Peace Corps

Office of

Inspector General

The Peace Corps Office of Inspector General contracted accounting and management consulting firm Williams, Adley & Company-DC LLP to perform the audit of the Peace Corps' financial statements.

WILLIAMS ADLEY

Executive Summary of the Audit of the Peace Corps' Financial Statements

FISCAL YEAR 2026

Results

The audit concluded that the Peace Corps' financial statements for the fiscal years (FY) ending on September 30, 2026 and September 30, 2025, were fairly presented, in all material respects, in accordance with Generally Accepted Accounting Principles (GAAP), and noted two significant deficiencies in the agency's internal control over financial reporting as well as one instance of reportable noncompliance related to provisions of applicable laws, regulations, contracts, and grant agreements.

Williams Adley made 10 recommendations to address the significant deficiencies and made four additional recommendations in a management letter to address deficiencies that did not rise to the level of a material weakness or significant deficiency but still warrant management's attention. The Peace Corps concurred with all findings and recommendations and committed to implementing corrective actions in FY 2027.

Findings

The Peace Corps' leaders have demonstrated a longstanding commitment to financial management, as evidenced by 20 consecutive years of clean financial statement audit opinions. However, the two significant deficiencies reported in this year's audit are repeat findings from prior years that have been highlighted for the agency's attention and action but have yet to be fully realized. Measurable progress toward addressing these significant deficiencies in FY 2027 would strengthen the agency's financial management practices and help sustain its achievement of clean audit opinions.

- *Improper internal controls over Property, Plant, and Equipment*. Williams Adley cited that the Peace Corps does not have effective internal controls in place to ensure Property, Plant, and Equipment (PP&E) is completely and accurately recorded in Odyssey and reconciled to Maximo. In addition, FY 2026 testing identified new control deficiencies related to the timely performance of annual inventory reviews, PP&E balance-review procedures, and further inaccuracies in Maximo and PP&E balances recorded in Odyssey. These discrepancies reflect weaknesses in data accuracy and consistency, data integrity, and the reconciliation process. As a result, the reconciliation process could still not be relied upon as a control by the Office of Finance to record fixed assets at year end. The agency continues to have outdated policies and procedures and relies on manual processes by staff rather than automated tools or built-in system controls resulting in a variety of challenges, including untimely, inconsistent, and incomplete PP&E data. In addition, during the past year, the agency has faced challenges with personnel and responsibility changes during its reorganization and staff reductions that further constrained limited available resources and affected the continuity and performance of certain PP&E accounting and reconciliation activities.
- *Lack of effective information technology security*. Williams Adley cited a lack of compliance with requirements, including performing annual security control assessments and other continuous monitoring; implementing software asset management; maintaining current and target cybersecurity profiles; implementing risk management strategy; implementing its remediation policies, procedures, and processes; and following its Personal Identity Verification exemption process for privileged accounts.

The Peace Corps did strengthen its processes for implementation of requirements for reporting on leases by implementing two recommendations during FY 2026, reducing the risk of material misstatement. While it remains a repeat finding, it was modified due to other concerns and downgraded from a significant deficiency in FY 2024 to a deficiency in FY 2025 and has been communicated to the Peace Corps in the management letter. In addition, the Peace Corps also closed the finding and recommendations from last year related to an access control deficiency in the management letter and this will not be identified as a deficiency. The Peace Corps does need to strengthen its accrual procedures to ensure that all expenses are properly recognized in the period they occurred, which has been communicated to the Peace Corps as a deficiency in the management letter.

Background

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, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 24-02, Audit Requirements for Federal Financial Statements. In connection with the contract, OIG reviewed Williams Adley's report and related documentation and conducted follow-up meetings with its representatives. The OIG review, as differentiated from an audit in accordance with generally accepted government auditing standards (GAGAS), was not intended to enable OIG to express, and OIG does 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 and management letter dated November 13, 2026, and the auditor's conclusions expressed in the report. However, OIG's review disclosed no instances where Williams Adley did not comply in all material respects with GAGAS.

Independent Auditor's Report

Mr. Christopher Landau
Acting Director
Peace Corps

Ms. Linda James
Acting Inspector General
Peace Corps

In our audits of the fiscal years (FY) 2026 and 2025 financial statements of the Peace Corps, we found:

- the Peace Corps' financial statements as of and for the FYs ended September 30, 2026, and 2025, are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles (GAAP);
- there were no material weaknesses in internal control over financial reporting based on the limited procedures we performed;[1] and
- one reportable instance of noncompliance for FY 2026 with provisions of applicable laws, regulations, contracts, and grant agreements we tested.

The following sections detail (1) our report on the financial statements, which includes an emphasis-of-matter paragraph related to the 2-year presentation, a section on required supplementary information (RSI),[2] and a section on 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

Opinion

In accordance with the U.S. Government Accountability Office's (GAO) Generally Accepted Government Auditing Standards (GAGAS) and the Office of Management and Budget (OMB)

[1] A material weakness is a deficiency, or combination of deficiencies, in internal controls 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.

[2] The RSI consists of "Management's Discussion and Analysis", which is included with the financial statements.

[3] Other information includes all information included in the Annual Financial Report (AFR), other than the RSI, financial statements and footnotes, and the auditor's report.

