visit, there were approximately 104 Volunteers working in the program areas of environmental education and English education and resource development.

The post's greatest weakness appeared to be in the inconsistency and incompleteness of the contract documents. The post also had not received authorization to hire a contractor as a cashier or alternate cashier although the post had documented the need to use a contractor for this function.



Management concurred with 18 recommendations and did not concur with one recommendation; we accepted their non-concurrence. At the end of the reporting period 17 recommendations are closed and two remain open.

#### **KYRGYZ REPUBLIC: AUDIT**

We conducted an audit of Peace Corps/Kyrgyz Republic October 30 - November 16, 2006. The Peace Corps began its program in Kyrgyz Republic in 1993. The program was suspended following the events of September 11, 2001 and re-opened in 2002. At the time of our visit, 113 Volunteers, including seven who were completing their service, were working in three project areas: English language instruction, sustainable organizational and community development, and health promotion.

Peace Corps/Kyrgyz Republic's financial and administrative operations, in general, were functioning effectively and complied with Peace Corps policies and federal regulations. However, areas of improvement were noted, including:

- Requiring the cashier to change the combination to the imprest fund safe.
- Conducting an independent survey to evaluate the Volunteer living allowance.
- Obtaining intelligence background information certifications and security clearances for all personal services contractors.
- Requesting staff to sign their travel authorizations.
- Properly monitoring and controlling medical supplies in the custody of Volunteer wardens.

Management concurred with all 32 recommendations. At the end of the reporting period 25 recommendations are closed and seven remain open.

#### **UGANDA: FOLLOW-UP AUDIT**

During the period September 18 – 22, 2006, we conducted a follow-up to our audit carried out March 1 – 21, 2005. We reviewed management's compliance with the actions agreed upon for all 56 recommendations. We re-opened 14 recommendations that were previously closed and closed four recommendations that were open.

A principal finding from our follow-up audit was the failure of the post to address the weaknesses in its imprest fund operation. We also found outstanding debts that remained uncollected, some dating back to 2002.

At the end of this reporting period, 47 recommendations are closed and nine remain open.

## ZAMBIA: FOLLOW-UP AUDIT

During the period September 8 – 16, 2006, we conducted a follow-up to our audit carried out August 8 – 25, 2005. Management had concurred with nine of the audit recommendations and did not fully concur with three recommendations in our original audit report.

We reviewed management's actions for all 12 recommendations; we verified and closed nine recommendations and re-opened one recommendation that was previously closed. We found unallowable expenses that were still outstanding as collection had not been made or management had not approved the expense.

At the end of this reporting period, 11 recommendations are closed and one remains open.

## CHP INTERNATIONAL, INC.: CONTRACT AUDIT

CHP International, Inc. (CHP) is a management, training and consulting firm that has conducted training for the Peace Corps since 1973 and has provided pre-service and in-service training to over 10,000 Peace Corps Volunteers. Peace Corps currently has one training contract with CHP for in-service language training in Paraguay.

We audited the indirect cost rates, incurred indirect costs, and direct costs for contracts with CHP for the periods ended December 31, 2004 and December 31, 2005. We also evaluated CHP's information and communication systems; self-monitoring practices; and methods for capturing indirect cost, cost allocation, indirect rate calculations and other applications. In addition, we evaluated CHP's accounting system, internal controls, and compliance with the applicable cost accounting standards and Federal Acquisition Regulations.

We noted that CHP's management and internal control activities needed improvement. CHP did not have written policies and procedures that documented financial management functions and other business practices, which are the foundation for a system of internal controls. Accounting duties were not adequately segregated. CHP had not submitted a claim/cost submission or a certificate of final indirect cost rates until requested by the auditors.

We disagreed with CHP's general and administrative rates for 2004 and 2005 as submitted for audit. We took no exception with CHP's fringe benefits rates submitted for 2004 and 2005.

Our report was submitted to the Office of Acquisitions and Contract Management (OACM) and contained a list of recommendations pertaining to issues such as CHP's management and internal controls. OACM is working to determine appropriate actions necessary to resolve the issues identified.

## **ECUADOR: AUDIT AND PROGRAM EVALUATION**

We conducted an audit and program evaluation of Peace Corps/Ecuador May 15 - June 2, 2006. Ecuador first welcomed Peace Corps Volunteers in 1962 and 132 Volunteers were serving in Ecuador at the time of our visit.

We found the post's administrative operations well run by a qualified and experienced administrative officer and a highly motivated staff. However, we did find some administrative processes that needed to be improved and corrected. Specifically, the country director had signed an agreement with the Ecuador Ministry of Agriculture by which the Ministry agreed to "assign" PL-480 funds for Volunteer projects (\$250,000 for 2004-05 and prospectively \$200,000 for 2006-07). The management of this funding raised several issues including whether there was adequate oversight of the expenditures and accounting for the funds. The post had also not developed a program plan in which to incorporate the country director's emphasis on the use of PL-480 funds for Volunteer income-generating projects.

In addition, we uncovered concerns with outstanding travel advances, billing logs and unaccounted for bills of collection, the maintenance of Volunteer property, furniture and equipment as well as medical supplies and vehicles.

In the evaluation, we found that certain Volunteers in the rural health and sustainable agriculture projects were being placed in insufficiently prepared sites and were unclear about their assignments. In addition, numerous staffing changes had caused challenges at the post.

At the end of this reporting period, 21 recommendations are closed and 27 remain open.

## **SOUTH AFRICA: AUDIT AND PROGRAM EVALUATION**

We conducted an audit and program evaluation of Peace Corps/South Africa February 27 – March 17, 2006. The first group of Peace Corps Volunteers arrived in South Africa in February 1997. Currently, PC/South Africa has two projects: education and NGO capacity building. Seven Volunteers in the NGO capacity building project were funded by the President's Emergency Plan for AIDS Relief (PEPFAR). At the time of this review, 136 Volunteers were serving in four of South Africa's nine provinces.

