Office of Inspector General
United States Department of State

Inspector General Statement on the Department of State's Major Management and Performance Challenges

FISCAL YEAR 2018

CONTENTS

INTRODUCTION

This report is provided in accordance with the Reports Consolidation Act of 2000.[1] Each year, the Office of Inspector General (OIG) for the Department of State (Department) identifies the most serious management and performance challenges facing the Department and provides a brief assessment of the Department's progress in addressing those challenges.

We assess progress primarily through our compliance process, which relates to individual and often targeted recommendations. Our oversight work, however, gives us unique visibility into the most significant challenges facing the Department. OIG identifies the following major management and performance challenges the Department faced in FY 2018:

- Protection of people and facilities
- Oversight of contracts, grants, and foreign assistance
- Information security and management
- Financial and property management
- Operating in contingency and critical environments
- Workforce management
- Promoting accountability through internal coordination and clear lines of authority

These challenges are based on a thorough review of our oversight work performed this year and in the past. We have included within this document examples of reports and findings that are particularly illustrative or noteworthy on certain points. In addition to publicly available work, OIG issues a number of Sensitive But Unclassified and Classified reports throughout the year. Many of the findings in those reports reinforce our assessment of these management challenges, particularly as they relate to protection of people and facilities and information security and management.

Although the specific challenges are unchanged from FY 2017, our focus on certain aspects of these challenges has shifted in FY 2018. For example, this year, as part of the challenge relating to oversight of contracts and grants, we have emphasized the Department's oversight of construction contracts. A growing body of our work reveals ongoing concerns with the Department's long-term, complex, and high value construction projects, and this is particularly true in critical and contingency environments. Although many of the deficiencies we identify are relevant to contract oversight generally, we focus on these construction contracts separately due to the particular financial and security risks they pose for the Department.

These challenges often overlap and reinforce one another. Protecting people and facilities is often a particular challenge in contingency and critical environments, and workforce management challenges are frequently found at the root of deficiencies related to contract and grant oversight. Likewise, weaknesses in organizational structure and lines of

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[1] The Reports Consolidation Act of 2000, § 3, Pub. L. 106-531 (amending 31 U.S.C. § 3516).

authority contribute to a range of concerns, including information security deficiencies and difficulties managing foreign assistance programs.

Continued attention to the management challenges identified in this report will improve the Department's capacity to fulfill its mission while exhibiting good stewardship of public resources. OIG encourages the Department to consider ways that specific recommendations might be applied broadly to make systemic improvements that will result in meaningful and permanent change. We hope that this report, accompanied by the oversight work we perform throughout the year, assists the Department in its efforts to improve the effectiveness and efficiency of its programs and operations.

PROTECTION OF PEOPLE AND FACILITIES

The Department has made substantial progress on safety and security issues since an attack on the diplomatic compound in Benghazi, Libya, 6 years ago. However, the threat of physical violence against U.S. diplomats and U.S. diplomatic facilities continues to affect every region of the world, making this a top management challenge.

Although naturally greater in conflict areas such as Iraq and Afghanistan, the threat of violence is global, with all U.S. diplomatic facilities facing some level of risk. Additionally, natural disasters, environmental hazards, and ordinary crime continually pose risks to the health and safety of Department personnel and their families serving abroad. Much of OIG's work identifies risks to the protection of Department personnel and facilities and provides recommendations to address those risks.

Constructing and Maintaining Safe and Secure Diplomatic Facilities

Constructing and maintaining safe and secure diplomatic facilities has been an ongoing challenge, which is compounded in regions affected by conflict and humanitarian crises. OIG continues to recommend steps the Department can take to improve adherence to its own policies and procedures.

In one example, an inspection of Embassy Georgetown in Guyana revealed the use of an old, Government-owned warehouse for non-storage operations, including Facilities Management workshops. This facility, though, did not meet Department standards and was accordingly determined unfit for occupancy. The report noted that the warehouse did not comply with the electrical code; that it lacked a fire alarm, fire suppression system, or fire hydrant; and that it was located near an open drainage system that constituted a health hazard.[2] We recommended that the embassy vacate the warehouse and notify the Bureau of Overseas Buildings Operations (OBO) so it could be sold. Understaffing had also prevented the embassy from implementing a comprehensive and routine maintenance program, which made it less likely to identify major deficiencies and more susceptible to

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[2] OIG, *Inspection of Embassy Georgetown, Guyana* (ISP-I-18-19, May 2018).

the risk of equipment failure.[3] In fact, the lack of a comprehensive preventative maintenance program is a problem that our inspection work frequently notes.[4]

In FY 2017, we identified poor quality assurance and oversight of construction at Embassy Kabul that led to a range of deficiencies affecting plumbing and electrical systems; heating, ventilation, and air conditioning systems; elevators; and fire safety systems. Identified deficiencies included a failure to adhere to electrical and fire safety standards.[5] A follow-up report in 2018 revealed similar risks to personnel and property due to the improper installation of the embassy's fire alarm system as part of a major office and residential expansion.[6] Inspections of embassies in Copenhagen, Lisbon, and Djibouti also identified issues adhering to fire safety standards, including lapses in monthly inspections of fire extinguishers and smoke alarms[7] and improper storage of flammable materials.[8]

Ensuring the Health and Safety of Personnel Abroad

We consistently find that embassy leadership is engaged on security and health and safety issues. Areas for improvement remain, however, especially in safety and training in the operation of official vehicles, residential security, and emergency preparedness.

Operation of Official Vehicles Overseas

In FY 2018, OIG determined that the Department made improvements in response to an earlier report identifying weaknesses in armored vehicle training. In the earlier report, OIG noted that the Department only required specialized training for drivers of Chiefs of Mission and Principal Officers and recommended that the Department establish mandatory training for *all* overseas professional chauffeurs and incidental operators.[9] The Department agreed with this recommendation and anticipates training all armored vehicle operators within the next 2 1/2 years; it is also in the process of revising its training requirements.[10]

OIG did, however, identify other concerns regarding safety standards related to official vehicles. For example, OIG reported that some drivers worked excessive hours, a practice

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[3] *Ibid*.

[4] OIG, *Inspection of Copenhagen, Denmark* (ISP-I-18-23, April 2018); OIG, *Inspection of Embassy Djibouti, Djibouti* (ISP-I-18-14, April 2018).

[5] OIG, *Management Assistance Report: Building Deficiencies Identified at U.S. Embassy Kabul, Afghanistan Need Prompt Attention* (AUD-MERO-17-44, June 2017).

[6] OIG, *Management Assistance Report: Improper Installation of Key Components of U.S. Embassy Kabul, Afghanistan's Fire Alarm System Needs Prompt Attention* (AUD-MERO-18-32, April 2018).

[7] OIG, *Inspection of Embassy Lisbon and Consulate Ponta Delgada, Portugal* (ISP-I-18-22, May 2018); ISP-I-18-23, April 2018.

[8] ISP-I-18-14, April 2018.

[9] OIG, *Management Assistance Report: Armored Vehicle Training* (ISP-16-17, April 2016).

[10] OIG, *Compliance Follow-up Review: Armored Vehicle Training* (ISP-C-18-32, April 2018).

that increases the risk of motor vehicle accidents caused by driver fatigue.[11] We also noted lapses in medical clearances for operators of official vehicles.[12] Finally, several inspections found either outdated or an absence of safety training for drivers.[13]

Although some concerns are limited to practices at particular posts, OIG recommendations have identified potential improvements in overall program management practices that could minimize these deficiencies. For example, posts should comply with the Department's Motor Vehicle Safety Management Program policy on vehicle operator duty limits and update vehicle policies to ensure they comply with Department standards.

Residential Security

Much like FY 2017, the Department had problems with the administration of its housing and related anti-crime program in FY 2018. Our inspection report findings show that many Department employees and their families continue to occupy residences abroad that do not or cannot be demonstrated to meet Department safety standards.

A number of reports illustrate this concern. In Beijing, multiple residential properties lacked post occupational safety and health certifications to demonstrate that the residential units met basic safety standards.[14] In Addis Ababa, most residences did not have electrical grounding, and water heaters in many residences lacked a safety valve to release internal pressure, thus making them more vulnerable to explosions.[15] In Lisbon, the Department did not take required steps to inform employees of safety deficiencies at apartment complexes with swimming pools, several of which were not enclosed with a permanent barrier or fence.[16] In San Jose, the embassy did not coordinate with OBO regarding its decision to lease high-rise residencies that did not meet the U.S. fire code.[17]

Residential security is also put at risk by deficient and ineffective emergency planning, as addressed below.

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[11] OIG, *Inspection of Guatemala City, Guatemala* (ISP-I-18-16, May 2018); OIG, *Inspection of Managua, Nicaragua* (ISP-I-18-12, March 2018); OIG, *Inspection of Consulate General Hong Kong, China* (ISP-I-18-06, November 2017); ISP-I-18-14, April 2018.

[12] OIG, *Inspection of Embassy San Jose, Costa Rica* (ISP-I-18-13, April 2018); OIG, *Inspection of Embassy Beijing and Constituent Posts, China* (ISP-I-18-04, December 2017); OIG, *Inspection of Embassy Nicosia, Cyprus* (ISP-I-18-03, October 2017); ISP-I-18-22, May 2018; ISP-I-18-19, May 2018; ISP-I-18-16, May 2018; ISP-I-18-14, April 2018; ISP-I-18-06, November 2017.

[13] OIG, *Inspection of Embassy Riyadh and Constituent Posts, Saudi Arabia* (ISP-I-18-17, May 2018); OIG, *Inspection of Addis Ababa, Ethiopia* (ISP-I-18-18, May 2018); ISP-I-18-13, April 2018; ISP-I-18-06, November 2017.

[14] ISP-I-18-04, December 2017.

[15] ISP-I-18-18, May 2018.

[16] ISP-I-18-22, May 2018.

[17] ISP-I-18-13, April 2018.