Bulletin No. 24-02, Audit Requirements for Federal Financial Statements, we have audited the Peace Corps' financial statements. The Peace Corps' financial statements include the balance sheets as of September 30, 2026 and 2025; the related statements of net cost, changes in net position, and budgetary resources for the fiscal years then ended; and the related notes to the financial statements (hereinafter referred to as the "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, 2026 and 2025, and its net cost of operations, changes in net position, and budgetary resources for the fiscal years then ended in accordance with GAAP.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the U.S. and the U.S. GAGAS. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Peace Corps and meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis-of-Matter

As discussed in Note 1 – Summary of Significant Accounting Policies to the financial statements, the Peace Corps implemented the revised financial reporting framework as required by OMB Circular A-136, *Financial Reporting Requirements*, for FY 2026. The revised framework requires a 2-year comparative financial statements presentation of current and prior fiscal year financial data, rather than the single-year financial statements presentation required in the prior fiscal year. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The Peace Corps management is responsible for:

- preparing and fairly presenting these financial statements in accordance with U.S. GAAP;
- preparing, measuring, and presenting the RSI in accordance with U.S. GAAP;
- preparing and presenting other information included in the Peace Corps' AFR, and ensuring that information is consistent with the audited financial statements and the RSI; and
- designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives were to (1) obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (2) issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance; however, it is not absolute assurance and therefore is not a guarantee that an audit of the financial statements conducted in accordance

with U.S. GAGAS will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements, including omissions, are material if there is a substantial likelihood that, individually or in aggregate, they would influence a reasonable user based on the financial statements.

In performing this audit in accordance with U.S. GAGAS, we:

- exercised professional judgment and maintained professional skepticism throughout the audits;
- identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, and designed and performed audit procedures responsive to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures listed in the financial statements to obtain audit evidence that provided a sufficient and appropriate basis for our opinion;
- obtained an understanding of internal controls relevant to our audit of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. Accordingly, no such opinion is expressed;
- evaluated the appropriateness of the accounting policies used, the reasonableness of significant accounting estimates made by management, and the overall presentation of the financial statements; and
- performed other procedures we considered necessary under the circumstances.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control related matters that we identified during the financial statement audits.

Required Supplementary Information

The U.S. GAAP, issued by the Federal Accounting Standards Advisory Board (FASAB), requires the RSI to be presented as a supplement to the financial statements. The Peace Corps management is responsible for such information and, although not a part of the financial statements, is required by FASAB, which considers it 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. GAGAS. These procedures consisted of (1) inquiring of the Peace Corps management about their methods for preparing the RSI and (2) comparing the RSI for consistency with Peace Corps management's responses to the auditor's inquiries, the financial statements, and other knowledge we obtained during the audits 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 the purposes of additional analysis and is not a required part of the financial statements or the RSI. Peace Corps management is responsible for the other information included in the Peace Corps' AFR. The other information consists of information included within the AFR that are not RSI, the financial statements and footnotes, and our report. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

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 responsibilities discussed below.

Results of Our Consideration of Internal Control over Financial Reporting

Our consideration of internal control was for the limited purpose described below and was not designed to identify all deficiencies in the Peace Corps' internal control that might be material weaknesses or significant deficiencies,[4] or to express an opinion on the effectiveness of the Peace Corps' internal control over financial reporting. Given these limitations, during our FY 2026 audit, we did not identify any deficiencies in internal control over financial reporting that we considered to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

As discussed in *Appendix I – Significant Deficiencies*, our audit identified two significant deficiencies in the Peace Corps' internal control over financial reporting pertaining to (1) property, plant, and equipment (PP&E) and (2) information security.

Although the significant deficiencies in internal control did not affect our opinion on the Peace Corps' FY 2026 financial statements, misstatements may occur in unaudited financial information reported internally and externally by the Peace Corps because of these deficiencies.

[4] A 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.

Our assessment of the status of the prior year significant deficiencies and noncompliance matter is presented in *Appendix III – Status of Prior Year Findings and Recommendations*.

In addition to the significant deficiencies, we also identified two deficiencies in the Peace Corps' internal control over financial reporting that we do not consider to be a material weakness or a significant deficiency. However, these deficiencies warrant the Peace Corps management's attention. We have communicated these matters to the Peace Corps in a separate management letter.

Basis for Results of Our Consideration of Internal Control over Financial Reporting

We performed our procedures related to the Peace Corps' internal control over financial reporting in accordance with U.S. GAGAS and OMB audit guidance.[5]

Responsibilities of Management for Internal Control over Financial Reporting

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

Auditor's Responsibilities for Internal Control over Financial Reporting

In planning and performing our audit of the Peace Corps' financial statements as of and for the fiscal year ended September 30, 2026, in accordance with U.S. GAGAS, we considered the Peace Corps' internal control relevant to the financial statement audit 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 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 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 affected by those charged with governance, management, and other personnel, the objectives of which are to provide reasonable assurance that:

- transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and

[5] OMB Bulletin No. 24-02, Audit Requirements for Federal Financial Statements, issued on July 29, 2024. According to the guidance, for those controls that have been suitably designed and implemented, the auditor should perform sufficient tests of such controls to conclude on whether the controls are operating effectively (conducting sufficient tests of controls to support a low level of assessed control risk). OMB audit guidance does not require the auditor to express an opinion on the effectiveness of internal control.

- 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.

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. This report is not intended 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. GAGAS 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 responsibilities discussed below.

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 FY 2026 that would be reportable under U.S. GAGAS. As discussed in *Appendix II – Compliance and Other Matters*, this instance of noncompliance is related to the Federal Information Security Modernization Act of 2014 (FISMA). 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.

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

We performed our tests of compliance in accordance with U.S. GAGAS.

Responsibilities of Management for Compliance with Laws, Regulations, Contracts, and Grant Agreements

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

Auditor's Responsibilities for Tests of Compliance with Laws, Regulations, Contracts, and Grant Agreements

Our responsibility is to test compliance with selected provisions of laws, regulations, contracts, and grant agreements applicable to the Peace Corps that have a direct effect on the determination of material amounts and disclosures in the Peace Corps' financial statements, and to perform certain other limited procedures. Accordingly, we did not test compliance with all provisions of laws, regulations, contracts, and grant agreements applicable to the Peace Corps. We caution that noncompliance may have occurred and not be detected by these tests.

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. GAGAS 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 – Agency Comments*. We did not audit the Peace Corps' response and, accordingly, we express no opinion on the response.