A number of issues we found in the program evaluation and audit that we conducted in 1999 remained or have re-emerged. Among those were poor planning for the pre-service training, ineffective programming, disparity between the project plan and the skill levels of recruited Volunteers, and deficiencies in the cross-cultural training, site preparation, and safety and security.

During the audit, we found that the post's internal control environment posed a high risk of loss of agency resources and difficulties in ensuring the safety of the Volunteers a financial and administrative operations did not fully comply with Peace Corps policies and federal regulations. For example, the post did not comply with Peace Corps billing and collection and property management policies or follow Peace Corps policy in maintaining Volunteer property held for safekeeping. Further, the post failed to value, record or collect an estimated \$28,000 in host country contributions and did not maintain documents supporting its decision to change the post's vehicle mix.

In the program evaluation, we found that both project plans were out-dated and in fact, the project plan for the education project was the original plan proposed by the South Africa entry assessment team. As we determined in 1999, the education project still did not provide a realistic role for the Volunteers with no teaching experience. Site preparation in the education project also did not prepare the schools to use the Volunteers appropriately.

In addition, we found that the most recent pre-service training had been poorly staffed, planned and managed, and language training while critical for Volunteers to reach the post's and host country's goals, had not been a priority. The technical and cross-cultural training also did not prepare the Volunteers adequately for their roles and did not address significant issues and challenges.

Further, the safety and security needs of urban-placed NGO capacity building Volunteers were not sufficiently addressed, leaving some of these Volunteers vulnerable.

At the end of this reporting period, 38 recommendations are closed and 14 remain open.

#### **CAMEROON: PROGRAM EVALUATION**

We conducted a program evaluation of Peace Corps/Cameroon March 2 - March 24, 2006. The Peace Corps has had a continuous presence in Cameroon since 1962, focusing initially on education and rural development. There were 82 Volunteers in country at the time of our evaluation working in the areas of education, agroforestry, health, and small enterprise development.

We found that many Volunteers did not have full-time primary assignments to keep them productively occupied at their sites. Some of the causes for this finding were weak site development, mismatches between training competencies and site needs and ineffective staff support. For example, small enterprise development project Volunteers were inappropriately placed at micro-credit banks, where they have difficulty meeting their project goals. In addition, many of the Volunteers who were

recruited for the agroforestry and health projects did not have the requisite skills and experience. Without the necessary skills, Volunteers were frustrated and less invested in their work.

In addition, the quality of selection and preparation of Volunteer sites was frequently inadequate. Volunteers reported that because host organizations were not adequately prepared, these organizations were unsure on how to use a Volunteer effectively and in a few cases, even unaware that they were receiving a Volunteer.

Finally, we found different levels of Volunteer support in different projects and in different regions of the country. Volunteers in the northern part of the country reported receiving less support and supervision than those in other regions. There were also safety and security issues for those Volunteers in the Grand North.

At the end of this reporting period, three recommendations are closed and 22 remain open.

#### **SUMMARY REPORT: BEST PRACTICES STUDY**

This report, titled “Blueprint for Success,” summarized the key lessons from our landmark and comprehensive study of effective Peace Corps programs in Niger, Malawi, Mauritania, Panama, Paraguay, Honduras, Georgia, Ukraine, and the Philippines, which was reported in the previous Semiannual Report. The purpose of the study was to document how these nine posts have built and implemented programs that Peace Corps considers to be of high quality.

We identified the following seven characteristics as key to effective programming:

- A priority on developing substantive primary assignments for Volunteers.
- The quality of leadership exhibited by the country directors.
- Exceptional program, training, and administrative staff committed to the mission of the agency and Volunteer support.
- Volunteers’ participation in many aspects of program, training, and policy development.
- Systematization of transparent processes and development of organizational structures to minimize the potential disruptions caused by the short tenure of U.S. direct hire staff and to maintain quality control through documentation, monitoring, and evaluation.
- Effective Volunteer training.
- Strong technical, medical, administrative, and personal support for the Volunteers.

This best practices report was provided to all Peace Corps country directors and many Headquarters offices and was met with an enthusiastic response both from overseas and Washington, D.C.

# INVESTIGATIONS

## OVERVIEW

The investigative unit responds to allegations of criminal wrongdoing, fraud, and violent crimes that are forwarded to the Office of Inspector General through audits and evaluations, hotline complaints, and Volunteers, Trainees, staff, and the public. We also investigate ethics and conflicts of interest violations. The Office of Inspector General is charged by law with the conduct of criminal investigations. The Inspector General is authorized by statute to develop policy for the conduct of investigations, and to coordinate and supervise both domestic and overseas investigations. Investigators work with other offices within the agency or with other agencies, including Immigration and Customs Enforcement (ICE), the State Department's Diplomatic Security Services (DSS), the Federal Bureau of Investigation (FBI), and the Department of Justice public prosecutors, as appropriate.

With over 7,000 Volunteers in more than 70 countries, incidents of crime against them are inevitable. Part of the agency's support to Volunteers who become victims is a protocol under which country directors report incidents of violent crimes to the OIG. The OIG manages and coordinates the agency's investigation and prosecution efforts from the initial incident to the closing of the case. We coordinate the investigation of the crimes with the country director, headquarters offices, DSS, and the embassy's Regional Security Officer (RSO). We work with the RSO to develop the best evidence for local trial. This might include preparation of witness statements, developing photo spreads, or obtaining DNA analysis. As needed, we accompany witnesses back to the country where the crime occurred for lineups, depositions, and trial. We consult with the Department of Justice's Office of Foreign Litigation and receive assistance from various law enforcement entities including the FBI and their forensic laboratory at Quantico, overseas legal attachés, and the Secret Service Forensic Services Division. Our role in coordinating the investigation and assisting in the prosecution of violent crimes against Peace Corps Volunteers requires a high volume of work from our investigators and also gives us the opportunity to help curb violence against Peace Corps Volunteers.

The OIG operates a 24/7 duty officer system for country directors to make direct and immediate contact with criminal investigators in this office to coordinate the response to violent crimes against Volunteers and assist the victims of crime. Early intervention and coordinated support has enhanced the quality and success of our overseas investigations. We may, in limited circumstances, also arrange for a local lawyer to be hired to help the prosecutor in making the case against the perpetrator of the crime.