Emergency Preparedness

Department guidelines require U.S. embassies to maintain post-specific emergency action plans to respond to situations such as bombs, fires, civil disorder, or natural disasters. Although there is substantial compliance with emergency planning standards, we continue to highlight these deficiencies because of their implications for life and safety.

Again, a number of reports reflect these weaknesses. For example, despite ranking among those posts with the highest category for seismic risk, neither Embassy Addis Ababa nor OBO had a documented strategy to address residential seismic concerns.[18] Inspections of other embassies at risk for earthquakes also revealed a failure to implement seismic safety assessments for many of their residential properties.[19]

Some consular sections—which play a lead role in crisis preparedness—did not meet Department standards. We found consular staff at one embassy that did not know the contents of the disaster assistance kits needed to function off-site in an emergency[20] or, at another embassy, how to operate satellite phones to be used in an emergency.[21]

Staffing shortages and competing priorities were cited as factors in a lapse in emergency preparedness and security at some embassies. However, even in light of such factors, OIG made recommendations that can be implemented to improve compliance with Department standards. For example, we suggested that consular managers at Embassy Guatemala City and Embassy Managua coordinate with their counterparts in other Central American countries on disaster preparedness and response planning.[22]

OVERSIGHT OF CONTRACTS, GRANTS, AND FOREIGN ASSISTANCE

OIG has long viewed the oversight of contracts, grants, and foreign assistance as a significant challenge for the Department, and this year is no exception. Department entities domestically and abroad did not consistently and adequately monitor contractor performance, conduct thorough invoice reviews, and oversee grants and foreign assistance programs. A growing body of OIG work also illustrates the difficulty the Department faces in managing large, long-term construction contracts, particularly in contingency environments.

These issues overlap frequently with another Department challenge: workforce management. At the root of many of the deficiencies described in this section are inexperienced and untrained oversight personnel, staff rotations that promote inefficiency, and complex programs and contracts that simply require more oversight. Because of the

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[18] ISP-I-18-18, May 2018.

[19] ISP-I-18-16, May 2018; ISP-I-18-14, April 2018; ISP-I-18-04, December 2017; ISP-I-18-03, October 2017.

[20] ISP-I-18-13, April 2018.

[21] ISP-I-18-19, May 2018.

[22] ISP-I-18-16, May 2018; ISP-I-18-12, March 2018.

substantial resources involved (more than $17.2 billion for diplomatic engagement and $18.9 billion for foreign assistance in FY 2017[23]), inadequate oversight and mismanagement pose considerable financial risk.

Procuring Goods and Services Cost Effectively

The value engineering (VE) program is one approach intended to reduce costs for high-value contracts. This is a systematic process of reviewing and analyzing systems, projects, equipment, facilities, services, and supplies for the purpose of achieving the essential functions at the lowest life-cycle cost consistent with required levels of performance, reliability, quality, or safety. Although the Office of Management and Budget (OMB) requires all Federal agencies to have a VE program, we found the Department had not implemented one outside of OBO.[24] Furthermore, in an audit of the OBO VE program, OIG could not complete some of its planned audit analysis because of missing documentation that prevented it from evaluating the overall effectiveness of the program.[25] Until the Department implements a Department-wide VE program in line with OMB requirements, it is missing opportunities to consider cost reductions for major procurements.

Monitoring and Documenting Contractor Performance

As the Department engages in complex acquisitions to procure needed services and supplies to support U.S. foreign policy goals, it continues to face challenges in properly overseeing contractor performance. Oversight personnel must monitor and document performance, confirm that work is conducted in accordance with the terms of a contract, hold contractors accountable for nonperformance, and ensure that costs are effectively contained. Several examples of deficiencies in the performance of these duties follow.

In one report that addressed a contract for food services at Department facilities in Iraq, OIG found the Department did not effectively implement contractually established cost controls to protect its financial interests. Specifically, the Contracting Officer (CO) did not direct the contractor to maintain costs at a contractually established rate and increased the rates in subsequent years without performing the required analysis to establish that the Department received a fair and reasonable price.[26] These unjustified increases led to $41 million in questioned costs.

In another report related to food services provided under the same contract, we reported a number of deficiencies in contractor oversight.[27] For example, Contracting Officer's Representatives (CORs) failed to develop a quality assurance surveillance plan that included measurable and structured performance standards. Moreover, the Department

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[23] Department of State, *Agency Financial Report, Fiscal Year 2017*.

[24] OIG, *Management Assistance Report: Department of State Has Not Implemented the Required Value Engineering Program for Contracts Exceeding $5 Million* (AUD-CGI-18-52, August 2018).

[25] OIG, *Audit of the Bureau of Overseas Buildings Operations Value Engineering Program* (AUD-CGI-18-54, August 2018).

[26] OIG, *Management Assistance Report: Cost Controls for Food Services Supporting Department of State Operations in Iraq Require Attention* (AUD-MERO-18-31, March 2018).

[27] OIG, *Audit of Food Safety Controls Under Baghdad Life Support Services (BLiSS) Task Order SAQMMA14F0721* (AUD-MERO-18-38, May 2018).

was unable to provide documentation for over one quarter of required food service inspections and did not complete contractor performance assessment report narratives in a timely manner, thereby hampering its ability to assess performance and hold the contractor accountable.

In the audit of fuel contracts at Embassy Amman, oversight of contractor performance was flawed in several ways. OIG found nonexistent or inadequate quality assurance surveillance plans, deliveries that were accepted by unauthorized personnel, and COR files that were missing or incomplete, all of which increased the risk of mismanagement and fraud.[28] Additionally, over the course of 3 years, oversight personnel ordered and accepted fuel without purchase orders, resulting in numerous unauthorized commitments.

In an audit of Bureau of European and Eurasian Affairs (EUR) contract and grant oversight, we found EUR management and Office of Acquisitions Management COs did not review the status of electronic or hard copy COR files to ensure that they included required documents or that CORs received and reviewed all contract deliverables. Moreover, it noted that EUR management had no process in place to identify CORs or Government Technical Monitors who acted without designated authority from the CO, putting the Department at risk.[29]

Several FY 2018 reports also noted instances where the Department did not consistently or timely document contractors' performance in the Contractor Performance Assessment Report System, an important tool for ensuring that other U.S. Government agencies have all available information necessary to make informed procurement decisions.[30]

In an effort to identify common themes regarding these issues, OIG reviewed its overseas mission and domestic bureau inspection reports published from January 2016 through December 2017 and found that 36 percent contained findings related to CORs. These included CORs who did not monitor contractors' technical progress, did not properly review contractors' invoices before approving them for payment, and did not maintain complete COR files.[31]Although noting that many factors played a role in these concerns, OIG concluded that oversight would be enhanced by requiring CORs to use the electronic filing system. The Department developed this system to improve contract oversight generally—a significant management challenge—and to increase oversight of COR performance.[32] Requiring its use will advance these goals.

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[28] OIG, *Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan* (AUD-MERO-18-33, March 2018).

[29] OIG, *Audit of the Bureau of European and Eurasian Affairs Administration and Oversight of Selected Contracts and Grants* (AUD-CGI-18-50, August 2018).

[30] OIG, *Audit of Cost Controls Within the Baghdad Life Support Services Contract Food Services Task Order SAQMMA14F0721* (AUD-MERO-18-55, August 2018); ISP-I-18-04, December 2017; OIG, *Management Assistance Report: Contract Administration Practices Involving the Construction of the New Office Compound Taipei, Taiwan, Require Attention* (AUD-SI-18-34, March 2018); AUD-MERO-18-38, May 2018.

[31] OIG, *Management Assistance Report: Dispersal of Contracting Officer Representatives Creates Oversight Challenges* (ISP-I-18-33, August 2018).

[32] *Ibid*.

Ensuring Proper Invoice Review and Approval Processes

Proper invoice review and approval processes are crucial to ensure that the Department receives the benefit of its contracts and that the Department is able to take appropriate steps if contractors are not performing in accordance with the terms of the contract. Where the Department has focused on this issue, it has been successful. For example, in an audit of the International Narcotics and Law Enforcement Affairs' (INL) invoice review process for contracts in Afghanistan, OIG reported that CORs appropriately followed the bureau's procedures and, as a result, all invoices reviewed by OIG complied with requirements. Moreover, the CORs had appropriately rejected invoices when they contained unallowable costs.[33]

In contrast, the audit of fuel contracts at Embassy Amman is illustrative of the deficiencies OIG continues to find related to invoice review. The audit revealed that CORs did not consistently verify that prices on invoices matched the contract prices or that quantities listed on the invoices matched supporting documentation provided by the contractor.[34] Similarly, in an audit of costs invoiced under the Afghanistan Life Support Services contract, OIG found invoices with questioned costs that were approved because management did not routinely monitor invoice reviews.[35] Bureaus and other Department entities overseeing contracts must establish and implement invoice review procedures and corresponding checklists that ensure proper review and approval.[36] Furthermore, the Department should adopt a quality assurance process that periodically tests invoice review for accuracy.[37]

Overseeing Construction Contracts

A growing body of OIG work reveals particular concerns with the Department's oversight of construction contracts, which are often long-term, complex, and of high value. There are obvious financial implications to inadequate management and oversight of these contracts, but more importantly, insufficient oversight of the building process can lead to the construction of substandard facilities with implications for the safety and security of personnel.

In one of a series of reports on new construction at Embassy Kabul, OIG reported that OBO acted contrary to its own policies and declared two new buildings substantially complete even though 14 major building systems were not fully commissioned—that is, there was no confirmation that they met design intent and specified performance requirements.[38] In addition to the operating environment, the Department's difficulty

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[33] OIG, *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan* (AUD-MERO-18-30, February 2018).

[34] AUD-MERO-18-33, March 2018.

[35] OIG, *Audit of Costs Invoiced Under the Afghanistan Life Support Services Contracts* (AUD-MERO-18-35, April 2018).

[36] AUD-MERO-18-33, March 2018.

[37] AUD-MERO-18-35, April 2018.