Williams, Adley & Company, DC-LLP

Washington, District of Columbia
November 13, 2026

A. Improper Internal Controls over Property, Plant, and Equipment (Modified, Repeat Finding)

Peace Corps management is responsible for the design and operation of its 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, tracked, and reported. A comprehensive internal control framework is critical for preventing errors in the financial statements, theft, lack of accountability, waste, fraud, abuse, and lack of responsiveness to evolving risk and threats.

The Peace Corps Office of Operations and Security maintains two inventory tracking systems for various categories of PP&E. Vehicles are maintained in the Vehicle Management Information System (VMIS). Information technology hardware, equipment, and furniture are maintained in the agency's property management software system, Maximo, which serves as the Peace Corps' accountable property system and includes both fixed[6] and non-fixed property. Maximo went live in April 2025 following the decommissioning of Sunflower, the prior property management software system. The Peace Corps' procedures require capital asset data maintained in these systems to be reconciled with the Odyssey Fixed Assets module. Following Maximo's implementation, the first reconciliation between Maximo and Odyssey was performed in June 2025. The Peace Corps also uses the Annual Inventory Certification (AIC) process to confirm property information maintained in Maximo.

Although the Peace Corps continued efforts to strengthen internal controls over PP&E, previously reported deficiencies were not fully remediated as of September 30, 2026. The Peace Corps does not yet have effective internal controls to ensure PP&E is completely and accurately recorded in Odyssey and reconciled to Maximo. In addition, FY 2026 testing identified new control deficiencies related to the timely performance of inventory and PP&E balance-review procedures, as well as further inaccuracies in Maximo and PP&E-related balances recorded in Odyssey, as discussed below.

Reconciliation of Property and Accounting Records

The first post-migration reconciliation between Maximo and Odyssey, performed in FY 2025, identified significant variances between the two systems. While the Peace Corps began analyzing the data discrepancies and classified them into priority categories, the discrepancies had not been fully resolved as of June 30, 2026. Management prepared a preliminary Maximo-to-Odyssey comparison that identified 13,106 unmatched records, including 371 Maximo records designated as capital assets and 1,102 Odyssey fixed assets records requiring further investigation. These continuing variances reflect weaknesses in data accuracy and consistency following the migration to Maximo, which may also indicate challenges encountered during the system deployment and data conversion process.

[6] A fixed asset, as referenced in this report, refers to property that meets Peace Corps' capitalization criteria, which vary by asset type. Peace Corps policy defines such items as capital assets (PP&E). Within the agency's financial system (Odyssey), these assets are recorded in the Fixed Asset Module; therefore, the terms "fixed asset" and "capital asset" are used interchangeably.

Because of the nature and volume of data discrepancies between Maximo and Odyssey, many involving non-fixed assets but collectively indicating significant data integrity concerns, the reconciliation process could not be relied upon as a control by the Office of Finance, Budget and Accounting Division, to record fixed assets at year-end, nor could it be relied upon by the Peace Corps to determine the accuracy of the FY 2026 additions and disposals. Accordingly, the Peace Corps again relied on the Accounts Payable PP&E report as a compensating control. The Accounts Payable PP&E report is a list of payable activity from Odyssey charged to property-related object classes that could represent potential property additions requiring capitalization. We obtained and tested the Accounts Payable PP&E report as of September 30, 2026, and confirmed that all material items meeting capitalization criteria were properly recorded and capitalized in Odyssey's Fixed Asset module. Therefore, no material unrecorded exposure remained as of year-end. Although our procedures focused on the reconciliation as of June 30, 2026, management confirmed that similar variances will remain at year-end and that the data discrepancies will not be fully remediated until FY 2027.

Consistent with the broader data discrepancies identified through the Maximo-to-Odyssey reconciliation, our other FY 2026 procedures identified specific inaccuracies in how property information was recorded and maintained in Maximo. Specifically:

- We selected the 10 highest-value items from Maximo that exceeded the $100,000 capitalization threshold but were not designated as capital assets in Maximo and determined:
  - Seven of the assets did not meet the capitalization threshold because local currency amounts had been entered in the Maximo field intended for U.S. dollar amounts, causing the assets to appear capitalizable.
  - The remaining three assets met the capitalization threshold and were appropriately capitalized in Odyssey but were not designated as capital assets in Maximo.
- Across selected posts and the Data Center, we selected 45 assets from Maximo property records and traced them to the physical assets (book-to-floor testing). Of the assets sampled, the exceptions identified were 21 assets that did not meet the capitalization threshold and were appropriately excluded from Odyssey but were designated as a capital asset in Maximo.
- Across selected posts and the Data Center, we selected 50 assets during physical observation and traced them to Maximo and, when applicable, Odyssey (floor-to-book testing). We identified the following exceptions:
  - Two assets that were appropriately capitalized in Odyssey and recorded in Maximo but were not designated as capital assets in Maximo.
  - Fourteen assets did not meet the capitalization threshold and were appropriately excluded from Odyssey but were designated as a capital asset in Maximo.
  - Two assets that were physically observed at the Data Center, appropriately included in Odyssey but not recorded in Maximo at the time of testing.

Although the identified Maximo data issues demonstrated inaccuracies in the property records, none resulted in a financial statement impact.

Annual Inventory Process

The Peace Corps made progress in its AIC process, with all sampled posts and Peace Corps/Washington offices completing their AICs and related certifications as of June 30, 2026. However, the Office of Information Systems (OIS), Information Technology Operations Division, and the Office of the Director completed both their AICs and related certifications after the established internal deadlines. The OIS Cyber Risk Management Division, Peace Corps/Albania-Montenegro, and Peace Corps/Ghana completed their AICs timely but completed the related certifications late.[7] Accordingly, although the process was completed by June 30, 2026, established internal deadlines were not consistently met.

