To: Jody Olsen, Peace Corps Director  
From: Kathy A. Buller, Inspector General  
Date: November 10, 2020  
Subject: Audit of the Peace Corps’ Fiscal Year 2020 Financial Statements

This letter transmits the reports of Williams, Adley & Company – DC, LLP (Williams Adley) on its audit of the Peace Corps’ Fiscal Year (FY) 2020 Financial Statements. As required by the Accountability of Tax Dollars Act of 2002, the Peace Corps prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136, Financial Reporting Requirements, and subjected them to audit.

Independent Auditor’s Reports on the Financial Statements, Internal Control over Financial Reporting, and Compliance with Laws, Regulations, Contracts, and Grant Agreements

We contracted with Williams Adley, an independent certified public accounting firm, to audit the Peace Corps’ financial statements as of September 30, 2020 and 2019. The audit was conducted in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States; and the Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements.

Williams Adley’s report for FY 2020 includes: an opinion on the financial statements, conclusions on internal control over financial reporting, and compliance with laws, regulations, contracts, and grant agreements. In its audit of the Peace Corps, Williams Adley found:

- The financial statements were fairly presented, in all material respects, in conformity with GAGAS principles.
- There were no material weaknesses in internal control.¹
- Two significant deficiencies related to internal control were disclosed by Williams Adley:²
  - Lack of effective information technology security. Williams Adley cited a lack of a comprehensive risk management program.
  - Inadequate internal controls over property, plant, and equipment. Williams Adley cited gaps in the internal control framework in the areas of recording and tracking property and performing necessary reconciliations of property data.

¹ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis.
² A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
• One instance of reportable noncompliance was found relating to compliance with applicable provisions of laws, regulations, contracts, and grant agreements which are required to be reported under GAGAS or OMB guidance. Williams Adley found that the Peace Corps did not fully comply with:
  ▪ The Federal Information Security Modernization Act of 2014 by not fully implementing information security continuous monitoring and the agency’s risk management program.

OIG Evaluation of Williams Adley’s Audit Performance

In connection with the contract, we reviewed Williams Adley’s report and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with GAGAS, was not intended to enable us to express, and we do not express, opinions on the Peace Corps’ financial statements or conclusions about the effectiveness of internal control or compliance with laws, regulations, contracts, and grant agreements. Williams Adley is responsible for the attached auditor’s report dated November 10, 2020, and the auditor’s conclusions expressed in the report. However, our review disclosed no instances where Williams Adley did not comply in all material respects with GAGAS.

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

Attachment

cc: Michelle Brooks, Chief of Staff
    Richard Swarttz, Chief Financial Officer
    Scott Knell, Chief Information Officer
    Angela Kissel, Chief Compliance Officer
    Colin Jones, Compliance Officer
Independent Auditor’s Report

Director
United States Peace Corps

Inspector General
United States Peace Corps

In our audits of the fiscal years 2020 and 2019 financial statements of the Peace Corps, we found

• the Peace Corps’ financial statements as of and for the fiscal years ended September 30, 2020, and 2019, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles;

• no material weaknesses in internal control over financial reporting based on the limited procedures we performed;¹ and

• no reportable noncompliance for fiscal year 2020 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

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

Report on the Financial Statements

In accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements, we have audited the Peace Corps’ financial statements. The Peace Corps’ financial statements comprise the balance sheets as of September 30, 2020, and 2019; the related statements of net cost, changes in

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

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

³Other information consists of Message from the Director, Message from the Chief Financial Officer, Other Information section, and appendices.

WILLIAMS, ADLEY & COMPANY-DC, LLP
Certified Public Accountants / Management Consultants
1030 15th Street, NW, Suite 350 West • Washington, DC 20005 • (202) 371-1397 • Fax: (202) 371-9161
www.williamsadley.com
We conducted our audits in accordance with auditing standards generally accepted in the U.S.; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Bulletin No. 19-03, Audit Requirements for Federal Financial Statements (OMB Bulletin 19-03). We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinions.