[38] OIG, *Audit of Bureau of Overseas Buildings Operations' Oversight of New Construction Projects at the U.S. Embassy in Kabul, Afghanistan* (AUD-MERO-18-17, January 2018). This audit followed several

ensuring clear lines of authority and internal coordination caused this potentially costly premature declaration. The OBO project director's position in the organizational structure effectively allowed him to override the commissioning agent in Kabul. Accordingly, the agent could not function independently, even though industry standards and OBO's guidelines stress the importance of such independence.

In another report, OIG noted several oversight weaknesses, including underqualified oversight personnel and poor communication, which contributed to unapproved design changes to the facades of three new buildings at Embassy Islamabad.[39] Neither the COR nor the Alternate COR effectively communicated with the CO concerning this issue, and OIG found no documentation indicating OBO or the CO had reviewed or approved the changes. In fact, the CO learned of the changes from OIG.

With respect to the construction of a new office complex in Taiwan, OIG found that the contractor was allowed to continue performing work even though oversight staff did not issue a final notice to proceed (i.e., formal request to continue work on a phased project).[40] This created a variety of risks for the Department, which could have been responsible for costs incurred as a result of idle hours had the contractor stopped work.[41]

Monitoring Grants in Compliance With Applicable Standards

OIG continues to find grants management practices that do not comply with Department requirements. Key deficiencies include insufficient focus on risk assessments and monitoring plans. In overseas inspections, OIG found individual grants that lacked both.[42] For example, an inspection of the Bureau of African Affairs' (AF) foreign assistance program found that, although grant files included risk assessments, many were not properly designated as high risk, and those with a performance period of more than 1 year were not updated annually. In an audit of Bureau of Educational and Cultural Affairs administration of selected cooperative agreements, OIG found that the Grants Officer and Grants Officer's Representative (GOR) developed monitoring plans, but those plans were not specific to each cooperative agreement as required and did not contain all required elements.[43]

In the same audit, OIG found that the Department did not ensure that grant oversight personnel performed financial monitoring of the grantee's cost-sharing requirements. As

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previous reports addressing particular concerns affecting ongoing construction at U.S. Embassy Kabul. *See ibid.* at 51-55 (summarizing key findings in earlier reports).

[39] OIG, *Management Assistance Report: Lapse in Oversight at Embassy Islamabad, Pakistan, Allowed Design Change To Proceed Without the Contracting Officer's Knowledge* (AUD-MERO-18-01, December 2017).

[40] AUD-SI-18-34, March 2018.

[41] *Ibid.*

[42] ISP-I-18-16, May 2018; ISP-I-18-14, April 2018; ISP-I-18-06, November 2017; ISP-I-18-03, October 2017.

[43] OIG, *Audit of the Administration of Selected Cooperative Agreements Awarded to the Institute of International Education by the Bureau of Educational and Cultural Affairs* (AUD-CGI-18-15, February 2018).

a result, we found that the grantee was unable to support 91 percent ($36 million) of the cost-sharing expenses it claimed.[44]

Our work also highlighted continued deficiencies in the area of site visits. For example, in an audit of EUR grant management, OIG found that, as to the grants reviewed, GORs either did not perform site visits or did not document those visits.[45] Failing to conduct site visits deprives the Department of an opportunity to substantiate sound financial management; program progress; and compliance with laws, regulations, and policies.

Department offices and overseas posts should place more emphasis on following Federal Assistance Directive requirements with respect to monitoring and risk assessments. That effort should focus on addressing underlying workforce management issues, namely undertrained and underqualified oversight personnel. Doing so may reduce the likelihood that U.S. Government funds are lost or misused and will likewise help ensure that grants meet program objectives.

Ensuring Foreign Assistance Programs Achieve Intended Objectives and Policy Goals

In addition to the Department's difficulties in tracking foreign assistance funds (which is assessed under the financial management challenge), OIG found multiple instances of weaknesses in planning and designing foreign assistance programs that meet policy goals. The two issues are closely related, as illustrated in the inspection of the U.S. Mission to the African Union.[46] OIG's inspection found that the mission was unable to develop and implement a strategy that encompassed all African Union programs and funding because it had no reliable mechanism for tracking that information.

Flawed organizational structures also sometimes hinder the Department's ability to ensure foreign assistance programs meet objectives. For example, the inspection of AF's foreign assistance program described a decentralized management structure that made effectively implementing foreign assistance programs difficult.[47] Similarly, South and Central Asian Affairs (SCA) lacked a senior official with primary responsibility for overseeing the monitoring and coordination of foreign assistance programs and ensuring that resources are allocated in keeping with policy goals.[48]

Where multiple bureaus are involved, coordination weaknesses can play a role as well, as discussed further in promoting accountability through clear lines of authority and internal coordination. Related to the antiterrorism assistance program in Afghanistan, OIG found that the Bureau of Diplomatic Security (DS) and the Bureau of Counterterrorism and

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[44] *Ibid.*

[45] AUD-CGI-18-50, August 2018.

[46] OIG, *Inspection of the U.S. Mission to the African Union, Addis Ababa, Ethiopia* (ISP-I-18-20, May 2018).

[47] OIG, *Inspection of the Bureau of African Affairs' Foreign Assistance Program Management* (ISP-I-18-02, October 2017).

[48] OIG, *Inspection of the Bureau of South and Central Asian Affairs* (ISP-I-18-11, February 2018).

Countering Violent Extremism had not fully established a way to evaluate program progress against specific, measurable, and outcome-oriented objectives.[49]

Inadequate planning in two of INL's foreign assistance programs in Central America resulted in the acquisition or provision of unusable equipment. In our inspection of Embassy San Jose, we found that, in 2015, INL purchased $540,077 in video surveillance equipment that had yet to be installed because the intended facility—a Costa Rican prison—lacked the necessary electrical infrastructure and cabling. As a result, the section stored more than 160 pieces of equipment in the embassy warehouse for over 2 years, and the warranty on the equipment expired during this period.[50] In Guatemala City, we found that five helicopters furnished to the host government could not be used for drug interdiction missions because they had been grounded since 2016 as a result of poor maintenance and questionable procurement practices that prevented them from meeting INL's airworthiness standards.[51]

To address this issue, entities responsible for foreign assistance funds should focus on strategic planning that ensures programs are designed and resources are allocated to meet foreign policy goals.

INFORMATION SECURITY AND MANAGEMENT

The Department depends on information systems to function, and the security of these systems is vital to protecting national and economic security, public safety, and the flow of commerce. The Department acknowledges that its information systems and networks are subject to serious threats that can exploit and compromise sensitive information, and it has taken some steps to address these concerns. However, notwithstanding the expenditure of substantial resources by the Department, OIG continued to identify significant issues that put its information at risk.

Strengthening Cybersecurity Performance

As in prior years, OIG's annual assessment of the Department's information security program identified numerous control weaknesses that significantly affected program effectiveness and increased the Department's vulnerability to cyberattacks and threats.[52] The lack of an effective risk management strategy and dispersed authority contribute to many of OIG's concerns regarding IT security and management at the Department.

As OIG has explained repeatedly, the Chief Information Officer (CIO) is not well placed in the organization to be fully accountable for information security program issues. For example, DS, which also has information security responsibilities, does not report to the

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[49] OIG, *Management Assistance Report: Although Progress Has Been Made, Challenges Remain in Monitoring and Overseeing Antiterrorism Assistance Program Activities in Afghanistan* (AUD-MERO-18-16, November 2017).

[50] ISP-I-18-13, April 2018.

[51] ISP-I-18-16, May 2018.

[52] OIG, *Audit of the Department of State Information Security Program* (AUD-IT-18-12, October 2017).

CIO. Additionally, there is insufficient authority vested in the CIO to track and control IT investments, so there is no clear picture of total IT spending by the Department. We continue to recommend that the Department address this decentralized reporting structure in order to improve overall information security. We did so most recently in October 2017 when we recommended that the Deputy Secretary of State elevate and realign the organizational placement of the CIO in order to carry out the CIO's lead role as a senior accountable official in managing information security and information security risk management processes for the Department.[53]

These concerns were also reflected in various other reports throughout FY 2018. For example, an inspection of the Bureau of Information Resource Management Office of Governance, Resource, and Performance (IRM/GRP) revealed information security vulnerabilities that were partially the result of the Department's challenge to establish clear lines of authority.[54] OIG found policies that did not consistently identify GRP as responsible for managing the Department's IT Configuration Control Board. Furthermore, it lacked authority to enforce Dedicated Internet Network (DIN)[55] requirements. OIG recommended that IRM implement procedures to centrally authorize and register DINs.

Lapses in the duties of Information Systems Security Officers (ISSOs)[56] persisted in FY 2018.[57] For example, at Embassy Denmark, the ISSO did not perform information system audits or other mandated duties, including recurring vulnerability scanning, monthly random email reviews, and monthly random user data reviews.[58] At Embassy Riyadh and its constituent posts, no ISSOs performed cybersecurity reviews using the Department's ISSO checklists, and none documented the reviews they did perform.[59] Without a systematic approach to monitoring networks and recording findings, Department networks could be breached and information security compromised. Accordingly, OIG issued recommendations for individual posts to implement standard operating procedures to ensure performance of ISSO duties.

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[53] *Ibid*.

[54] OIG, *Inspection of the Bureau of Information Resource Management's Office of Governance, Resource, and Performance Managem*ent (ISP-I-18-15, April 2018).

[55] DINs deliver internet access from internet service providers via Department-owned and operated unclassified networks that are not connected to any other Department systems. They are established for information processing purposes that cannot be accomplished on the Department's Sensitive But Unclassified network (OpenNet).

[56] ISSOs are responsible for implementing the Department's information systems security program and for working closely with system managers to ensure compliance with information systems security standards.

[57] *See, e.g.*, ISP-I-18-19, May 2018; ISP-I-18-16, May 2018; ISP-I-18-14, April 2018; ISP-I-18-13, April 2018; ISP-I-18-12, March 2018.

[58] ISP-I-18-23, April 2018.

[59] ISP-I-18-17, May 2018.