Timely Review and Resolution of PP&E Balances

The Peace Corps' procedures require monthly preparation of the Fixed Asset Roll-Forward, which compares fixed asset activity and balances recorded in Odyssey's Fixed Asset module to the general ledger. However, Peace Corps did not prepare these reconciliations until June 30, 2026. Accordingly, the control did not operate effectively.

Separate substantive testing of PP&E-related balances as of June 30, 2026, identified items that had not been updated or cleared timely in Odyssey. Specifically:

- **Internal Use Software (IUS):** Because there were no IUS additions or disposals during the period of October 1, 2025 to June 30, 2026, we judgmentally selected six IUS assets recorded as active in Odyssey. We determined that five remained active; however, a software had been decommissioned in June 2022 but remained recorded in Odyssey. As a result, IUS cost and accumulated amortization were each overstated by $2,571,517.80; however, PP&E, net on the balance sheet was unaffected because the asset was fully amortized with a net book value of $0.
- **IUS Clearing Account and Fixed Asset Roll-Forward:** We identified a $1,599,354.37 balance that remained in the IUS clearing account and a related $1,559,391.86 difference between the Fixed Asset Roll-Forward and information technology (IT) hardware general ledger balance. The balances resulted from prior-period accounting entries that were not timely cleared or reconciled.

We confirmed that the Peace Corps recorded the adjustments related to decommissioned software, the IUS clearing account, and Fixed Asset Roll-Forward matter before September 30, 2026. Accordingly, no uncorrected misstatements related to these matters remained in the year-end financial statements or related footnote disclosures.

Limitations in Maximo Configuration and Use

The Peace Corps has not fully leveraged Maximo's capabilities to support accurate financial reporting of PP&E. Certain key processes, such as identifying fixed assets, rely on manual selections by staff rather than automated logic or built-in system controls. This reliance on user input increases the risk of inconsistent application across the posts and limits the

[7] The OCIO Information Security Office and Peace Corps/Albania-Montenegro certifications were due December 31, 2025, and were not formally certified until June 2026. The Peace Corps/Ghana certification was due January 31, 2026, and was not formally completed until June 2026.

effectiveness of the system as a reliable control. In addition, data discrepancies identified during the first reconciliation to Odyssey suggest that configuration and data conversion challenges during Maximo's deployment may also have contributed to current data quality issues. These weaknesses have contributed to reconciliation variances, which management attributed to:

- Incorrect or inconsistent application of the capital asset designation;
- Inconsistent use of status categories;
- Inaccurate cost and currency information, including local currency amounts recorded in fields intended for U.S. dollar amounts; and
- Differences in the level of detail assets are tracked between Maximo and Odyssey.

Limited Resources and Decentralized Oversight

The Peace Corps has one primary individual responsible for coordinating annual inventories and monitoring property data quality. Given the scope of the accountable property population, the number of posts involved, and the manual follow up required for AIC and data quality issues, the current staffing model provides limited capacity and no redundancy to support timely oversight. This structure limits the agency's ability to monitor and follow up on AIC completion and property data issues and creates a single point of failure when the individual is unavailable or has competing responsibilities.

More broadly, responsibilities for PP&E are divided among offices and personnel. The Office of Operations and Security records and maintains accountable property data, while the Office of Finance is responsible for financial reporting, and other offices provide information for other assets, such as IUS. The PP&E process relies on manual procedures and coordination among offices to obtain, update, maintain, and reconcile information used for property management and financial reporting. This reliance increases the risk of delays, omissions, and inconsistent application.

Lastly, personnel and responsibility changes during FY 2026 further constrained available resources and affected the continuity and timely performance of certain PP&E accounting and reconciliation activities.

Inconsistent Performance of Established Review Procedures

Established PP&E review procedures were not consistently performed at the required frequency. The individual primarily responsible for preparing the Fixed Asset Roll-Forward and reviewing the PP&E clearing accounts left the agency during FY 2026. Responsibility for those procedures was not reassigned timely and the remaining accounting staff absorbed the departed employee's responsibilities. As a result, the monthly Fixed Asset Roll-Forward and review of PP&E clearing account balances were not performed until June 30, 2026.

In addition, the Domestic Financial Management Handbook's (DFMH) IUS procedures address project approval, reporting of development costs, and monitoring of posted costs; however, they do not include a process for identifying decommissioned IUS assets and communicating that information to the Office of Finance, Budget and Accounting Division, for timely update or

retirement in Odyssey. PP&E clearing account balances were also not reviewed and cleared timely.

A lack of complete and accurate financial information regarding PP&E could result 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 increased difficulty preparing consolidated reports.
- Increased risk of misstatements in the financial statements and related disclosures due to weaknesses in the reconciliation between Maximo and Odyssey and in the recording, capitalization, retirement, and timely clearance of PP&E-related balances, including IUS and PP&E clearing accounts.
- Inefficient use of staff time and resources due to manual and duplicative property management and reconciliation procedures, which could be reduced through more effective use of Maximo's functionality and information management.

The following internal control standards and agency policies and procedures establish the criteria relevant to the deficiencies identified above.

GAO's Standards for Internal Control in the Federal Government, May 2025:

- **Principle 10 – Design Control Activities (Paragraph 10.02)**. Management designs control activities in response to risks to achieve an effective internal control system. Control activities are the actions management establishes through policies and procedures to specifically mitigate risks to achieving the entity's objectives to acceptable levels. Control activities support all the components of internal control but are particularly aligned with the risk assessment component.
- **Principle 10 – Design Control Activities (Paragraphs 10.17-10.18)**. Management may design a variety of transaction control activities for business processes, which may include verifications, reconciliations, authorizations and approvals, physical control activities, and supervisory control activities. When designing transaction control activities, management evaluates information processing objectives to meet the entity's objectives and mitigate related risks. Information processing objectives may include the following:
  - **Completeness** – All transactions and events that occur have been properly recorded.
  - **Accuracy** – Data relating to transactions and events are properly and timely recorded.
  - **Validity** – All recorded transactions and events actually occurred, are related to the entity, and were executed according to prescribed procedures.
- **Principle 11 – Design General Control Activities over Information Technology (Paragraph 11.04).** Management designs the entity's use of IT in the information system by considering the defined information requirements for each of the entity's

business processes. IT incorporated into business processes enables information related to those processes to become available to the entity on a timelier basis.