Management’s Responsibility

The Peace Corps’ management is responsible for (1) the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; (2) preparing, measuring, and presenting the RSI in accordance with U.S. generally accepted accounting principles; (3) preparing and presenting other information included in documents containing the audited financial statements and auditor’s report, and ensuring the consistency of that information with the audited financial statements and the RSI; and (4) maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. U.S. generally accepted auditing standards, U.S. generally accepted government auditing standards, and OMB 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are also responsible for applying certain limited procedures to RSI and other information included with the financial statements.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the auditor’s assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit of financial statements also involves evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our audits also included performing such other procedures as we considered necessary in the circumstances.

Opinion on Financial Statements

In our opinion, the Peace Corps’ financial statements present fairly, in all material respects, the Peace Corps’ financial position as of September 30, 2020, and 2019, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with U.S. generally accepted accounting principles.
Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles issued by the Federal Accounting Standards Advisory Board (FASAB) require that the RSI be presented to supplement the financial statements. Although the RSI is not a part of the financial statements, FASAB considers this information to be an essential part of financial reporting for placing the financial statements in appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. generally accepted government auditing standards, which consisted of inquiries of management about the methods of preparing the RSI and comparing the information for consistency with management’s responses to the auditor’s inquiries, the financial statements, and other knowledge we obtained during the audit of the financial statements, in order to report omissions or material departures from FASAB guidelines, if any, identified by these limited procedures. We did not audit and we do not express an opinion or provide any assurance on the RSI because the limited procedures we applied do not provide sufficient evidence to express an opinion or provide any assurance.

Other Information

The Peace Corps’ other information contains a wide range of information, some of which is not directly related to the financial statements. This information is presented for purposes of additional analysis and is not a required part of the financial statements or the RSI. We read the other information included with the financial statements in order to identify material inconsistencies, if any, with the audited financial statements. We did not audit and do not express an opinion or provide any assurance on the other information.

Report on Internal Control over Financial Reporting

In connection with our audits of the Peace Corps’ financial statements, we considered the Peace Corps’ internal control over financial reporting, consistent with our auditor’s responsibility discussed below. We performed our procedures related to the Peace Corps’ internal control over financial reporting in accordance with U.S. generally accepted government auditing standards.

Management’s Responsibility

The Peace Corps’ management is responsible for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

In planning and performing our audit of the Peace Corps’ financial statements as of and for the year ended September 30, 2020, in accordance with U.S. generally accepted government auditing standards, we considered the Peace Corps’ internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the
effectiveness of the Peace Corps’ internal control over financial reporting. Accordingly, we do not express an opinion on the Peace Corps’ internal control over financial reporting. We are required to report all deficiencies that are considered to be significant deficiencies or material weaknesses. We did not consider all internal controls relevant to operating objectives, such as those controls relevant to preparing performance information and ensuring efficient operations.

**Definition and Inherent Limitations of Internal Control over Financial Reporting**

An entity’s internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements due to fraud or error.

**Results of Our Consideration of Internal Control over Financial Reporting**

Our consideration of internal control was for the limited purpose described above, and was not designed to identify all deficiencies in internal control that might be material weaknesses and significant deficiencies or to express an opinion on the effectiveness of the Peace Corps’ internal control over financial reporting. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As discussed in **Appendix I** in more detail, our 2020 audit identified two deficiencies in the Peace Corps’ controls over information security and property, plant, and equipment that represent significant deficiencies in the Peace Corps’ internal control over financial reporting. We considered these significant deficiencies in determining the nature, timing, and extent of our audit procedures on the Peace Corps’ fiscal year 2020 financial statements.

Although the significant deficiencies in internal control did not affect our opinion on the Peace Corps’ fiscal year 2020 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Peace Corps because of these significant deficiencies.