The 2004 "Equal Access to Justice Act" and other Congressional enactments, as well as the Attorney General's guidance, provide a prescriptive framework for the OIG's victim advocacy responsibilities and authority.

## **MEMORANDUM OF AGREEMENT WITH THE ARMED FORCES INSTITUTE OF PATHOLOGY**

We formalized our working relationship with the Armed Forces Institute of Pathology (AFIP) through a Memorandum of Agreement with AFIP, signed by the agency's Director on March 30, 2007. This Memorandum allows the Peace Corps Office of the Inspector General to request forensic pathology investigation services from the Armed Forces Medical Examiner. These services could include, autopsy, identification, analysis and assessment of cause of death and other aspects of a postmortem examination. AFIP will also provide the OIG with a final report of its investigation and with appropriate progress reports pending the final report. The Memorandum of Agreement allows us to access resources to more accurately determine the cause of death when investigating a Volunteer's death.

### **INVESTIGATION OF A VOLUNTEER'S DISAPPEARANCE IN BOLIVIA**

The OIG investigative unit continues investigating the disappearance of a Volunteer in Bolivia that occurred more than six years ago. We have retained two expert search managers from the National Park Service with extensive Grand Canyon search experience, and we plan to enlist the assistance of trained search dogs. An OIG agent is leading the team in Bolivia assessing the area, taking coordinates, and determining how the search will be conducted as well as determining what follow-up investigatory work is needed.

### **OIG INVESTIGATIONS OF FEDERAL EMPLOYEES' COMPENSATION ACT RECIPIENTS**

The OIG has made great strides during this reporting period in its investigation of false claims and unreported changes to the status of former Peace Corps Volunteers and staff that receive compensation via the Federal Employees' Compensation Act (FECA). FECA compensates civilian federal employees who are disabled as a result of injuries incurred in the course of their employment. It provides for wage loss compensation, medical care, rehabilitation, attendant's allowance, and survivors' benefits. In the event of death due to employment, FECA provides for funeral and burial expenses and for the administrative costs of terminating a decedent's employee status with the federal government.

FECA is administered by the Office of Workers' Compensation Programs (OWCP), Employee Standards Administration at the U.S. Department of Labor (DOL). The enabling legislation authorizing FECA claims (5 U.S.C. § 8101 et seq.), addresses Peace Corps specifically within the context of FECA, and provides that Volunteers enrolled in the Peace Corps under the Peace Corps Act are entitled to FECA compensation for injuries or illnesses suffered during their service (see 5 U.S.C. § 8142.) In addition, Peace Corps staff members are statutorily entitled to the full coverage of FECA (5 U.S.C. § 8101(1)).

## UNIQUE CHALLENGES AT PEACE CORPS

The Peace Corps, for statutory reasons, and because of its Volunteer workforce, faces unique challenges with regard to limiting costs and ensuring efficiency in its FECA program. The Peace Corps has approximately 1,300 open FECA claims and estimates that it spends approximately \$11,000,000 in FECA claims for former Volunteers and staff who were injured or became ill on the job. The Peace Corps Office of Medical Services (OMS) also estimated that over a million dollars is paid annually by the agency for workers' compensation disability claims for which individuals do not submit any medical bills to the Department of Labor during the same fiscal year.

The Peace Corps is unique in the FECA program in several respects. While generally, under FECA regulations, in order to establish a FECA claim, a claimant must show that the injury, disease or death occurred while the employee was in the "performance of duty" or that the medical condition for which compensation is claimed is causally related to the claimed injury (20 C.F.R. § 10.115), because Volunteers are considered to be on duty 24 hours a day and 7 days a week, the regulations provide for a *presumption* that any injury sustained by a Volunteer while he or she is located abroad has been sustained in the performance of duty, and any illness contracted by a Volunteer during Peace Corps service is proximately caused by the employment. Because of the regulatory presumption, the standard and burden for a Peace Corps Volunteer to establish a FECA claim is considerably lower than for claimants in other federal agencies. However, according to 20 C.F.R. § 10.730, this presumption may be rebutted by specific evidence that the injury or illness was caused by willful misconduct on the part of the Peace Corps Volunteer, that it was proximately caused by intoxication from alcohol or illegal drugs, or that it was a pre-existing condition.

### STRATEGIC PLAN TO INVESTIGATE FECA CLAIMS

Peace Corps OIG developed a multi-faceted approach to dealing with potential fraud, waste and abuse in the Peace Corps FECA system. The Investigation unit implemented the following measures:

- Coordinated with OMS to ensure that initial claims are closely scrutinized by the agency before the claims are accepted and sent to OWCP for review. In appropriate cases, ensured that documentation will be provided to OWCP that demonstrates why there is no relationship between the injury/condition and the Volunteers' service, to include past history of the Volunteer, evidence that he/she failed to disclose a pre-existing condition, any evidence of drug/alcohol use or abuse, or any other medical information that would controvert the claim.
- Coordinated with the Peace Corps Office of General Counsel to ensure support in defending the agency in appeals to negative determinations of claims.



- Sent out mass mailings to all Peace Corps FECA claimants reminding them of their obligations under FECA to report any changes regarding their disability status to OWCP. The purpose of these mass mailings were to encourage those who no longer meet disability status to voluntarily take themselves off the rolls or reduce their benefits without the need for OWCP and OMS personnel to scrutinize claims or have Peace Corps OIG investigate claims.
- Highlighted claims that have potential fraud indicators, such as those with no or low medical costs but high compensatory benefits; death claimants who were young when their spouse died, but have no record of being remarried; high medical costs involving potentially addictive drugs; and soft tissue injuries, like carpal tunnel syndrome and lower back pain, as well as nonspecific diagnoses of depression or a mental disorder for targeted correspondence. Identification and targeting of potential fraud included OMS and OWCP document reviews, as well as traditional law enforcement techniques, involving subpoenas, credit checks, social security records coordination, and surveillance activities.
- Visited Department of Labor OWCP regional offices to coordinate action on Peace Corps FECA claims and synchronize reviews to ensure that Peace Corps FECA claimants continue to file Form 1032 and update their status information on a timely basis.