Manual Section (MS) 511 Personal Property Management Policy, July 30, 2013:

> The Property Officer, with the support of an IT Specialist, is responsible for overseeing the maintenance and use of the Property management Software System and records (PMSS) at Posts and at Regional Recruiting Offices (RRO). The Handbooks provide guidelines for what assets are accountable (tracked in the PMSS) and what associated information is required for each asset. Management and Administrative Services (M/AS), in conjunction with the OCIO, maintains the master database of PMSS, including the inventories for all Posts and RROs, at the agency Headquarters.

The Domestic Financial Management Handbook, Chapter 22, July 27, 2023:

- 22.5.C.3 IT Hardware and General PP&E

  Sunflower is a web-based property management software system used to track all personal property, except for vehicles. All personal property, regardless of whether it meets the capitalization threshold or not, is tracked in Sunflower[8] if it is considered an Accountable Asset or locally tracked. Assets tracked in Sunflower are overseen by the M/AS Facilities Management Division (FMD). The criteria and procedures for asset tracking is found in the Personal Property Management Handbook (PPMH). Sunflower interfaces with Odyssey's Fixed Asset module by sending information to F/A for capital assets. While Odyssey's Fixed Asset module is the system of record for all categories of capital assets, Sunflower is the system of record for inventoried personal property items.

- 22.5.F Internal Controls

  The management controls for the PP&E process include the following:

  - For items that are interfaced from Sunflower into Odyssey F/A, the OCFO/Accounting and Financial Reporting (AFR) calculates the cost of the assets prior to officially adding the item as a capital asset in the financial system.
  - Periodic reconciliations performed between Sunflower [and the] Odyssey F/A Module.

The Peace Corps' PP&E Process Memo, FY 2026:

B. Subsidiary to GL Reconciliations

> In addition to the proceeds of sale and VMIS reconciliations, the OCFO/AFR performs two additional monthly reconciliations: Roll-Forward Schedule and Fixed Assets to General Ledger President's Emergency Plan for AIDS Relief (FA to GL PEPFAR). The

[8] *Although DFMH Chapter 22 currently references Sunflower as the PMSS, Peace Corps has since replaced Sunflower with Maximo. An updated policy reflecting this change is in draft form as of FY 2026 with planned completion by FY2027; however, the underlying requirements for property tracking, accountability, and reconciliation remain applicable under Maximo.*

Roll-Forward Schedule shows fixed asset historical costs and accumulated depreciation for balances at the beginning of a fiscal year, additions, disposals, transfers, and year to date ending balances as of the respective reporting period. Upon completion, the Staff Accountant verifies the standard general ledger totals tie to the quarterly financial statements and the PP&E note disclosure.

Recommendations

We recommend the Peace Corps Department of Administration and Management coordinates and ensures completion of the following actions between the Office of Operations and Security, Office of Finance, and Office of Information Services:

1. By December 31, 2026, develop a plan to resolve data discrepancies between Maximo and Odyssey and strengthen the processes used to maintain, communicate, and reconcile PP&E information. The plan should include defined milestones and target dates; clarify roles, responsibilities, and coordination among the offices involved; identify opportunities to streamline duplicative manual processes; and assess whether available system functionality or other tools could automate key property management and reconciliation activities. Where automation is not practical, the plan should identify appropriate manual or compensating controls.
2. By March 31, 2027, substantially implement the plan, including the priority corrective actions identified to improve the accuracy, completeness, and timely reconciliation of PP&E information. The Peace Corps should monitor its progress and complete any remaining actions in accordance with the plan's established milestones and target dates.
3. Assess and, where feasible, enhance Maximo's configuration to automate key property management controls. This assessment should identify compensating controls if system enhancements are not practical, to ensure consistent and accurate property data entry and reconciliation.
4. Finalize and issue updates to property management policies and procedures, including the DFMH, MS 511, and related guidance, to reflect the implementation of Maximo as the agency's property management system and ensure alignment with current processes and controls.
5. Ensure all posts receive and acknowledge updated property management guidance and expectations for the use of Maximo. This could include providing refresher training or written instructions on key processes, such as asset capitalization, status updates, and disposals, and obtaining confirmation from posts that the information was reviewed and understood.
6. Reinforce the AIC process as a data quality control by providing targeted guidance and verification procedures to ensure that certifications accurately reflect property records in Maximo.

We recommend the Peace Corps Office of Finance, Budget and Accounting Division:

7. Continues performing monthly reconciliations between Maximo and Odyssey and enhances the reconciliation process, as appropriate, based on the results of the Maximo

configuration assessment in Recommendation 2. Coordinate with the Associate Director of the Department of Administration and Management to ensure the reconciliation process is properly designed, consistently executed, and effective in identifying and resolving differences in a timely manner.

8. Establishes an appropriate frequency and documented supervisory review process for the Fixed Asset Roll-Forward and PP&E clearing-account reconciliations, including timely resolution of identified differences.

We recommend the Peace Corps Office of Information Systems:

9. Update its IUS procedures to require timely communication to the Office of Finance, Budget and Accounting Division when IUS is decommissioned or retired.