OIG also continued to find deficiencies in Department IT contingency planning at overseas posts.[60] Department guidelines require every information system to have a contingency plan that is documented and tested annually. Incomplete and untested IT contingency plans increase the risk of ineffective responses to or loss of critical communication during an emergency crisis. Embassies failed to show that they tested IT contingency plans annually, and initial and refresher IT contingency training for employees was lacking.

The inspection of Embassy Guatemala City detailed an example of the consequence of failure to comply with key procedures. OIG discovered that its Information Management Section staff installed unauthorized and misconfigured network devices on the Department's sensitive network, creating IT security vulnerabilities.[61] From July through November 2017, the embassy reported three incidents involving unauthorized and misconfigured network devices, two of which OIG identified during this inspection. As a result, OIG recommended that DS, in coordination with IRM and Embassy Guatemala City, audit the embassy's sensitive network to ensure it complies with Department standards.

Tracking IT Assets

The Department's inability to track its IT assets prevents adequate oversight and puts the Department at risk of purchasing duplicate or unneeded software. This is a longstanding and ongoing issue for the Department. Although OIG has identified this issue in previous years, OIG reiterates its concern regarding the fact that the Department has systems or applications that have not been recorded in the Department's inventory database.[62] Just this year, in the inspection of GRP, we also noted that there was no centralized inventory for software purchases, which totaled more than $200 million in each of the previous two years.[63] Furthermore, we reported that IRM did not have an inventory of operating systems being used on IT hardware connected to OpenNet, meaning that IRM did not maintain an accurate and complete list of operating systems.[64]

FINANCIAL AND PROPERTY MANAGEMENT

Management of its financial resources and property remains a challenge for the Department. One significant aspect of this challenge relates to overall internal control issues—namely, the Department's ability to identify internal control weaknesses in the first

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[60] *See, e.g.,* OIG, *Inspection of Embassy Dublin, Ireland* (ISP-I-18-24, June 2018); OIG, *Inspection of Consulate General Jerusalem* (ISP-I-17-18, June 2017); ISP-I-18-19, May 2018; ISP-I-18-16, May 2018; ISP-I-18-14, April 2018; ISP-I-18-13, April 2018; ISP-I-18-12, March 2018; ISP-I-18-03, October 2017.

[61] ISP-I-18-16, May 2018; *see also* ISP-I-18-12, March 2018 (noting that Information Management staff did not review and analyze information systems audit logs for inappropriate or unusual activity; reporting that OIG accordingly found multiple issues in the classified computer operation that regular performance of ISSO duties could have prevented).

[62] AUD-IT-18-12, October 2017; *see also* OIG, *Management Assistance Report: The Process to Authorize and Track Information Technology Systems Needs Improvement* (AUD-IT-17-56, August 2017).

[63] ISP-I-18-15, April 2018.

[64] OIG, *Management Assistance Report: The Department of State Is Not Managing Unsupported Operating Systems in Accordance With Federal Requirements* (AUD-IT-18-43, May 2018).

place and its subsequent compliance with relevant standards. This issue affects management of both the Department's financial resources and its property.

This section also describes the Department's difficulties in tracking and reporting data, especially related to foreign assistance. In addition, we identify weaknesses in the Department's collection, use, and analysis of financial information. As with oversight of contracts and grants, attention to this challenge is particularly important to ensure that the Department appropriately oversees and uses public resources.

Complying With Internal Controls

Internal control deficiencies spanned a wide range of Department operations in FY 2018. As it had in previous years, the FY 2017 audit of the Department's financial statements identified a significant number of invalid unliquidated obligations (ULOs) that had not been identified by the Department's review process and noted that the internal control structure was not operating effectively to comply with existing policy or facilitate the accurate reporting of ULO balances in the financial statements.[65] It also noted that the Department's internal controls were not effective to ensure that ULOs were consistently and systematically evaluated for validity and deobligation. In another report, OIG acknowledged that, after they were identified during the FY 2016 financial statement audit, the Department properly addressed invalid ULOs.[66] Because the Bureau of the Comptroller and Global Financial Services prioritized the deobligation and followed up with responsible bureaus until resolution, the Department appropriately deobligated 34 invalid ULOs, totaling $10.4 million.

Through our inspection work, we sometimes observe internal control deficiencies that are embassy-specific. For example, Embassy Beijing failed to conduct quarterly unannounced cash verifications, an important control related to cashier operations.[67] Additionally, OIG concluded that poor financial management practices at Embassy San Jose led to 47 outstanding travel advances totaling $67,283.[68] Management failed to ensure embassy employees submitted travel expense reports and accounted for travel advances received, which represent a loss of funds to the Department if they remain uncollected.

Deficiencies related to acquisition planning were more widely noted. Several FY 2018 inspections found embassies that did not conduct annual planning meant to determine optimal contracting methods, increase competition, and achieve potential cost savings.[69] For example, at Embassy Georgetown, the embassy did not have an annual acquisition plan for procuring goods and services, and management officials did not seek input from

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[65] OIG, *Independent Auditor's Report on the U.S. Department of State 2017 and 2016 Financial Statements* (AUD-FM-18-05, November 2017).

[66] OIG, *Management Assistance Report: The Department of State Properly Addressed Invalid Unliquidated Obligations Identified During the FY 2016 Financial Statements Audit* (AUD-FM-18-27, January 2018).

[67] ISP-I-18-04, December 2017.

[68] ISP-I-18-13, April 2018.

[69] ISP-I-18-24, June 2018; ISP-I-18-13, April 2018; ISP-I-18-04, December 2017.

embassy sections to forecast contracting requirements for the upcoming fiscal year.[70] At Mission Riyadh, despite incurring $9.8 million in FY 2017 procurement costs, the embassy did not use a mission-wide acquisition plan as part of its annual budget planning process and did not conduct an annual utilization survey to limit the acquisition of personal property.[71]

Internal control deficiencies related to property management were also wide-ranging. In an audit of the Department's aviation program,[72] we found that the Aviation Governing Board, which is responsible for overseeing aviation activities, did not evaluate the usage and cost effectiveness of aircraft services as required by Federal and Department guidance. Overall, we concluded that the Department is not optimally managing aviation resources and that it accordingly spent $72 million on unnecessary services from September 2013 to August 2017. Additionally, we found that a lack of procedures and guidance contributed to insufficient accountability over aircraft equipment and improper disposal of aircraft, placing aviation assets at increased risk for fraud, waste, and abuse.

Several reports noted particular issues with embassy management of fuel, an asset that is particularly vulnerable to theft given its significant value.[73] At Embassy Riyadh, because of inadequate management supervision, staff did not record daily fuel issuance, conduct monthly inventories, or reconcile bulk fuel balances, which are required internal control procedures that decrease the risk of theft and mismanagement.[74] Our inspection of Embassy San Jose found it lacked a comprehensive fuel control program that included oversight and internal controls.[75]

Several embassy inspections identified weaknesses in general property management controls involving warehouse access, inventory, spot checks, and related issues.[76] For example, Embassy Addis Ababa showed multiple internal control deficiencies related to the management of Government-owned property and warehouse operations, including inadequate access controls, lack of unannounced spot checks, lack of physical inventories of motor vehicles, and property disposal records discrepancies.[77]

Our work also highlighted some embassies that have improved property management controls. For instance, Embassy Georgetown identified excess property and held three auctions in FY 2016 and FY 2017 that generated $670,813 for use by the Department and other agencies. It also implemented procedures and controls to ensure accuracy of property records.[78] Similarly, Embassy Guatemala City improved recordkeeping and

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[70] ISP-I-18-19, May 2018.

[71] ISP-I-18-17, May 2018.

[72] OIG, *Audit of the Department of State's Administration of its Aviation Program* (AUD-SI-18-59, September 2018).

[73] *See, e.g.*, ISP-I-18-19, May 2018; ISP-I-18-14, April 2018.

[74] ISP-I-18-17, May 2018.

[75] ISP-I-18-13, April 2018.

[76] ISP-I-18-14, April 2018; ISP-I-18-04, December 2017; ISP-I-18-03, October 2017.

[77] ISP-I-18-18, May 2018.

[78] ISP-I-18-19, May 2018.

addressed staffing shortages at its warehouse, resulting in a reduction of the embassy's nonexpendable property shortage.[79]

The role of management is paramount on the issue of internal controls. We reported last year that 38 percent of inspections conducted from December 2014 to January 2017 showed deficiencies in Chief of Mission oversight of the annual statement of assurance process meant to identify internal control weaknesses.[80] Weak internal controls that go unidentified by management increase the risk of misuse of Department resources.

Tracking and Reporting Department Assets

OIG noted in its 2017 management challenges statement that the Department's financial management and procurement IT systems were not designed to track and report programmatic details of foreign assistance, an issue we have long noted.[81] OIG acknowledges that the Department took positive steps during FY 2018 to alleviate some of these concerns, for example, by defining the types of data to be collected and expanding the scope of data collection efforts to include spending on contracts and interagency agreements. Collecting and harnessing the data in a foreign assistance tracking and reporting system is a complex process, though, and the Department has noted that it will require years to fully accomplish. In light of this issue's importance and the limitations that OIG previously identified,[82] we will continue to closely monitor this issue.

Beyond foreign assistance funds, the Department sometimes has difficulty tracking and reporting its assets. In fact, the annual audit of Department financial statements reported a significant deficiency related to property and equipment. Namely, it found that a significant number of property transactions were not recorded in the year the assets were acquired or disposed of. It also noted the Department does not have a complete and accurate record of software.[83] We also reported this year that the DS Office of Training and Performance Standards does not properly record accountable property, perform physical inventories, or use required procedures to ensure property is returned when no longer needed.[84]

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[79] ISP-I-18-16, May 2018.

[80] OIG, *Management Assistance Report: Department Can Take Steps Toward More Effective Executive Direction of Overseas Missions* (ISP-17-38, July 2017).