Our assessment of the current status of the two prior year significant deficiencies and the noncompliance instance is presented in **Appendix III**.

In addition to the significant deficiencies, we also identified other control deficiencies in the Peace Corps’ internal control over financial reporting that we do not consider to be material weaknesses or significant deficiencies. Nonetheless, these deficiencies warrant the Peace Corps’

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4A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.
management’s attention. We have communicated these matters to the Peace Corps’ management in a separate letter.

Intended Purpose of Report on Internal Control over Financial Reporting

The purpose of this report is solely to describe the scope of our consideration of the Peace Corps’ internal control over financial reporting and the results of our procedures, and not to provide an opinion on the effectiveness of the Peace Corps’ internal control over financial reporting. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control over financial reporting. Accordingly, this report on internal control over financial reporting is not suitable for any other purpose.

Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

In connection with our audits of the Peace Corps’ financial statements, we tested compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements consistent with our auditor’s responsibility discussed below. We caution that noncompliance may occur and not be detected by these tests. We performed our tests of compliance in accordance with U.S. generally accepted government auditing standards.

Management’s Responsibility

The Peace Corps’ management is responsible for complying with laws, regulations, contracts, and grant agreements applicable to the Peace Corps.

Auditor’s Responsibility

Our responsibility is to test compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements applicable to Peace Corps that have a direct effect on the determination of material amounts and disclosures in the Peace Corps’ financial statements, and perform certain other limited procedures. Accordingly, we did not test compliance with all laws, regulations, contracts, and grant agreements applicable to the Peace Corps.

Results of Our Tests for Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our tests for compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements disclosed one instance of noncompliance for fiscal year 2020 that would be reportable under U.S. generally accepted government auditing standards. However, the objective of our tests was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements applicable to the Peace Corps. Accordingly, we do not express such an opinion.

Intended Purpose of Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements

The purpose of this report is solely to describe the scope of our testing of compliance with selected provisions of applicable laws, regulations, contracts, and grant agreements, and the results of that testing, and not to provide an opinion on compliance. This report is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering compliance. Accordingly, this report on compliance with laws, regulations, contracts, and grant agreements is not suitable for any other purpose.
Agency Comments

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

Washington, DC

November 10, 2020
Significant Deficiencies

A. Information Technology Security (Updated Repeat Finding)

The Peace Corps financial system resides within the Peace Corps IT network and inherits general controls defined at the infrastructure level. Therefore, the confidentiality, availability, and integrity of financial data is dependent on the overall IT security posture at the Peace Corps.

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

- Although an ISCM strategy was developed in FY 2019, it was not fully defined in FY 2020. In addition, the Office of the Chief Information Officer (OCIO) did not finalize policies and procedures to support the ISCM strategy.
- The Peace Corps does not have a robust agency-wide Risk Management Program to manage information security risks.
- The new General Support System (GSS), with a significantly expanded system boundary, was operating in the production environment in FY 2020 without completing the full assessment and authorization process.

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

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

Also, without effectively implementing a comprehensive risk management process at the agency level, the Peace Corps may be unable to address the root causes associated with existing information security risks.

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

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

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

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

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

Recommendations: We recommend the following:

1. The OCIO fully implement an ISCM strategy that includes policies and procedures, defined roles and responsibilities, and security metrics to measure effectiveness.

2. The Peace Corps Director and Agency Risk Executive, in coordination with the Peace Corps senior leadership, identify the agency’s information security risk profile and define the agency’s risk appetite and risk tolerance.

3. The Agency Risk Executive, in coordination with the Peace Corps senior leadership, develop and implement an enterprise-wide risk management strategy to address how to identify, assess, respond to, and monitor information security related risks in a holistic approach across the organization, business process, and information system levels.

4. The OCIO perform all components of the Security Assessment and Authorization on all FISMA-reportable systems in accordance with the risk management strategy.