B. Information Technology Security (Modified, 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.

According to the GAO Federal Information System Controls Audit Manual, the following are considered critical elements:

- Security Management (SM).04 - Management identifies, analyzes, and responds to risks, including fraud risk, and significant changes related to the entity's information security management program.
- SM.06 - Management establishes and performs monitoring activities to evaluate the effectiveness of the entity's information security management program.
- Access Controls (AC).05 - Management designs and implements detective general controls to appropriately monitor logical and physical access in response to risks.
- Configuration Management (CM).01 - Management designs and implements general controls to develop and maintain secure baseline configurations for information systems.
- Contingency Planning (CP).01 - Management designs and implements general controls to achieve continuity of operations and prioritize the recovery and reconstitution of information systems that support critical or essential mission and business functions in the event of a system disruption, compromise, or failure.

The Peace Corps was not in compliance with the FY 2026 FISMA requirements to implement an "effective" information security program. All 6 FISMA functions, inclusive of 10 domains, did not meet the Department of Homeland Security's required maturity level, "managed and measurable." Specifically, design and operational weaknesses within key FISMA domains are summarized below. The Peace Corps did not:

- perform several annual security control assessments and other required continuous monitoring activities necessary to support the ongoing authorization of in-scope systems;
- complete all required contingencies associated with in-scope systems' Authority to Operate;
- consistently implement the activities required for maintaining current and target cybersecurity profiles. Specifically, Peace Corps did not demonstrate routine consideration of anticipated changes to its cybersecurity posture or conducted regular assessments of gaps between its current and target profiles with corresponding prioritized action plans;
- consistently implement its risk management strategy across the organizational, mission/business process, and system levels. Specifically, key components of the Enterprise Risk Management program, such as agency level risk profile, office-level risk registers, and the agency risk appetite statement, have not been completed;

- configure its asset management and discovery tool to support automated identification of unauthorized or noncompliant hardware assets;
- fully implement software asset management processes. Specifically, supporting policies and procedures have not been updated to reflect recently implemented software asset management capabilities and processes for software tagging, whitelisting, and managing unapproved software;
- implement an automated solution across the enterprise that provides a centralized, enterprise-wide view of cybersecurity risks, including risk control and remediation activities, dependencies, risk scores and levels, and management dashboards;
- consistently implement its flaw remediation policies, procedures, and processes. Specifically, Plan of Action and Milestones were not created for vulnerabilities that exceeded the remediation timeframes defined in the Vulnerability Management Plan; or
- consistently follow its Personal Identity Verification (PIV) exemption process for privileged access. Specifically, one privileged user account with domain administrator privileges was granted a permanent exemption from PIV authentication without the required supporting documentation, including an exemption request, documented justification, and approval record.

Reduced resources supporting the information security program limited the Peace Corps' capacity to consistently execute, monitor, and sustain key information security activities. As a result, the agency was unable to maintain certain prior-year performance levels and fully implement information security practices across the organization, business, and information system levels.

Without implementing an effective information security program, the Peace Corps may be unable to adequately manage information security risks, which could affect the financial system and potentially result in system downtime, unauthorized access, data alteration or loss, or operational disruptions. Because the financial system depends on the agency's IT general controls, any deficiencies or weaknesses in these controls could directly compromise the confidentiality, integrity, and availability of financial data, underscoring the critical importance of maintaining effective control environment.

Recommendation

We recommend that the Peace Corps:

1. Implements the recommendations outlined in the Peace Corps Office of Inspector General (OIG) FY 2026 FISMA Report (IG-27-01-SR) to further mature and enhance the agency's information security program.

C. Noncompliance with Laws, Regulations, Contracts, and Grant Agreements – Federal Information Security Modernization Act of 2014 (Updated, Repeat Finding)

FISMA requires agencies to provide the appropriate information security controls corresponding with the risk and potential harm of not having those controls in place. The heads of agencies and OIGs are required to annually report on the effectiveness of the agency's 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 U.S. GAGAS and OMB Bulletin No. 24-02, 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 report that further details the status of compliance with FY 2026 FISMA requirements in the Peace Corps' systems and provides recommendations for improvement. Please refer to Finding B. Information Technology Security (Updated, Repeat Finding) for high-level details.

Our assessment of the current status of the prior year findings is presented below.

Prior Year Finding	Current Status
2019-06: Improper Internal Controls over PP&E (Significant Deficiency)	**Open**. Finding has been updated and repeated as Finding A in *Appendix I*.
2018-05: Information Technology Security (Significant Deficiency)	**Open**. Finding has been updated and repeated as Finding B in *Appendix I*.
FISMA (Non-Compliance)	**Open**. Finding has been updated and repeated as Finding C in *Appendix II*.

Peace Corps

November 13, 2026

Ms. Jennifer Crowe, CPA, CFE
Engagement Partner
Williams Adley & Company, LLP
1016 16th Street, NW, Unit 400
Washington, DC 20036

Dear Ms. Crowe:

This letter represents the response of the Peace Corps to your draft Independent auditor's report, received November 5, 2026. We are pleased with your issuance of an unmodified (clean) audit opinion. The Peace Corps management reviewed the Notice of Findings and Recommendations for two significant deficiencies issued by Williams Adley, in connection with the audit of our financial statements for fiscal year (FY) 2026. We concur with the conditions, criteria, and levels of control 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 2027, as we continuously strive to improve our internal control environment.

Improper Internal Controls over Property, Plant, and Equipment (Modified Repeat Finding)
Response: Concur

In FY 2027, the Peace Corps will continue to improve data quality and enhance the reconciliation process between Maximo and Odyssey. The Peace Corps will update property management policy and procedures to reflect current systems. We will also evaluate opportunities to automate property management controls.

Estimated Completion Date: September 2027

Information Technology Security (Modified Repeat Finding)
Response: Concur

In FY 2027, the Peace Corps will continue to mature and enhance the agency's information security program in alignment with the recommendations in the Peace Corps Federal Information Security Modernization Act Report.

Estimated Completion Date: September 2027

Thank you, and we appreciate the opportunity to respond to the draft Independent Auditor's Report pertaining to the FY 2026 Financial Statements Audit.