[81] OIG, *Management Assistance Report: Department Financial Systems Are Insufficient to Track and Report on Foreign Assistance Funds* (ISP-I-15-14, February 2015); OIG, *Compliance Follow-up Review: Department of State is Still Unable to Accurately Track and Report on Foreign Assistance Funds* (ISP-C-17-27, June 2017).

[82] OIG, *Inspector General Statement on the Department of State's Major Management and Performance Challenges, Fiscal Year 2017* (OIG-EX-18-02, November 2017).

[83] AUD-FM-18-05, November 2017.

[84] OIG, *Management Assistance Report: The Bureau of Diplomatic Security's Office of Training and Performance Standards Should Improve Property Management Over Equipment Provided During High-Threat Training* (AUD-SI-18-49, August 2018).

Collecting, Analyzing, and Applying Financial Information

Flaws in the Department's collection, use, and analysis of financial information continue to be a management challenge. These weaknesses are often attributable to the use of outdated or weak methods of collecting, analyzing, and applying financial and related data.

In a key example of this challenge, a recent audit found that the Department lacked adequate policies and procedures for evaluating and remitting to Treasury excess earnings in its Working Capital Fund accounts, which are intended to operate on a break-even basis.[85] As a result of these deficiencies, we concluded that the Department is unable to advance the primary purpose of the Working Capital Fund, which is to provide an effective means for controlling the costs of goods and services and to encourage cost consciousness and efficiency for users and suppliers of services. We made recommendations to improve policies and procedures related to establishing fees, maintaining historical documentation on these processes, and calculating excess earnings for remittance.

The mandated *Audit of the Department of State's Implementation of the Digital Accountability and Transparency Act of 2014* noted ongoing difficulties in collecting and assessing required data. One objective of this audit was to assess the accuracy, completeness, timeliness, and quality of second quarter FY 2017 data submitted by the Department for inclusion on USASpending.gov. However, as we reported, the auditor could not assess the data related to overseas transactions because the Department did not certify that the data was valid and reliable.[86] In addition, more than 64 percent of domestic transactions that were tested did not meet OMB's quality requirements.[87] The auditor concluded that, although the Department has taken steps to implement the financial data standards established under the Digital Accountability and Transparency Act, improvements—particularly related to data collection overseas—are needed.

OPERATING IN CONTINGENCY AND CRITICAL ENVIRONMENTS

Programs and posts operating in contingency and critical environments must adapt to constant change, pervasive security concerns, dramatic swings in personnel and funding, and widespread reliance on contractors and grantees. In addition to the overall challenge of protecting its people and facilities, the Department faces a much more specific challenge in managing contracts and foreign assistance programs in these locations. A few examples of reports addressing these issues follow.

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[85] OIG, *Audit of the Department of State's Process to Identify and Transfer Excess Working Capital Funds* (AUD-FM-18-44, June 2018).

[86] OIG, *Audit of the Department of State's Implementation of the Digital Accountability and Transparency Act of 2014* (AUD-FM-18-03, November 2017).

[87] *Ibid*.

As discussed previously, an audit of new construction projects at Embassy Kabul noted multiple contract management deficiencies, including a finding that OBO declared the buildings substantially complete even though 14 major buildings systems were not fully commissioned.[88] The operating environment seems to have contributed to this premature declaration. First, the contractor did not always have adequate staff onsite to facilitate key commissioning activities (e.g., demonstrating operation of boilers and chillers) because manufacturers—whose technicians would have been required to start up some equipment—were reluctant to send staff to high-threat posts. The commissioning agent said this contributed to some of the delays in completing the commissioning process.[89]

Second, facility management personnel stated that OBO was under pressure to move embassy staff into hardened structures as soon as possible because of the unstable security situation.[90] As a result, OIG recommended that OBO establish procedures to assist the bureau in addressing scenarios where it must accelerate substantial completion as a result of security concerns.

In a report on funding in Syria, OIG found that the Department faces substantial challenges in delivering stabilization assistance.[91] External constraints include regional political concerns, a high-threat security environment, policy and legal restrictions on how appropriated funds can be spent, and the lack of a U.N. or host country partner. These create risks that programs will not achieve the intended strategic result of preventing the reemergence of Islamic State of Iraq and Syria and other terrorist organizations. Although these constraints are largely outside the Department's control, they affect all aspects of operations and planning. We recommended the Department identify lessons learned from its delivery of stabilization assistance in Syria and develop interagency institutional mechanisms to facilitate deployment of Department personnel for future stabilization missions.[92]

In an audit of a task order for food services under the Baghdad Life Support Services Contract in Iraq, OIG found that the CO did not implement a point-of-sale cafeteria system or restrict dining facility access for local national employees and for individuals not serving under chief of mission authority, as required.[93] As a result, the Department inappropriately paid for a minimum of 459,102 meals for local staff (valued at approximately $4.1 million) and an unidentified number of meals to individuals not serving under chief of mission authority.[94] Department officials said that these weaknesses occurred because of a security-related crisis in Iraq and explained that they did not later reinitiate efforts to implement the point-of-sale system because of morale concerns.

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[88] AUD-MERO-18-17, January 2018.

[89] *Ibid*.

[90] *Ibid*.

[91] OIG, *Department of State Stabilization Programs in Syria Funded Under the Further Continuing and Security Assistance Appropriations Act, 2017* (ISP-18-29, September 2018).

[92] *Ibid*.

[93] AUD-MERO-18-31, March 2018.

[94] *Ibid*.

Our inspection of the Yemen Affairs Unit examined the diplomatic mission that was established in Jeddah, Saudi Arabia, following the suspension of operations and evacuation of Embassy Sanaa, Yemen, in February 2015. We found the Yemen Affairs Unit experienced financial and property management challenges that were largely inseparable from the environment in which it operated. For example, lost records made addressing unliquidated obligations difficult and labor-intensive, and an inability to return to Yemen made maintaining a leased property there problematic. Overall, the Department had not reviewed the unit's functions or structure to determine whether they were aligned with current goals and whether funds expended were appropriate.[95] On a positive note, though, we reported that the unit was successful in reducing Embassy Sanaa's unliquidated obligation balances by $17.3 million in FY 2017 by recreating records destroyed during the March 2015 evacuation, contacting vendors, consulting with embassy LE staff, and using Department records.[96]

WORKFORCE MANAGEMENT

The Bureau of Human Resources rightly identifies staff as the Department's greatest asset. The Department accordingly expends substantial resources on recruiting, training, and retaining a diverse, talented workforce capable of carrying out the Department's foreign policy goals and priorities. However, OIG's work finds that staffing gaps, frequent turnover, and inexperienced and undertrained staff frequently contribute to the Department's other management challenges. Workforce management issues are pervasive, affecting programs and operations domestically and overseas and across functional areas and geographic regions.

Maintaining Adequate Staffing Levels to Meet Operational Needs

OIG frequently encounters Department entities that experience difficulty maintaining staffing levels. For example, in the inspection of the Bureau of African Affairs, OIG identified the bureau's profound difficulties in attracting Foreign Service Officers to its overseas posts.[97] The bureau experienced the same issues domestically, and OIG noted that staffing gaps inhibited its ability to support crucial functions such as strategic planning. Similarly, SCA faced problems filling overseas posts in its region as well as Civil Service vacancies in Washington, D.C.[98] DS also faced a bureau-wide shortage of agents. This shortage was felt in the Office of Mobile Security Deployment, an organization with a strong reputation for fulfilling its substantive mission despite working with a 38 percent staffing shortfall in 2017.[99]

Understaffing is often at play where OIG sees problems with oversight of contracts and grants. In one illustrative example, OIG found that in IRM/GRP, only one COR was

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[95] OIG, *Inspection of Yemen Affairs Unit* (ISP-I-18-21, March 2018).

[96] *Ibid.*

[97] OIG, *Inspection of the Bureau of African Affairs* (ISP-I-18-01, October 2017).

[98] ISP-I-18-11, February 2018.irm/

[99] OIG, *Inspection of the Bureau of Diplomatic Security's Office of Mobile Security Deployments* (ISP-I-18-05, October 2017).

responsible for overseeing 14 complex contracts worth well over $100 million per year in FY 2016 and FY 2017.[100] As a result of this poor distribution of oversight staff, OIG found a number of oversight weaknesses, including approval of invoice payments without appropriately verifying that goods have been received. Conversely, when the Department places adequate oversight personnel in charge of contracts, it sees positive results. For example, during the period when INL maintained its optimal staffing level of four permanent CORs for overseeing contracts in Afghanistan, OIG found that, without exception, invoices were reviewed in compliance with Federal regulations and Department policies.[101]

Likewise, understaffing can play a role in internal control deficiencies. In an inspection of the Bureau of the Comptroller and Global Financial Services' (CGFS) oversight of the Department's management control program, we found the program for non-financial operations was insufficient.[102] The responsible office did not request the personnel resources it needed to design and oversee the Department's non-financial management control program, and staff members told OIG they had neither the experience nor the resources to develop, monitor, and evaluate the Department's non-financial management control program.[103] This lack of oversight is significant because it goes to the Department's overall assessment of material weaknesses and areas of control weakness.

During the course of our FY 2018 work, some Department officials referenced a Department-wide hiring freeze when discussing work obstacles.[104] We reported in our inspection of Embassy San Jose, for example, that INL's projects to improve the host government's ability to seize narcotics transiting through its territory included a $50 million project to provide two refurbished U.S. Coast Guard cutters and related maritime support infrastructure and an $11.9 million project to supply three helicopters. Staff, however, reported that they lacked technical expertise on aviation and that the section did not have a dedicated maritime advisor to effectively manage the projects. The embassy had planned to hire a personal services contractor for this purpose but could not do so because of the hiring freeze; although INL had sought waivers to fill the position, it was unclear at the time of the inspection whether they would be approved.[105] In another example, we reported that key property management positions in the DS Office of Training and Performance Standards were left vacant as a result of the hiring freeze, contributing to weaknesses in the process by which protective equipment was issued and managed.[106] Finally, management sections in several overseas posts stated that the

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[100] ISP-I-18-15, April 2018.