#### **RECENT RESULTS ACHIEVED**

Continued coordination with OMS and OWCP, coupled with OIG surveillances, target letters, and investigative activities, led to OWCP denying or reducing claims in numerous cases. Specifically, during the past two reporting periods, the OIG sent letters to over 1,200 FECA recipients reminding them to report changes in their disability, current income, address, and other pertinent information to OMS and OWCP. Letters were also sent to specific recipients who we had reason to suspect possible FECA violations. Within a relatively short period after the OIG mailings, more than 500 FECA recipients voluntarily dropped off the rolls, which resulted in a savings of approximately \$500,000.

- During this reporting period, the OIG disclosed two cases of overpayments. The OIG used a mail cover and surveillance to investigate whether a claimant had supplemental income sources. The mail cover failed to disclose other sources of income; however, an OMS review revealed that the claimant had been compensated at an improper rate schedule. The overpayment was determined to be \$175,000. The effect of this investigative effort was an annual savings for the agency of \$21,551 and estimated savings over the lifetime of the claim of \$387,919.

In another instance OMS and the OIG found a claimant had received \$9,102 in overpayment. This led to an annual savings on the part of the agency of \$18,204

with the estimated savings to the Peace Corps over the lifetime of the claim being \$873,792.

- The OIG conducted surveillance on a claimant who was engaged in activities inconsistent with his alleged injuries. The OIG recommended that OWCP request a medical examination of the claimant to evaluate his injuries and suitability for work. In October 2006, OWCP changed the status of the claimant to medical only, resulting in an annual savings to the Peace Corps of \$18,783.25. Actuarial savings to the agency over the life of this claim is estimated at over \$806,000.

#### ACTIVE INVESTIGATIONS OF FECA CASES

- Peace Corps OIG issued a subpoena for medical records of a former Volunteer that had been injured and institutionalized since 2003. An OIG agent met with hospital administrators who informed him of overpayments totaling approximately \$58,000, dating back to calendar year 2003. Additionally, hospital administrators disclosed a DOL payment error that resulted in \$10,596.00 in benefits going to the wrong caregiver. We continue to investigate this matter.
- We investigated a FECA fraud case with the DOL/OIG in Florida that disclosed that the FECA claimant had been deceased for 18 months. Our investigation revealed that deposited FECA funds were accessed by a family member who failed to notify DOL/OWCP that the claimant was deceased. Peace Corps/OIG and DOL collected evidence to bring false claims and theft charges against the subject who had fraudulently utilized approximately \$20,000 of the deceased claimant's benefits. We are presently working with an Assistant U.S. Attorney to determine if a prosecution may be brought.

#### VIOLENT CRIMES AGAINST VOLUNTEERS

Overseas posts are required to report immediately to the OIG and RSO any incident of a specified list of violent crimes against Volunteers. Early notification and response is critical to a successful investigation and prosecution, which may assist in a victim's recovery, serve as a protective deterrent, and remove violent persons from society.

Incidents and crimes to be reported to the OIG and RSO are:

- Volunteer Death (under any circumstances)
- Kidnapping
- Rape and Attempted Rape
- Major Sexual Assault
- Robbery
- Aggravated Assault

- Major Physical Assault
- Burglary with Volunteer/Trainee present (or attempted)
- Death Threat
- Intimidation/Stalking (also Domestic Violence)

Crimes are reported to the OIG through telephone number 202-692-2911 or the crime hotline [violentcrimehotline@peacecorps.gov](mailto:violentcrimehotline@peacecorps.gov), from which the Inspector General and investigative personnel receive notification on a 24/7 basis to assure prompt assistance and coordination in their investigation. For overseas crimes, the OIG engages with the Criminal Investigative Liaison Branch (CIL) of the Bureau of Diplomatic Security to facilitate communications and support to the victim and to the Peace Corps post.

We have also established a dedicated law enforcement liaison line ([911@peacecorps.gov](mailto:911@peacecorps.gov)) for other federal and foreign law enforcement agencies to access OIG investigative personnel on a 24/7 basis.

We have three investigators whose primary responsibility is to oversee the cases in one of the agency's three geographic overseas regions: Africa; Inter-America and Pacific; and Europe, Mediterranean, and Asia. This allows them to develop closer coordination with overseas counterparts and a better understanding of the characteristics of each country and its criminal justice system. A fourth investigator is overseeing the agency's FECA initiatives.

#### **CLOSED CASES OF VIOLENT CRIME AGAINST VOLUNTEERS**

- As reported in the previous Semiannual Report, a Pacific region Volunteer was raped in her residence by a host country national. The subject was remanded to the Supreme Court for trial. In December 2006, an OIG agent returned to the post to accompany the Volunteer to trial. The subject pled guilty and received a sentence of six years in prison and formally apologized to the victim.
- In the Caribbean, a Volunteer was the victim of an aggravated assault by a host country national acquaintance while at home. The Volunteer was transferred to another site, but subsequently left service early and returned to her home of record. The Volunteer expressed a desire to prosecute the suspect, and the OIG agent coordinated with the post and the RSO to return the former Volunteer to country and file a formal declaration with the local police. The suspect was arrested, and the OIG agent accompanied the former Volunteer to court. The defendant pled guilty to assault and was sentenced to six months in jail.
- In a Caribbean country, a Volunteer suffered an injury during a landlord/tenant dispute. An OIG agent accompanied the Volunteer, who had subsequently completed service, back to the post for the criminal proceeding. The landlord was sentenced to six months in jail and a \$500 fine.

- A Volunteer serving in West Africa was attacked by two assailants outside her residence. One suspect who attempted to strangle the Volunteer and take her backpack escaped. The second suspect was apprehended at the scene and the Volunteer's property was recovered. The status of the first suspect is unknown. The Peace Corps program in this country has been suspended and the case closed.
- The OIG received allegations that a Peace Corps Medical Officer (PCMO) made inappropriate comments and physical gestures to a medically evacuated Volunteer. The Volunteer denied any inappropriate physical/sexual contact by the PCMO and said she appreciated the PCMO's care and attention. The investigation of the allegations was inconclusive and the case was closed. The PCMO was advised to maintain professional boundaries during the treatment of Volunteer patients.