Sincerely,



Richard E. Swarttz
Chief of Staff

WILLIAMS ADLEY

Management Letter

Mr. Christopher Landau
Acting Director
Peace Corps

We have completed our audits of the financial statements of the Peace Corps as of and for the fiscal years (FY) ended September 30, 2026 (FY 2026) and 2025 (FY 2025) and have issued our independent auditor's report thereon dated November 13, 2026.

In planning and performing our audits of the Peace Corps' financial statements as of and for the FYs ended September 30, 2026 and 2025, in accordance with U.S. Generally Accepted Government Auditing Standards (GAGAS), 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.

In our FY 2026 audit, we identified two internal control deficiencies that did not rise to the level of a material weakness or significant deficiency, but still warrant management's attention, which are provided in Appendix I. We have discussed these comments and recommendations with the Peace Corps personnel, and we will be pleased to discuss them in further detail at your convenience.

This management letter is intended for the information and use of Peace Corps management, and those charged with governance, and is not intended to be, and should not be, used by anyone other than these specified parties. In commenting on a draft of this letter, the Peace Corps management provided a written response which is presented in Appendix II. We did not audit the Peace Corps' response and accordingly, we express no opinion.

Williams, Adley & Company, DC-LLP

Washington, District of Columbia
November 13, 2026

cc: Linda James, Acting Inspector General, Peace Corps Office of Inspector General

2024-02: The Peace Corps Needs to Strengthen its Process for Implementation of Statement of Federal Financial Accounting Standard 54 (Lease Reporting) (Repeat, Modified Finding)

The Peace Corps' management is responsible for the design and operation of its Property, Plant, and Equipment (PP&E) internal control framework as it relates to leases. The PP&E control framework should include policies, procedures, reviews, and approvals to ensure that data related to leases is accurately captured, reported and disclosed. A comprehensive internal control framework is critical for preventing errors in the financial statements, lack of accountability, and lack of responsiveness to changing standards and guidance.

To meet the Peace Corps' programmatic and administrative objectives, the agency enters into long-term and short-term leases and rental agreements. The lease agreements are for both domestic and overseas operations and are primarily for occupancy of commercial and residential space. The majority of Peace Corps leases are awarded by Overseas Contracting Officers (OCO) at Peace Corps posts overseas, and the lease records are held as part of the OCO's contract files.

In FY 2024, the Peace Corps faced first-year implementation challenges with reporting and disclosing lease information as required by Statement of Federal Financial Accounting Standards (SFFAS) 54[1] and Office of Management and Budget (OMB) Circular A-136. The challenges included having a manually intensive and non-repeatable methodology, incomplete policies and procedures, and a lack of an automated process for compiling and calculating lease information.

In FY 2025, the Peace Corps made progress by updating its policies and procedures, refining its lease reporting methodology, improving its process documentation, implementing enhancements to support lease tracking, and conducting its first embedded lease[2] review. The FY 2025 audit testing identified issues involving remeasurements, beginning-balance reconciliation, scope determinations, and embedded-lease identification. Management corrected the identified calculation and classification issues in the September 30, 2025, Global Schedule of Lease Payments (GSLP), resulting in materially accurate year-end lease balances.

During FY 2026, the Peace Corps updated its policy to clarify that (1) scope determinations are made at lease commencement and are not subsequently reassessed and (2) qualifying remeasurement events are tracked and applied only to current and future periods. Audit testing performed as of September 30, 2026, did not identify exceptions related to scope determinations or remeasurement treatment.

The Peace Corps began automating its lease accounting and reporting process. However, the automated process was not fully operational during FY 2026, and management continued using

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[1] SFFAS 54 was issued on April 17, 2018 and was effective for periods beginning after September 30, 2023. This standard revised the financial reporting standards for Federal lease accounting. SFFAS 54 requires that Federal lessees (which includes the Peace Corps) "recognize a lease liability and a lease asset at the commencement of the lease term, unless it meets the scope exclusions or the definition/criteria of a non-intragovernmental short-term lease, contract, or agreement that transfers ownership, or intragovernmental lease."

[2] "Embedded leases" is a common industry term which generally describes contracts or agreements that contain lease component(s) and nonlease component(s), such as service components, and serve a primary purpose attributable to the nonlease component(s).

its existing manual methodology, including the GSLP calculation, for financial reporting. Full implementation is expected in FY 2027.

Further, the Peace Corps has not developed or documented a process for the implementation and adoption of future new accounting standards and guidance.

Although Peace Corps corrected the previously identified lease accounting issues and strengthened certain lease reporting procedures, it has not completed its transition from a manual lease accounting and reporting process to a more automated and sustainable process. As a result, lease accounting and reporting remain dependent on manual, spreadsheet-based processes while the automated functionality and formalized implementation process are being completed.

While the Peace Corps' right-to-use asset and lease liability balances were materially accurate in the FY 2026 financial statements, continued reliance on a manual, spreadsheet-driven methodology heightens the risk of human error; increases the risk of potential fraud, waste, and abuse; and reduces the efficiency and timeliness of lease reporting in future periods.

The following Federal internal control standards establish requirements for documenting control activities and monitoring their effectiveness, which are relevant to the risks associated with the Peace Corps' manual lease reporting process:

The Government Accountability Office's (GAO) Standards for Internal Control in the Federal Government (GAO-25-107721):

> **Section 10.04.** *Appropriate documentation of transactions and control activities*. Management clearly documents the performance of control activities and all transactions and other significant events that occur in a manner that allows the documentation to be readily available for examination. Documentation and records are properly managed and maintained.
>
> **Section 16.05.** Management performs 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, trend analysis, data analytics, activities to identify improper payments or potential fraud, testing, and other routine actions. Ongoing monitoring may include automated tools, which can increase objectivity and efficiency by electronically compiling evaluations of controls and transactions or by automating data analytics.