[101] OIG, *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan* (AUD-MERO-18-30, February 2018).

[102] OIG, *Inspection of the Bureau of the Comptroller and Global Financial Services' Office of Management Control* (ISP-I-18-07, June 2018).

[103] *Ibid*.

[104] A government-wide hiring freeze was first announced by the Office of Management and Budget on January 23, 2017. Although most vacant positions could not be filled, the Secretary could approve specific exemptions. The freeze was lifted effective May 15, 2018.

[105] ISP-I-18-13, April 2018.

[106] AUD-SI-18-49, August 2018.

inability to hire eligible family members—who have historically provided a talented, accessible, and cost-effective pool of labor to fill widespread support positions—was a hardship that affected their posts' programs and operations.[107]

OIG emphasizes that its work to date has not attempted to assess any overall consequences of the hiring freeze but has instead reported concerns expressed by some Department officials in the course of other projects. In response to language in the explanatory section of the conference report for the Consolidated Appropriations Act, 2018, OIG will, however, engage in a more general analysis of this issue.[108]

Ensuring Staff Are Appropriately Qualified

Underqualified staff is an issue that frequently intersects with the Department's difficulties managing and overseeing contracts. One prominent example is the OIG audit of food safety controls under the Baghdad Life Support Services contract. The COR and Alternate CORs had no experience in food safety and received no training on food safety before or after assuming oversight responsibilities. OIG found myriad deficiencies, including missing documentation of food service inspections and untimely performance assessment reports. The Department acknowledged a lack of expertise and capacity to properly oversee the contract.[109]

Beyond the realm of contract and grant management, OIG finds Department personnel holding positions that are poorly tailored to their experience or qualifications. For example, in the inspection of Consulate General Hong Kong, OIG found that eight of ten language designated positions list Mandarin as the primary language even though 90 percent of Hong Kong's population speaks Cantonese and English is widely spoken. Seven of the eight officers in the Mandarin-designated positions said they rarely used their language training. Conversely, in the inspection of Embassy Beijing, OIG found that only one of six designated post occupational and safety health officers had received required training, and even that training had occurred more than 5 years ago. OIG noted that this contributed to problems with the residential housing program, which had consequences for the health and safety of Department personnel.

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[107] ISP-I-18-22, May 2018; ISP-I-18-17, May 2018; ISP-I-18-19, May 2018; ISP-I-18-14, April 2018; ISP-I-18-13, April 2018; ISP-I-18-12, March 2018.

[108] "The OIG shall review the current status of the freeze on hiring, including EFM employment and lateral transfers, and assess the impact of such freeze during calendar year 2017 on: (1) the day-to-day function and mission of the Department of State, United States embassies, and consulates; (2) the safety, welfare, and morale of Department personnel; and (3) the personnel costs of the Department. The review shall also examine the impact of the suspension of EFM employment on embassy and consulate operations, and on other Federal agencies." 115 Cong. Rec. H2842 (daily ed. March 22, 2018).

[109] AUD-MERO-18-38, May 2018.

PROMOTING ACCOUNTABILITY THROUGH INTERNAL COORDINATION AND CLEAR LINES OF AUTHORITY

Promoting accountability through careful internal coordination and clear, well-defined lines of authority is still a challenge for the Department. OIG finds that poor coordination and vague or dispersed authority are at the root of some of the Department's other deficiencies. This is a concern that affects a wide range of Department functions: it is often implicated in problems particular to certain Department programs or projects, and it is likewise relevant to some of the Department's more longstanding and systemic difficulties, including ensuring physical and information security.

A good illustration of a bureau-specific lack of coordination was set forth in our inspection of the Bureau of African Affairs' foreign assistance program.[110] As discussed previously, this inspection found deficiencies in the management and oversight of foreign assistance at the program level and the individual award level. Many of the deficiencies, however, had their roots in the bureau's decentralized structure in which four different offices with four different reporting mechanisms play a role in managing foreign assistance programs. This management structure inhibited efficient and effective program oversight necessary to ensure programs met policy goals. For example, one office within the bureau spent $324,647 in travel funds in FY 2016 but did not coordinate contract and grant site visits across programs.

OIG also has concerns with coordination across bureaus and other Department entities. Of particular note, OIG concluded that the Department had taken a "fragmented approach" to implementing its non-financial management control program. Although, according to the Foreign Affairs Manual (FAM), CGFS has overall responsibility for designing this program, in practice, CGFS had neither the staff nor the expertise to fulfill these obligations. Moreover, the Department's Comptroller stated that the FAM did "not accurately reflect the entities responsible for particular tasks" and that these obligations are split between CGFS and the Office of Management Policy, Rightsizing, and Innovation (M/PRI). OIG concluded, though, that M/PRI and CGFS had not coordinated or maintained close communication and did not have the same understanding of their respective obligations. Unclear lines of responsibility make it more difficult for the Department to manage its overall risks.

Furthermore, we found that dispersed and unclear authority contributed to weaknesses in the implementation of the Department's aviation program. Our audit report explained that the Aviation Governing Board Charter had not been revised since 2011 and did not align with the board's actual practices. To assist in addressing several program management deficiencies, we recommended that the Department centralize management of aviation programs and assets and update the board's charter to reflect the roles and responsibilities as set forth in the FAM.[111]

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[110] ISP-I-18-02, October 2017.

[111] AUD-SI-18-59, September 2018.

In another example, the Department risked costly delays in a construction project at Embassy Guatemala City because the embassy did not coordinate systematically with OBO to establish accurate staffing levels for a planned new embassy compound.[112] The Department awarded a $287.6 million contract in September 2017 to construct the new compound, but the embassy later estimated that it had established at least 89 desk positions that were not included in OBO's space requirements plan and was considering proposals to add another 48 new positions.

A lack of coordination also affects the Department's overall difficulties in tracking and prioritizing physical security needs at overseas posts and its struggle to implement an effective information security program. On the former, we have long noted in past reports a lack of coordination between OBO and DS, both of which have responsibilities for physical security at diplomatic facilities.[113] The creation of a physical security deficiency database reflects improved coordination between the bureaus, but until the Department develops and implements a process to prioritize physical security deficiencies at overseas posts to improve allocation of funding, the underlying deficiency will persist. With regard to information security, OIG remains concerned with the overlapping and poorly defined responsibilities between DS and IRM and the organizational placement of the CIO, which impedes the position's ability to effectively implement an agency-wide information security program. In addition to addressing these structural and organizational concerns through its reports and recommendations, OIG has repeatedly emphasized these matters in testimony, presentations, and other communications with the Department and with Congress.

The Department has made efforts to streamline organizational structures in some instances, and, when it has done so, there have been positive effects. For example, an inspection of the Bureau of South and Central Asian Affairs concluded that intra-bureau coordination on foreign assistance was generally positive.[114] Department stakeholders felt collaboration was improved by the reintegration of the Special Representative for Afghanistan and Pakistan—formerly in the Office of the Secretary—into the bureau, which allowed for a single entity with authority to coordinate U.S. policy and programs for the entire region.

CONCLUSION

Effectively implementing U.S. foreign policy through diplomacy, advocacy, and assistance is essential to our nation's security and prosperity. However, each of the management challenges described in this report has an outsized effect on the Department's ability to perform its mission and to safeguard taxpayer resources while doing so.

OIG observes that where multiple challenges overlap, unique vulnerabilities emerge for the Department. OIG is particularly concerned with the Department's information systems, which are relied on by all programs and operations for carrying out the Department's

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[112] ISP-I-18-16, May 2018.

[113] *See* OIG, *Compliance Follow-up Audit of the Process to Request and Prioritize Physical-Security Related Activities at Overseas Posts* (AUD-ACF-16-20, December 2015).

[114] ISP-I-18-11, February 2018.

mission. Longstanding information security weaknesses put every other function at risk. For example, IT vulnerabilities can affect the integrity of financial applications, which, in turn, increases the risk that sensitive financial information could be accessed by unauthorized individuals or that financial transactions could be accidentally or intentionally altered.

Additionally, widespread workforce management issues hinder oversight of contracts and grants and weaken internal controls, exposing the Department to the risk of fraud and waste, particularly in critical and contingency environments. In fact, our body of work on the construction projects at Embassy Kabul illustrates the interplay of all these issues. Pressure to quickly complete construction projects coupled with poor coordination among stakeholders and inadequate personnel to provide quality assurance oversight can lead to contract management mistakes with financial and security implications for the Department.

Where these challenges intersect and contribute to one another is also where the Department would benefit most if deficiencies were properly addressed. OIG accordingly encourages the Department to consider how these challenges interact and how it can address them systemically. OIG remains committed to assisting the Department as it works to improve the effectiveness and efficiency of its programs and operations.

APPENDIX A:
RESPONSE FROM THE U.S. DEPARTMENT OF STATE

In 2018, the Department of State's Office of Inspector General (OIG) identified management and performance challenges in the areas of: protection of people and facilities; oversight of contracts, grants, and foreign assistance; information security and management; financial and property management; operating in contingency and critical environments; workforce management; and promoting accountability through internal coordination and clear lines of authority. The Department promptly takes corrective actions in response to OIG findings and recommendations. Highlights are summarized below.

Protection of People and Facilities

The protection of people and facilities remains a top priority for the Department. In a very dangerous world, the Department is succeeding in keeping its personnel and facilities safe. Threats to our people and facilities will continue to evolve and requires constant focus and risk mitigation. The Department has various processes to manage risk, and has also created the Enterprise Risk Management Council led by the Deputy Secretary to look at strategic risks comprehensively. The Department annually revises the Security Environment Threat List and conducts High Threat Post Review Board assessments, and it is increasing the number of posts for which the Foreign Affairs Counter Threat training is mandatory. Despite these and other efforts, the challenge of eliminating risk and preventing attacks will continue given the nature of diplomacy and the operating environments in which the Department works in. The Department will continue to focus on mitigating risks.

Below is additional information about specific issues raised by the OIG and improvements the Department has made in its systems for protecting people and facilities. However, there are some areas in which the Department would like to clarify some perceived weaknesses by the OIG.