5. The OCIO develop an information security architecture that is integrated with the risk management strategy.
B. Improper Internal Controls over Property, Plant, and Equipment (Updated Repeat Finding)

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

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

The Peace Corps’ internal controls over PP&E need improvement. We noted the following:

**Untimely Recording of Assets in Odyssey:**

For FY20, a total of 13 additions were made as of June 30, 2020. Twelve of those 13 additions, with a total cost of $2.2 million, were entered into Odyssey between 66 and 205 days after their placed-in-service date (average of 135 days). The Peace Corps policy requires assets to be recorded in the system within 60 days from the original transaction date.

In addition, we tested four capital assets added in the fourth quarter. Of these four additions, three of them, totaling $7.9 million, were recorded in Odyssey outside the 60-day timeframe required by Peace Corps policy. The delay in recording these entries ranged from 271 to 321 days.

**Vehicles recorded in VMIS but not in Odyssey:**

We reconciled the vehicle listing from VMIS to Odyssey as of June 30, 2020. Our reconciliation found ten vehicles listed as “active” in VMIS that were not included in the Odyssey Fixed Asset Module, despite meeting the threshold for capitalized assets. Out of these ten vehicles:

- One was properly disposed in Odyssey, but was not retired in VMIS.
- The Peace Corps was unable to explain the reason the remaining nine vehicles (with a net value of $133,374) were not included in Odyssey. Management stated that three of these assets were included in a clearing account and included in the financial statements; however, management was unable to provide support for this representation.

**Assets recorded in Sunflower but not in Odyssey:**

Our reconciliation of Sunflower and the Odyssey Fixed Asset Listing resulted in 25 assets which met the capitalization threshold reported in Sunflower, but were not reported in the Fixed Asset Listing. Our findings relating to these 25 assets are as follows:

- Four assets were appropriately retired in Odyssey but were not retired in Sunflower.
- Fourteen assets were active and were appropriately listed as active in Sunflower but
were missing from Odyssey. These items were over ten years old and are therefore presumably fully depreciated. Management could not determine whether these items existed due to the lack of a purchase order number to link the asset in the two systems.

- Six assets where the amounts in Sunflower did not match amounts in Odyssey. In these cases, the amount in Sunflower was above the capitalization threshold, but the purchase order in Odyssey showed it as being below the capitalization threshold resulting in the item not being capitalized. The net value of the items not capitalized was $66,330.

- One asset tag in Sunflower did not match Odyssey.

Regarding the timely recording of assets in Odyssey, the Peace Corps stated that there were variances between the amounts recorded in Sunflower and that noted on the related invoice. AFR had to resolve these differences before they were able to record the asset in Odyssey.

As it relates to the proper recording of vehicles, the Peace Corps does not have an adequate reconciliation process in place to ensure vehicle acquisitions and retirements are properly captured in Odyssey.

Individuals entering information into Sunflower do not have the appropriate knowledge to accurately and consistently enter information into Sunflower. In addition, AFR’s Sunflower to Odyssey reconciliation process is not sufficient to detect assets missing from Odyssey.

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

- Loss of asset accountability, which introduces operational risk related to the ability to execute the Peace Corps’ mission.

- Decrease in the uniformity and standardization of procedures, resulting in inconsistent treatment of assets and increasing the difficulty in completing consolidated reports.


- Understatement of FY 2019 PP&E balance of $1,020,012.

The Government Accountability Office’s (GAO) Standards for Internal Control in the Federal Government requires that management perform ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions.

In addition, Peace Corps’ Domestic Financial Management Handbook, Chapter 22 requires:

- 22.5.4 Accounting for PP&E – “The accounting for PP&E is the responsibility of CFO/AFR. Transaction posting and the proper, complete, and accurate accounting of capital assets are done in accordance with Federal accounting standards. Posting of additions, transfers, and deletions of capital assets must be recorded within 60 days from the original transaction date.”