Recommendations:

We recommend that the Peace Corps Office of Finance, Budget and Accounting Division:

1. Develops and documents a process for the implementation and adoption of new accounting standards and guidance going forward.

We recommend that the Department of Administration and Management:

2. Ensures collaboration with the Peace Corps Office of Operations and Security and the

Office of Finance to develop and implement a process to capture all data (for example, payment amounts and frequencies) for both lease agreements and service contracts with lease components in a centralized format that can support the automation of calculating, reporting, and disclosing lease balances.

3. Ensure the new or modified processes developed to identify and record leases are adequately communicated, both in writing and via trainings, to impacted personnel.

2026-01: Incomplete Accrual Procedures (Expense and Liability Reporting) (New Finding)

The Peace Corps is responsible for establishing and maintaining internal controls to ensure that expenses and related liabilities are accurately and completely recognized in the appropriate reporting period. As part of its quarterly financial reporting process, the Peace Corps performs an unbilled accrual process to identify and estimate expenses for goods and services received but not yet billed or paid. The process involves obtaining estimated accrual amounts for the top 60 percent of outstanding unbilled purchase order balances and applying the resulting accrual rate to the remaining 40 percent to estimate the total quarterly accrual. This process is intended to ensure that expenses incurred and related liabilities are appropriately reflected in the agency's financial statements.

As part of our FY 2026 audit, we selected a sample of six expenses recorded subsequent to September 30, 2026, to determine whether the expenses were recognized in the appropriate fiscal year. For one of the six samples, totaling $214,668, we identified services received in FY 2026 for which the related expense was recorded in FY 2027. However, the expense and related liability were not accrued as of September 30, 2026.

Peace Corps' quarterly unbilled accrual process relies on the Peace Corps Custom Application (PCA) Unbilled Accrual Report, which is set up to include only outstanding obligations related to appropriated funds. As a result, obligations associated with Treasury Account Symbols (TAS) 011-X-8245 (Private Sector Entity Funds and Capitalized Donations) and 011-X-8246 (Advances from Foreign Governments) are excluded from the population distributed to responsible offices for evaluation of goods and services received but not yet billed or paid.

Without a process to identify and evaluate unbilled expenses associated with TAS 011-X-8245 and 011-X-8246, the Peace Corps is at an increased risk of failing to recognize expenses and related liabilities in the appropriate fiscal year. For FY 2026, operating expenses (General Ledger 610001) and accounts payable (General Ledger 211001) were each understated by $214,668.

The following Federal accounting standards and financial reporting requirements establish the criteria for recognizing expenses and related liabilities in the appropriate reporting period:

SFFAS No. 5, Accounting for Liabilities of the Federal Government, paragraph 22:

> "In an exchange transaction, a liability is recognized when one party receives goods or services in return for a promise to provide money or other resources in the future"

OMB Circular No. A-136, Financial Reporting Requirements, Section II.3.2.4: Liabilities:

> "General Categories. Financial statements must recognize probable and measurable future outflows or other sacrifices of resources arising from: (1) past exchange transactions, (2) government-related events, (3) government-acknowledged events, or (4) non-exchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. SFFAS 5 describes the general principles governing the recognition of a liability. Liabilities must be recognized when they are incurred regardless of whether they are covered by available budgetary resources, including liabilities related to canceled appropriations. Similarly, liabilities must be recognized when they are incurred regardless of whether (or when) they will result in the recording of budgetary obligations."

Recommendation:

We recommend that the Peace Corps Office of Finance:

1. Ensures that the Budget and Accounting Division collaborates with the Financial Systems Division to modify the PCA Unbilled Accrual Report to include obligations associated with TAS 011-X-8245 and 011-X-8246, or establish an alternative process to identify, evaluate, and record unbilled expenses associated with these accounts.

Peace Corps

November 13, 2026

Ms. Jennifer Crowe, CPA, CFE
Engagement Partner
Williams Adley & Company, LLP
1016 16th Street, NW, Unit 400
Washington, DC 20036

Dear Ms. Crowe:

This letter represents the response of the Peace Corps to your draft management letter, received November 5, 2026. The Peace Corps management reviewed the Notice of Findings and Recommendations for the deficiencies issued by Williams Adley in connection with the audit of our financial statements for fiscal year (FY) 2026. We concur with the conditions, criteria, and levels of control deficiency identified. We have established corrective action plans to address the root causes of these findings. We are dedicated to resolving these issues in FY 2027, as we continuously strive to improve our internal control environment.

Peace Corps Needs to Strengthen its Process for Implementation of SFFAS 54 (Lease Reporting) (Modified Repeat Finding)
Response: Concur

In FY 2027, the Peace Corps will document a process for the implementation and adoption of new accounting standards and guidance. The Peace Corps will update its lease reporting policy to reflect the agency's current methodology. The Peace Corps will continue to automate the collection and calculation of necessary data for lease reporting. The Peace Corps will ensure new lease reporting processes are adequately communicated to impacted personnel.

Estimated Completion Date: September 2027

Incomplete Accrual Procedures (New Finding)
Response: Concur

In FY 2027, the Peace Corps will update our process to identify, evaluate, and record unbilled expenses associated with TAS 011-X-8245 and 011-X-8246 accounts.

Estimated Completion Date: September 2027

Thank you, and we appreciate the opportunity to respond to the (draft) Management Letter pertaining to the FY 2026 Financial Statements Audit.

Sincerely,



Richard E. Swarttz
Chief of Staff

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 programs or personnel should call or write the Office of Inspector General. Reports or complaints can also be made anonymously.

Contact OIG

Reporting Hotline:

U.S./International:	202.692.2915
Toll-Free (U.S. only):	800.233.5874
Email:	OIG@peacecorpsoig.gov
Online Reporting Tool:	Hotline | Peace Corps OIG
Mail:	Peace Corps Office of Inspector General 1275 First Street NE Washington, DC 20526

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