Constructing and Maintaining Safe and Secure Diplomatic Facilities

The OIG found that Embassy Georgetown warehouse facilities did not meet Department standards. The embassy has since removed all offices and equipment from the warehouse, and a contractor from the Bureau of Overseas Building Operations (OBO) conducted an appraisal survey in April in preparation for the sale of the property. The embassy will move the Facilities' shops upon completion of the fire suppression system at the new leased warehouse at which time OBO will commence the disposition process for the old property.

The OIG states that poor quality assurance and oversight of the construction process of two buildings at Embassy Kabul led to failure to adhere to electrical and fire safety standards. However, OBO has previously made and continues to stand by their assessment that the company that was consulted on these deficiencies had a conflict of interest. It was actively negotiating a maintenance contract with the U.S. government and could have benefitted from identifying maintenance issues that required mitigation. In

addition, the OIG conducted this audit during the warranty period. The contractor is mitigating the majority of construction issues noted in the report.

In addition, OBO respectfully disagrees with the OIG's assertion of risks to personnel and property due to the improper installation of Embassy Kabul's fire alarm system as part of a major office and residential expansion. A separate redundant network circuit is not required by National Fire Protection Association (NFPA) regulation 72. Furthermore, disruption of communication across a network does not diminish or degrade the individual operations of a Fire Alarm Control Unit (FACU). The conditions presented by the OIG did not require immediate action. Nonetheless, as of July 9, 2018, the fire alarm redundant loop was completed to assuage OIG's concerns.

Operation of Official Vehicles Overseas

The OIG noted that there were lapses in in medical clearances for operators of official vehicles. The Bureau of Medical Services is finishing a complete rewrite of the Drivers Physical form, which will be routed through a technical platform that follows progress from the time Motor Pool recommends a driver for medical clearance to the time that MED provides clearance.

Oversight of Contracts, Grants, and Foreign Assistance

In response to the OIG recommendations, the Department took a number of actions to improve oversight of contracts and grants, including those that appear below. The Department will continue to take steps to address OIG's recommendations.

Procuring Goods and Services Cost Effectively

The OIG had found that the Department had not been implementing a Value Engineering program enterprise-wide. In response, the Office of the Under Secretary for Management has established the Head of Contracting Activity in the Bureau of Administration (A) as the Senior Accountability Officer of Value Engineering for the Department, in September. In addition, the Office of the Procurement Executive (A/OPE) will develop and implement Value Engineering policies and procedures, in accordance with OMB Circular A-131 requirements, through the Department's Acquisitions Planning process found in the Department of State Acquisitions Regulation (DOSAR). These policies and procedures will follow the content requirements set forth in FAR 7.105 (Contents of Written Acquisition Plans). A/OPE expects the policies and procedures to be in place by the end of FY 2019.

Overseeing Construction Contracts

Regarding the OIG's perceived oversight weakness which contributed to unapproved design changes to the facades of new buildings at Embassy Islamabad, A and OBO completed a joint review of contract oversight activities and concluded from their review that no unauthorized contract actions or unauthorized changes or alterations to the design issued for construction have occurred.

A and OBO added that an Alternate Contract Officer Representative (ACOR) was onsite and fully capable of performing contract oversight in lieu of an appointed Contracting

Officer Representative (COR). The Office of Logistics Management (A/LM) acknowledges the ACOR appointment letter is not as robust in content as a COR appointment letter; however, A/LM states that the ACOR was nonetheless delegated contract oversight duties. The bureaus concluded that the Contracting Officer (CO) determined that no lapse in contract oversight occurred, with the exception of the 20 days between the end of the ACOR appointment and the delegation of duties to the successor COR. The bureaus state that in the future the CO will ensure a COR and ACORs are nominated and appointed prior to departure of the incumbent personnel and will work with OBO to ensure COR and ACOR changes are adequately forecasted, broadcast, and appointed as needed.

In response to an OIG report on the new compound in Taipei, Taiwan, the Office of Acquisitions (A/OPE/AQM) is including training on issuance of limited or final notices to proceed as part of their annual training sessions. AQM is also developing and implementing a process that notifies Assessing Officials and Assessing Official Representatives when contractor performance evaluations are due. A/OPE/AQM is in the process of developing an automated reminder for this requirement.

As part of the Department's ongoing efforts to improve contract oversight, the Bureau of South and Central Asian Affairs (SCA) worked with the CORs on the Afghanistan Life Support Services Contract (ALiSS) to establish a quality assurance process to track invoice review results and periodically test invoice reviews for accuracy. SCA updated existing SOPs and developed a new procedure for random sampling of invoices.

Ensuring Foreign Assistance Programs Achieve Intended Objectives and Policy Goals

In regards to the tracking and reporting of programmatic details of foreign assistance, the Department appreciates the OIG's acknowledgement that the Department took positive steps during FY 2018 to alleviate some of its concerns. The Department has made significant progress on data quality under the Foreign Assistance Data Review (FADR), and it continues to progress against the timeline and report sent to the Committees on Appropriation. In October 2017, the Director of U.S. Foreign Assistance Resources (F) was assigned by the Deputy Secretary of State as the senior Department official to oversee the process of developing and executing a plan with clear milestones and target completion dates to address foreign assistance tracking and reporting requirements. Since that assignment, while analysis has begun to design a long-term solution for improved Foreign Assistance reporting and management, F and the Bureau of the Comptroller and Global Financial Services (CGFS) have worked on an interim solution that makes use of available system fields that map directly or can be inferred from existing data to the FADR Index data elements. In addition, F has worked with CGFS to improve foreign assistance data quality including engaging with all foreign assistance bureaus in the Department. This continued leadership and engagement resulted in the publication of over 395,000 rows of obligation and disbursement data at the transaction level on ForeignAssistance.gov for FY 2018.

Information Security and Management

The Department recognizes the significant threats that exist to its information systems and is constantly taking actions to reinforce its defenses against those threats.

Strengthening Cyber Security Performance

In response to the OIG's concern about clear lines of authority within the Bureau of Information Management and Resource's (IRM) Office of Governance, Resource and Performance (IRM/GRP), GRP and the Deputy Chief Information Officer (DCIO) for Budget and Management Policy have directly engaged with the Bureau for Human Resources' Office of Resource Management Analysis (HR/RMA) to perform a comprehensive organizational assessment of the GRP office. This assessment has been completed and RMA recommendations have been provided to the Principal DCIO and CIO for review and potential implementation.

OIG also recommended that IRM implement procedures to centrally authorize and register Dedicated Internet Networks (DINs). IRM has since established, and is implementing, procedures to centrally manage DINs levering two existing registration tools. DINs must be now registered as IT assets in IRM's iMATRIX system, the Department's official record for IT investments. System owners must obtain an iMATRIX ID number to register a DIN with the IT Configuration Control Board (CCB). Integrating iMATRIX ID into the IT CCB DIN Registration site requirements has improved data integrity and data quality. These two systems serve different purposes: iMATRIX manages asset inventory while IT CCB registration maintains records of approval and authorization.

In order to centralize oversight of information security, IRM's Information Systems Security Officers (IRM/IA/ISSO) program is currently being rolled out to posts worldwide. IRM/IA/ISSO's recent submission to purchase additional licenses for the ISSO Dashboard will enable IA/ISSO to complete its rollout (currently 60% or approximately 157 posts and 11 domestic sites are using the ISSO Dashboard). The ISSO Dashboard is a web based interface that allows ISSOs in the field to access server log data. Being web based, there is no need to create command line queries to the database – instead relevant information is shown simply by checking the ISSO Dashboard's web page. A daily review of the ISSO Dashboard will allow the ISSO to develop a baseline to determine normal behavior on their network and allow for the detection and follow-up of anomalies, either on site or with the help of the Cyber Incident Response Team (CIRT).

After the inspection of Embassy Guatemala City identified several IT security vulnerabilities, post took steps to modernize its classified and unclassified standard operating procedures. Post has established checklists and SOPs to ensure all IT staff are performing Department specified duties. Earlier this year the Bureau of Western Hemisphere Affairs (WHA), Embassy Guatemala City, and IRM conducted a table top exercise, successfully testing IT contingency plans and making eleven updates. A recent IT Contingency test included a satellite Internet test providing wireless Internet access to handheld mobiles all running on battery. The Regional Cyber Security Officer is currently in Guatemala conducting a Cyber Security Assessment.

The Department recently completed a major revision to its Information Security Risk Management Strategy to align with federal guidelines. This change make explicit the need to manage risk at the Department, bureau and information system levels with interlinking processes. The initial version of this revision was approved by the Chief Information Officer for sharing more broadly with key partners and bureau stakeholders. In addition, the documented strategies are undergoing implementation planning to integrate risk indicators into existing IT governance processes including, but not limited to, investment, acquisition and security oversight.

Tracking IT Assets

The OIG has highlighted the need for the Department to better track its IT assets. To address this deficiency, the Department purchased the Software Asset Management (SAM) module of ServiceNow. This tool supports life cycle management of software licensing. ServiceNow SAM will support enhanced alignment of software needs to mission requirements, ensure more intelligent purchasing strategies, and manage overall software inventories to adhere to compliance requirements through automated reporting. The implementation of software inventory licensing is currently undergoing a pilot phase and is expected to be complete by November 30, 2018.

Financial and Property Management

The Department operates in a complex and challenging global environment. As a result, the Department manages one of the U.S. Government's most complex financial operations. Operating around-the-clock in over 270 locations and 180 countries, the Department conducts business in over 135 currencies, account for $100 billion in assets, maintain 225 bank accounts around the world, execute over 6,000 annual foreign currency purchases and sales valued at over $4 billion, and manage real and personal property capital assets with historical costs of more than $34 billion.