#### ACTIVE INVESTIGATIONS OF VIOLENT CRIME CASES

- The subject of a sexual assault case against a Volunteer in central Africa remains in custody awaiting trial. The Volunteer, who has subsequently left service, was accompanied back to the country by agency staff for the preliminary hearing. A trial date is scheduled for June 2007.
- A Volunteer was raped in a South American country by host country nationals. The Volunteer identified one of the suspects, a local police officer, through a photo and physical line-up. An OIG agent went to post and coordinated the investigative activities with the Assistant Regional Security Officer, local police, and the prosecutor. The OIG also forwarded evidence to the FBI lab for analysis. The suspect is in jail awaiting trial.
- As reported in the previous Semiannual Report, an OIG agent coordinated with the RSO to apprehend the perpetrator of an attempted rape of a Volunteer in South America that occurred in 2003. In February 2006, the RSO and local authorities arrested a subject and he was detained without bail. An OIG agent accompanied the former Volunteer back to the post to provide a legal deposition and to identify the suspect in a line-up. The public prosecutor filed formal charges against the subject and a trial date has been scheduled for April 2007.
- An attempted rape of a Volunteer occurred on a Pacific island. The OIG worked with the local police to identify and apprehend a suspect who confessed to the crime. The OIG advised the country director to collect DNA samples from the suspect while the suspect was in police custody. The suspect has been temporarily released, and a trial date is pending.
- In the Pacific region, a Volunteer was the victim of an aggravated assault in 2005 and the trial was scheduled in the country's Supreme Court during this reporting period. An OIG agent traveled to the post to coordinate with the prosecutor and provide digital photographs of the Volunteer victim's injuries. The OIG agent

also coordinated with the post to ensure witness appearances at the pre-trial deposition. When a key witness could not be located, the trial was remanded to the Magistrate's Court and is still pending.

- In a South American country, a Volunteer was raped by a host country national. The Volunteer was medically evacuated, and an OIG agent worked with the Volunteer and a forensic sketch artist to develop a drawing of the suspect. The RSO and local police investigators identified and located a suspect. The OIG agent traveled to the post and assisted the Volunteer with the filing of a formal declaration. The Volunteer identified the suspect in a line-up, and the OIG agent and Volunteer attended a local detention hearing. The OIG agent met with the prosecutor to request DNA samples from the suspect and the judge ordered that DNA be obtained from the suspect. This case is pending a decision by the judge on a procedural matter.
- In northern Africa, local villagers thwarted an attempted rape of a Volunteer. The assailant was apprehended, incarcerated, and is awaiting trial.
- A Volunteer in West Africa was sexually assaulted and the assailant fled. Local police learned the identity of the attacker from villagers, and he was arrested and taken into custody. Working together with the post and local police authorities, an OIG agent forwarded collected DNA evidence to the FBI lab for analysis. An OIG agent went to the post and testified in court about the chain of custody and the efficacy of DNA analysis. The trial verdict is pending.
- In an Eastern European country, a Volunteer was sexually assaulted by three host country nationals. The OIG coordinated with the US embassy and local police, and three subjects were identified and arrested within a week. The OIG is coordinating with the FBI crime lab and host country officials to ensure DNA evidence is admitted in the judicial proceedings. The Volunteer has returned to the country and continues to serve. The three subjects confessed to the crime and are currently waiting to be transferred to the capital of the country for trial.
- In southern Africa, an escaped felon attempted to sexually assault a Volunteer. The Volunteer victim's screams attracted villagers who apprehended the assailant for police authorities. The case is awaiting trial.
- In a South American country, a Volunteer was raped by an acquaintance of another Volunteer. The suspect provided an official statement in which he indicated he did not have sexual or physical contact with the Volunteer victim. The Volunteer victim expressed a desire to prosecute. An OIG agent traveled to the country and coordinated with the post to get DNA evidence analyzed. Prosecution is pending DNA analysis.

- In a Central American country, a Volunteer was the victim of an aggravated assault by a host country national. The Volunteer was medically evacuated from the post, but expressed a desire to return to country and prosecute the assailant if he could be apprehended. The OIG agent coordinated with a forensic sketch artist to work with the Volunteer to develop a drawing of the suspect. The sketch was forwarded to the post and provided to the local police, who reported that the same individual had attacked other women in the same area. The case is pending identification and arrest of the assailant.
- In Southeast Asia, a suspect was released pending trial for the sexual assault and robbery of a Volunteer. The former Volunteer shows continued interest in prosecution of this matter.
- In the Caribbean, a Volunteer was raped at knifepoint in her residence by a host country national. The OIG coordinated with the RSO and the post on the collection of physical evidence. The Volunteer was medically separated from the Peace Corps, but is willing to prosecute if a suspect is identified and apprehended.
- A suspect forced his way into a residence and physically assaulted a Volunteer in a Central American country. A police report was filed and the police apprehended a subject, but the Volunteer said this was not her attacker. The OIG coordinated with the country director to collect evidence from the residence and the victim. The local police are still in search of the suspect.
- As previously reported in the Semiannual Report, a Volunteer homicide several years ago in central Africa remains an open investigation with the OIG, the RSO, and FBI. The Peace Corps program in the country has been closed, but the OIG continues to coordinate with both law enforcement agencies and the local authorities to seek justice. During this report period, the OIG was successful in recovering and returning some non-evidentiary sentimental personal effects of the decedent back to the family.
- As was previously reported in the Semiannual Report, a Volunteer in northwest Africa suffered a fractured arm while being raped by two men. The suspects were apprehended, but one escaped after being in local police custody and was recaptured. The Volunteer, who has subsequently left service, has expressed interest in returning to the post when a trial is convened.
- A Volunteer in sub-Saharan Africa suffered a serious physical injury from a knife during a home invasion. The suspect was apprehended and is presently incarcerated. The Volunteer, who has recovered from the physical injury and completed service, has expressed interest in returning to the post when a trial is convened.