- 22.5 Tracking and Reporting of Capital Assets — “The office having custody must
track a capitalized asset in all phases of its useful life, from the time the asset is delivered and accepted until disposal when the asset is finally retired from service. All actions associated with capital assets must be monitored, tracked and recorded (including transfers between offices).”

• 22.5.3 IT Hardware and General PP&E – “When new assets, such as IT Hardware and General PP&E, are acquired or received, the asset must be added and sighted in PMSS, within two (2) weeks from date of receipt.”

Recommendations: Williams Adley recommends that the Peace Corps enhance its overall control environment in relation to PP&E by performing the following:

1. Update the reconciliation process to require two-way verification between all source systems and the Odyssey’s Fixed Asset Module. This process should include documentation of steps taken to resolve all identified discrepancies.

2. Require training for all staff responsible for in the acquiring and recording assets.

3. Perform a reconciliation of source systems and Odyssey Fixed Assets and record any capital assets that are missing from the Odyssey Fixed Asset Module.
Noncompliance with Laws, Regulations, Contracts, and Grant Agreements

C. FISMA (Updated Repeat Finding)

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

As noted in its Assurance Statement included in its Agency Financial Report, the Peace Corps disclosed an instance of noncompliance with FISMA that is required to be reported under Government Auditing Standards and Office of Management and Budget (OMB) Bulletin No. 19-03, Audit Requirements for Federal Financial Statements.

By not complying with FISMA, the Peace Corps has potentially weakened security controls which could adversely affect the confidentiality, integrity, and availability of information and information systems.

The OIG has provided the Peace Corps’ management with a separate limited distribution report that further details the vulnerabilities in the Peace Corps’ systems and provides recommendations for improvement. Due to the sensitivity of the matters noted, we have not discussed those matters in this report.
Our assessment of the current status of prior year findings is presented below.

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<th>Prior Year Finding</th>
<th>Current Year Status</th>
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<tr>
<td>Information Technology Security (Significant Deficiency)</td>
<td>Open and repeated as finding A in the Audit Report.</td>
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<tr>
<td>Inadequate Internal Controls over Property, Plant, and Equipment</td>
<td>Open. Finding was updated and repeated as finding B in the Audit Report.</td>
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<tr>
<td>FISMA (Noncompliance)</td>
<td>Open. Finding was updated and repeated as finding C in the Audit Report.</td>
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November 10, 2020

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

Dear Mr. Isiaq,

This letter represents the agency’s response to your draft Independent Auditor’s Report, received November 4, 2020. We are pleased with your issuance of an unmodified (clean) opinion. The Peace Corps management has reviewed the Notice of Findings for the two significant deficiencies issued by Williams Adley for the financial statement audit for fiscal year (FY) 2020. We concur with the condition, criteria, and level of deficiency identified. We have established corrective action plans to address the root cause of these audit findings. We are dedicated to resolving these issues in FY 2021 and into FY 2022, as we strive for an effective and efficient internal control environment.

**Information Technology Security**
Agency Response: Concur. In FY 2020, the Peace Corps Office of Chief Information Officer (OCIO) implemented phase 2 of the Continuous Diagnostic Monitoring (CMD). Moving into FY 2021, OCIO plans to implement Identify Credential and Access Management, cybersecurity workforce, complete phase 2 of CDM, and integrate security architecture into the agency’s enterprise risk management.
Estimated Completion Date: December 2021

**Inadequate Internal Controls over Property, Plant, and Equipment**
Agency Response: Concur. The Peace Corps Office of Management and Office of Chief Financial Officer will work collaboratively to strengthen the process to ensure that accountable assets are recorded timely and accurately, by the responsible office, within the agency’s personal property management, and financial system. Additionally, each responsible office will assist in ensuring that a two-way reconciliation process is performed between the source systems and the financial system application.
Estimated Completion Date: September 2021

Thank you and we appreciate the opportunity to respond to the draft Independent Auditor’s Report.

Sincerely,

Michelle K. Brooks
Chief of Staff