- In a West African country, a Volunteer was the victim of an attempted sexual assault by a co-worker. The subject has been identified and will be questioned by local police authorities.
- The investigation continues into allegations of a Volunteer raping a fellow Volunteer while both were in service in Eastern Europe. During the last reporting period, agents met with a second Volunteer who alleged that she was also the victim of a sexual assault by the same subject Volunteer. This case was presented to the District of South Carolina where it was declined. The case is currently being reviewed by the District of Oregon for potential prosecution.
- In an Eastern Asian country, a Volunteer was stabbed multiple times but survived through immediate intervention and emergency surgery. The local police continue their investigation. One subject has been apprehended and remains in custody while a second subject is at large.
- In West Africa, two Volunteers were robbed by a knife wielding assailant on a motorcycle. Neither of the Volunteers sustained serious injuries. Local authorities arrested a subject and a trial is pending.
- In East Africa, two Volunteers were accosted by an armed assailant. The Volunteers were robbed of cash, cell phone and belongings. The assailant was apprehended, and the property was recovered. This case is awaiting trial.

## TITLE 18 CRIMINAL AND OTHER INVESTIGATIONS CONDUCTED

### INVESTIGATIONS LEADING TO DISPOSITION

- During the last reporting period, we began an investigation of a Peace Corps employee who was alleged to have committed ethics and criminal conflict of interest statute violations, 18 USC 205 and 208, by representing an outside party doing business with the agency, and also using his official office to promote a private interest. The OIG investigation revealed that there was evidence to substantiate both a criminal conflict of interest and ethics violations. The case was referred to the U.S. Attorneys Office in Los Angeles, who declined to prosecute in this matter. Both the employee and supervisor resigned as a result of the investigation.
- A Peace Corps employee was alleged to have committed ethics and criminal conflict of interest statute violations, 5 CFR Part 2635 and 18 USC § 208, by acting as his own landlord in a property lease with the U.S. Government and therefore receiving personal financial gain. The OIG investigation substantiated the allegations, and as a result, the employee resigned. The case was referred to the U.S. Attorneys Office, Public Integrity section, who declined prosecution in

lieu of administrative actions and full restitution on the part of the employee. In February 2007, the agency received full restitution from the former employee.

- The OIG investigated a complaint concerning the improper disposal of computers in Eastern Europe. The investigation disclosed that 33 excess government computers were donated or sold to local Peace Corps employees at a cost far below market value. The method of computer disposal included price manipulation and collusion, and was not in accordance with federal policies. The country director agreed to restitution efforts representing the value of the computers.
- In a Caribbean country, a host country national employee was terminated for the theft of Peace Corps funds. A financial audit at the post revealed that the employee misappropriated government funds and misused a government purchase card in the amount of \$4,854.87. Restitution was obtained from the employee's severance income. The case was reviewed by local authorities for prosecution, but it was determined that the costs to bring the case to trial would exceed the monetary loss and thus, prosecution was not sought.
- A former Volunteer serving in Central Asia was the subject of an investigation during two previous SARC reporting periods. The Volunteer was alleged to have misappropriated federal money from a grant program. During this reporting period, the Volunteer confessed to embezzling money from the grant, repaid the amount of \$766.13, and pled guilty in federal court to theft of government property. He was also assessed a special fine by the federal court and will hereafter possess a criminal record.
- The OIG investigated a complaint of fraud and cyber crime. In violation of federal laws, individuals had established a lending organization on the internet utilizing the Peace Corps logo and emblem. The matter was referred to the Office of General Counsel and criterion was established to remedy further misuse of the Peace Corps logo and emblem by the suspects.
- A former Volunteer reported that he was receiving unwanted solicitations and believed that his personal information was divulged via a Peace Corps' database. The investigation disclosed that a contractor had shared the former Volunteer's personal information with the contractor's sister company. The former Volunteer's information was removed from the company's database.
- The OIG received a complaint involving violations of federal procurement regulations. Per federal regulations, quotations from a reasonable number of bidders, normally three, should be obtained to promote competition that is advantageous to the government. Additionally, solicitations from only one source require proper justification and approval. A Peace Corps employee submitted vouchers for services and supplies that were acquired and paid for before a valid



obligation was authorized. The employee was not reimbursed for personal funds spent on the services and supplies and resigned in lieu of adverse administrative action.

- In the Pacific region, a Volunteer was alleged to have accessed a private citizen's electronic mail (e-mail) accounts. An OIG agent traveled to the post and interviewed the Volunteer, the complainant, and witnesses. The OIG issued subpoenas for e-mail records from two internet vendors. We found no evidence to substantiate the claim that the Volunteer had accessed the complainant's e-mail accounts. The case was closed.
- The Director of Human Resources Management reported that a U.S. direct hire employee in West Africa submitted false information on his health benefits form to obtain coverage for his new spouse and family. Our investigation disclosed that the employee reported a date of marriage on his health benefits form that was not consistent with his marriage certificate. The bogus date would have entitled the employee to additional health benefits for his family. The investigation further disclosed that the employee failed to complete a security questionnaire prior to his marriage. The employee received a written reprimand for his actions.
- The OIG investigated a complaint made by the Diplomatic Security Service concerning an overseas employee's cohabitation with a foreign national citizen. Our investigation disclosed that the subject's cohabitation had occurred over a five-year period and at more than one post. The employee failed to report the ongoing contact to proper authorities overseas and during his most recent security clearance update. This matter was referred to the Peace Corps Office of Safety and Security.

### PENDING INVESTIGATIONS

- The OIG is coordinating a worldwide investigation on Peace Corps employees' and Volunteers' improper use of the agency's computer network.
- The OIG received an allegation that a Peace Corps employee had a conflict of interest with outside employment. The employee performed contractual work for a company while having technical oversight and evaluation responsibilities for the same vendor as Peace Corps' Contracting Officer's Technical Representative (COTR). The investigation disclosed that the employee was being paid for contractual work by the company while rating and recommending the company for a Peace Corps contract. The employee failed to report the ongoing paid relationship with the language company while functioning as the COTR on the contract.

- The OIG opened an investigation on allegations that a Volunteer serving in a Middle Eastern country may have engaged in inappropriate political expression. A local government ministry has also initiated an investigation into the conduct of this Volunteer at the request of the OIG. The OIG investigation will also determine whether the agency took appropriate steps to address the alleged violation(s).
- The OIG is awaiting the trial of three subjects, including one former Peace Corps employee, who are being detained for the theft of two Peace Corps Land Cruisers. One of the two vehicles was later recovered in a neighboring country.
- The OIG and the Regional Security Officer participated in a joint investigation of a host country national employee in southern Africa who was implicated and subsequently arrested by local police authorities for the theft of more than \$9,000. The case is in trial stage.
- The OIG received a complaint from a U.S. citizen who had wired funds to pay for shipping a dog purportedly belonging to Peace Corps Volunteers from overseas to the U.S. The complainant contacted the OIG when she did not receive the dog and was requested to send additional funds. The OIG investigated the allegation and discovered a widespread internet dog adoption scheme by local citizens originating in West Africa. The OIG solicited information and support from the West African country's embassy in Washington D.C. The OIG also subpoenaed internet records and collaborated with Interpol, the RSO in country, and local police authorities to gather information and investigate this matter. The investigation resulted in the arrest of three individuals. Another suspect remains at large, and a warrant has been issued for his arrest. As a result of these arrests, the OIG was able to recoup a portion of the victims' funds and bring attention to this scam.
- In a southern African country, the OIG is investigating a potential Protect Act violation. It was reported that a Volunteer had an inappropriate sexual relationship with an underage student. The Volunteer was separated from the agency in accordance with Peace Corps policy. The investigation has been referred to an Assistant U.S. Attorney in the former Volunteer's home of record for possible prosecution.
- In a southern African country, the OIG continues to work with the regional staff, the embassy, and a locally retained lawyer to prosecute and receive restitution for the theft of internet services from the local Peace Corps office. Peace Corps is also seeking restitution of approximately \$6,000 from the subject, who is a host country national and former Peace Corps employee. He is suspected of distributing Peace Corps' local computer network password information and allowing unauthorized persons to access internet services at Peace Corps' expense.

## TABLE 1: LIST OF REPORTS : AUDITS, EVALUATIONS, AND INSPECTIONS

PEACE CORPS/CHINA	AUDIT
PEACE CORPS/KYRGYZ REPUBLIC	AUDIT
PEACE CORPS/UGANDA	FOLLOW-UP AUDIT
PEACE CORPS/ZAMBIA	FOLLOW-UP AUDIT
CHP INTERNATIONAL, INC.	CONTRACT AUDIT
PEACE CORPS/ECUADOR	AUDIT AND PROGRAM EVALUATION
PEACE CORPS/SOUTH AFRICA	AUDIT AND PROGRAM EVALUATION
PEACE CORPS/CAMEROON	PROGRAM EVALUATION
BLUEPRINT FOR SUCCESS	BEST PRACTICES STUDY

**TABLE 2: REPORTS ISSUED WITH QUESTIONED COSTS OR FUNDS PUT TO BETTER USE**

	<i>Value</i>	<i>Note</i>
AUDIT OF PEACE CORPS/KYRGYZ REPUBLIC	\$ 60,000.00	1
AUDIT OF PEACE CORPS/CHINA	\$ 1,880.21	2
AUDIT OF PEACE CORPS/ECUADOR	\$ 16,589.85	3
AUDIT OF PEACE CORPS/SOUTH AFRICA	\$ 129,292.00	4
FOLLOW-UP AUDIT OF PEACE CORPS/UGANDA	\$ 3,498.11	5
<b>TOTAL OF REPORTS ISSUED WITH COSTS QUESTIONED OR FUNDS PUT TO BETTER USE</b>	<b>\$ 211,260.17</b>	

NOTE:

1. Recording of host country contribution offset the need for additional use of appropriated funds.
2. Outstanding travel advances.
3. Outstanding travel advances and outstanding debt.
4. Unsupported costs.
5. Outstanding bills of collection, unliquidated obligations, and uncollected host country contributions.

**TABLE 3: STATUS OF REPORTS ISSUED BY  
OIG WITH COSTS QUESTIONED**

	NUMBER OF REPORTS	VALUE
<b>A. REPORTS ISSUED PRIOR TO THIS PERIOD</b>		
For which no management decision had been made on any issue	0	
For which some decisions had been made on some issues	0	
<b>B. REPORTS ISSUED DURING THE PERIOD</b>	1	\$16,589.85
<b>TOTAL OF CATEGORIES A AND B</b>	<b>1</b>	<b>\$16,589.85</b>
<b>C. FOR WHICH FINAL MANAGEMENT DECISIONS WERE MADE DURING THIS PERIOD</b>	1	\$16,589.85
<b>D. FOR WHICH NO MANAGEMENT DECISIONS WERE MADE DURING THE PERIOD</b>	0	
<b>E. FOR WHICH MANAGEMENT DECISIONS WERE MADE ON SOME ISSUES DURING THE PERIOD</b>	0	
<b>TOTAL OF CATEGORIES C, D, AND E</b>	<b>1</b>	<b>\$16,589.85</b>

**TABLE 4: STATUS OF REPORTS ISSUED BY OIG WITH FUNDS PUT TO BETTER USE**

	NUMBER OF REPORTS	VALUE
A. REPORTS ISSUED PRIOR TO THIS PERIOD		
For which no management decision had been made on any issue	0	0
For which some decisions had been made on some issues	0	0
B. REPORTS ISSUED DURING THE PERIOD	4	\$194,670.32
<b>TOTAL OF CATEGORIES A AND B</b>	<b>4</b>	<b>\$194,670.32</b>
C. FOR WHICH FINAL MANAGEMENT DECISIONS WERE MADE DURING THIS PERIOD	4	\$194,670.32
D. FOR WHICH NO MANAGEMENT DECISIONS WERE MADE DURING THE PERIOD	0	0
E. FOR WHICH MANAGEMENT DECISIONS WERE MADE ON SOME ISSUES DURING THE PERIOD	0	0
<b>TOTAL OF CATEGORIES C, D, AND E</b>	<b>4</b>	<b>\$194,670.32</b>

**TABLE 5: REPORTS WITH RECOMMENDATIONS ON WHICH CORRECTIVE ACTION HAS NOT BEEN COMPLETED**

RECOMMENDATIONS OPEN 60 DAYS OR MORE		
REPORT	DATE ISSUED	NUMBER OF OPEN RECOMMENDATIONS
PC/Uganda: Follow-up Audit	12/14/2006	9
PC/Ecuador: Audit and Evaluation	1/25/2007	27
PC/Zambia: Follow-up Audit	1/26/2007	1
RECOMMENDATIONS OPEN 120 DAYS OR MORE		
REPORT	DATE ISSUED	NUMBER OF OPEN RECOMMENDATIONS
PC/South Africa: Audit and Evaluation	10/23/2006	14
PC/Cameroon: Evaluation	10/23/2006	22
RECOMMENDATIONS OPEN 180 DAYS OR MORE*		
REPORT	DATE ISSUED	NUMBER OF OPEN RECOMMENDATIONS
Gap Analysis	10/15/2004	6
FY 04 Agency Financial Statements	11/15/2004	34
PC/Samoa: Follow-up Audit	12/9/2004	2
Audit of the Safeguarding of Social Security Numbers	3/4/2004	3
PC/Kiribati: Audit and Program Evaluation	7/1/2005	2
PC/Uganda: Audit	9/21/2005	1
FY 05 Agency Financial Statements: Audit	11/15/2005	19
PC/Namibia: Audit	12/9/2005	2
PC/Benin: Audit	5/18/2006	2
FISMA	5/22/2006	8
PC/Zambia: Audit and Program Evaluation	6/5/2006	4
Travel Policies and Procedures: Audit	6/27/2006	12
PC/Romania: Audit	7/17/2006	2
PC/Turkmenistan: Audit	8/3/2006	1
PC/Dominican Republic: Audit	9/11/2006	3
PC/Botswana: Program Evaluation	9/15/2006	4
PC/Micronesia: Audit	9/29/2006	3
Mid-Atlantic Recruiting Office	9/29/2006	2

\* WE HAVE ENTERED RECOMMENDATIONS INTO OUR TRACKING SYSTEM ONLY SINCE OCTOBER 1, 2004.

TABLE 6: SUMMARY OF INVESTIGATIVE ACTIVITY

CASES		NUMBER
Cases opened as of 10/1/06		54
Cases Opened during 10/1/06 - 3/31/07		24
Cases Closed that were previously Opened		10
Cases Opened and Closed during 10/1/06 - 3/31/07		3
Total Open Cases as of 3/31/07		65
Referrals for Department of Justice Prosecution		5
Referrals for Agency Administration Action		7
Referrals to Other Agencies		1

DOMESTIC COURT ACTIONS		NUMBER
Prosecutions		0
Convictions		0
Suits		0
Judgments		0
Fines/Restitutions		0

OVERSEAS COURT ACTIONS		NUMBER	VALUE
Prosecutions		1	
Convictions		1	
Suits		0	
Judgments		0	
Fines/Restitutions		1	\$500

MONETARY RESULTS		NUMBER	VALUE
Annual Savings		3	\$58,538
Recoveries/Restitution		4	\$14,026
Cost Avoidance		3	\$2,067,711

ADMINISTRATIVE ACTIONS		NUMBER
Employees		6
Other Persons/Businesses		1



## TABLE 7: SUMMARY OF HOTLINE AND OTHER COMPLAINTS

Complaints Received	42
Complaints Closed	4
Awaiting OIG Action	1
Resulted in Investigations	18
Resulted in Audits	0
Resulted in Evaluations	1
Referred to Agency Management	6
Referred to Other Agency	0
No Action Needed*	12

*\* Nine of these complaints were regarding one issue.*

## TABLE 8: REFERENCES TO REPORTING REQUIREMENTS OF THE INSPECTOR GENERAL ACT

The Inspector General Act of 1978, as amended, specifies reporting requirements for Semiannual Reports to Congress. The requirements are listed below and indexed to the applicable page.

ACT REFERENCE	REPORTING REQUIREMENTS	PAGE
Section 4(a)(2)	Review of legislation and regulations	None
Section 5(a)(1)	Significant problems, abuses, and deficiencies	5 - 15
Section 5(a)(2)	Significant recommendations for corrective actions	5 - 15
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	33
Section 5(a)(4)	Matters referred to prosecuting authorities	25 - 28
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	List of audit reports, including evaluations, inspections, and reviews	29
Section 5(a)(7)	Summary of significant reports	8 - 15
Section 5(a)(8)	Statistical table - questioned costs	31
Section 5(a)(9)	Statistical table - funds put to better use	32
Section 5(a)(10)	Summary of previous audit reports without management decisions	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	None
Section 5(a)(13)	Information under Federal Financial Management Improvement Act of 1996	None

Help promote the integrity, efficiency, and effectiveness of the Peace Corps. Anyone knowing of wasteful practices, abuse, mismanagement, fraud, or unlawful activity involving Peace Corps program or personnel should call or write the Office of Inspector General.

**Call:**

Main Office	(202) 692-2900
Hotline	(800) 233-5874
Violent Crime Notifications	(202) 692-2911

**Write:**

Peace Corps  
Attn: Inspector General  
1111 - 20th St., N.W.  
Washington, DC 20526

Or

Peace Corps  
Attn: Inspector General  
P.O. Box 57129  
Washington, DC 20037-7129

**Email:**

Hotline:	OIG@peacecorps.gov
Violent Crime Notifications:	violentcrimehotline@peacecorps.gov

*Information received is held in confidence to the maximum feasible extent.*

Peace Corps  
Office of Inspector General  
Paul D. Coverdell Peace Corps Headquarters  
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Washington, DC 20526