Department officials at all levels, both at home and abroad, are dedicated to ensuring effective management controls and oversight over the resources entrusted to the Department. In doing so, the Department has received six consecutive unmodified opinions (FY 2012-2017) from the external Independent Auditor on our annual Department-wide financial statements. In addition, the Department ended FY 2017 with no reported material weaknesses in internal controls over financial reporting and was able to resolve a previously reported significant deficiency for financial reporting. Last year, in recognition of the exceptional quality of the Department's Agency Financial Report, the Association of Government Accountants awarded the Department the prestigious Certificate of Excellence in Accountability Reporting.

Complying With Internal Controls

In 2018, in addition to improved processes that bureaus themselves have established, CGFS provided lists of transactions to help facilitate bureaus' reviews so they can concentrate on potentially invalid unliquidated obligations (ULOs). CGFS appreciates the

OIG's acknowledgment of our efforts in this regard in their report (AUD-FM-18-27). In 2018, CGFS transmitted ULOs with a value of $2.7 billion for bureaus to review. Additionally, CGFS has assigned personnel to work at specific bureaus CFGS identifies as high-risk and requiring additional attention for ULO validation.

The OIG identified deficiencies in cashiering operations. The Department uses several tools to actively monitor cashiering operations, including cashier system controls and an oversight cashier monitor function carried out by CGFS. CGFS measures posts' performance with this compliance on a monthly basis and has developed an annual Cashier Operations Based Risk Assessment (COBRA) tool to help prevent theft, fraud and misuse of cash within the operations deemed higher risk. The tool analyzes operational risk, verification and controls and an overall cashier operation assessment. CGFS ensures the risk measurement factors in the COBRA tool are reviewed and updated yearly to reflect current trends as noted by our Cashier Monitors. CGFS also conducts on-site reviews of all Class B Cashier operations at least every five years, which provides an in-depth history of operations and post actions on findings.

In response to an OIG-identified need for an acquisition plan for procuring goods and services, Embassy Georgetown created and distributed a Management notice to the entire Embassy to solicit input for a plan. In addition, the General Services Officer now works with Mission offices to develop their procurement plans prior to each fiscal year to include acquisition background and objectives, a plan of action, and proposed timeline.

The Department continues to work to improve the Statement of Assurance (SoA) process. Improvements made to the SoA process during FY 2018 included the expansion of assurances in the SoA regarding Federal financial assistance. The SoA guidance distributed to Assistant Secretaries and Chiefs of Mission was also expanded to emphasize the role of managers throughout the Department in performing reviews of programs. CGFS has coordinated closely with the Bureau of Budget and Planning (BP) over the years to meet the Department's compliance objectives in an efficient way to avoid duplication of effort regarding program reviews. The increased emphasis on program reviews in the SoA guidance additionally outlined Department managers' responsibilities updated in response to the Program Management and Improvement and Accountability Act. In addition, improved training was delivered through classroom instruction to all Domestic and Regional Bureau Management Control Coordinators. An updated and expanded Management Controls Checklist was distributed to Assistant Secretaries and Chiefs of Mission, and training materials on the SoA process for inclusion into multiple Foreign Service Institute courses including courses for Chiefs of Mission and Deputy Chiefs of Mission, was developed. Finally, live instruction was delivered at the Bureau's request to all managers within the Arms Control and International Security bureaus.

Tracking and Reporting Department Assets

The Department took steps to enhance the tracking and usage of US government vehicles overseas by declaring 2018 "The Year of the Vehicle". The Department required posts to certify that Department of State vehicles were properly entered into ILMS; vehicle trips

were properly logged in FMIS; fuel and maintenance information were properly recorded, and fleet sizes are properly aligned.

Collecting, Analyzing and Applying Financial Information

The OIG's mandated *Audit of the Department of State's Implementation of the Digital Accountability and Transparency Act of 2014* noted ongoing difficulties in collecting and assessing the required data and in particular overseas transactions. In addition, the audit noted that more than 64 percent of domestic transactions that were tested did not meet OMB's quality requirements. The Department's on-going DATA Act efforts include the implementation of system interfaces and new procedures for overseas activities that improve financial data. Specifically, these implementations align key data attributes, such as the procurement ID (PIID) and the grant ID (FAIN), across the relevant Department's source systems for procurement and financial assistance activity conducted overseas. The Department continues its rollout of a modernized Grants management system (SAMS) for overseas assistance and integration with RFMS. By the end of FY 2019, all posts will have implemented SAMS. The Department recognizes and respects that the mandated audit by OIG was required to be conducted, and results reported, in accordance with the CIGIE Guide, "Inspectors General Guide to Compliance Under the DATA Act." However, unfortunately, the CIGIE approach provides an extremely conservative picture of the status of the data. For example, a record with 57 data fields with an error in a single data field is considered 100% in error versus 2% (i.e., one 57th) in error. This produces an exceptionally high error rate due to a small discrepancy. It would infer that all of the other data fields cannot be relied upon. Irrespective, the Department continues to work to achieve 100% accuracy.

Operating In Contingency and Critical Environments

In some cases, the Department must operate in "critical" environments, or areas that experience various challenges in the form of conflict, instability, disease, or natural disasters. These pose their own set of problems and contribute to existing challenges. The following examples demonstrate ways the Department strives to improve its operations in such environments.

Due to the unreliability of Kabul's electricity service provider, Embassy Kabul and Camp Sullivan generate power using fuel-burning electrical generators. The Embassy also maintains its own vehicle-fueling station on the embassy compound, which is used by staff located at both Embassy Kabul and Camp Sullivan. A new vehicle maintenance facility (VMF) and vehicle-fueling station are expected to come online at Camp Qasemi in the next few months and will service the majority of vehicles that travel off-compound. This VMF fuel point is outfitted with a modern fuel distribution system that will handle the distribution and tracking of the fuel used by these vehicles. The Embassy has put in place internal controls to monitor and control the fuel distribution.

To address weaknesses in security for Embassy Baghdad's cafeteria, the Department is looking at the feasibility of a point of sale system and is taking steps to prevent unauthorized use of the cafeteria.

The Department has been working to implement Enterprise Risk Management per OMB Circular A-123 requirements, defining risk management as events or circumstances that impact the Department's ability to achieve its strategic objectives. ERM looks at risks in a cross-cutting manner, and the Department has many existing risk management processes that feed into the enterprise risk process. The Deputy Secretary chairs the Enterprise Risk Management Council, which is comprised of six Under Secretaries and representatives from INR, L, BP and F. A working group has also been established comprised of several stakeholder bureaus, and representatives of all Under Secretaries, which work on developing the program and will support the Council. The ERMC and the working group are well-positioned to consider the risks associated with operating in contingency and critical environments.

Workforce Management

The Department considers its employees its greatest asset. The Department invests considerable time in recruiting and retaining the best talent possible. Though the Department has experienced periods of transition in the past fiscal year, it continues to strive to be flexible and meet its resource needs, and well as providing adequate compensation in challenging areas.

Recognizing the challenge of attracting bidders to certain posts, specifically those overseen by the Bureau of African Affairs (AF) and SCA, HR raised the threshold for posts that satisfy the "Fair Share" bidding requirement from 15% combined differential to a 20% combined differential.

HR introduced new Professional Development Plans for Foreign Service Officers and for Office Management Specialists, which require "A completed tour at a 25% or greater hardship differential post from entry into the Foreign Service OR a completed tour at an unaccompanied post from entry into the Foreign Service AND Another completed tour at a 20% or greater hardship differential post after tenure" in order to compete for promotion to the Senior Foreign Service (FSO) or the FP-02 grade (OMS).

After the OIG identified the impacts of the hiring freeze on key programs, the Bureau of International Narcotics and Law Enforcement (INL) hired a Senior Maritime Advisor, and is in the final process of hiring a Senior Aviation Advisor, who will join the team before the end of the year. In addition, one third-party contractor with specific maritime expertise has been hired, another is in the hiring process, as are two locally employed staff program assistants (currently awaiting MCLASS) who will support the maritime and aviation projects, respectively.

Promoting Accountability Through Internal Coordination and Clear Lines Of Authority

The Department acknowledges that clear lines of authority are necessary for insuring that the Department is able to hold decision makers accountable. It also recognizes that an organization as diffuse and diverse in mission as the Department is, requires a great deal of coordination between internal and external partners. The following illustrates how the Department has worked to improve on areas of vulnerability identified by the OIG.

In response to previous OIG recommendations and new regulations enshrined in the 18 FAM 301.4, the bureau of Diplomatic Security (DS) and the Bureau of Counterterrorism (CT) designed a new process to ensure continuous monitoring of foreign assistance expenditures with Specific, Measurable, Actionable, Relevant, and Time-bound (SMART) Objectives that are clearly linked to national security policy objectives and priorities. This new program has been introduced, and the bureaus are in the process of determining resource requirements, finalizing templates, and preparing for the pilot implementation program. Following the pilot, DS expects to have monitoring plans for the office of Anti-Terrorism Assistance (ATA)'s programs ready by the 18 FAM 300 deadline of May 31, 2019. These plans will be included with the FY20 Country Implementation Plans, with analysis and monitoring reports completed in that year. This new process introduces a tiered approach to evaluating our programs that will meet the requirements while taking resource limitations into account.

CGFS and MPRI coordinate closely on non-financial management controls as they pertain to enterprise risk management (ERM). The Department's approach to ERM is comprehensive and goes beyond internal management controls compliance to assess risks that may impact the Department's ability to achieve its strategic goals. The Department's ERM program incorporates a broad scope of risk management processes which requires a strategic view of what is happening across the Department and the broader external foreign affairs environment. ERM includes risk management processes related to foreign policy, Congressional actions, and reputational risk. The Deputy Secretary chairs the Enterprise Risk Management Council (ERMC) comprised all six Under Secretaries, ensuring ERM is coordinated at the highest levels in the Department. Recognizing that CGFS is not well-positioned organizationally to coordinate across all of these functions, M/PRI takes the lead in supporting the ERMC and coordinates with a wide array of bureaus –including CGFS - to develop and implement an integrated ERM program. M/PRI and CGFS have a strong partnership and continue to work closely to ensure ERM and management control programs are coordinated appropriately. The Department's Comptroller contributed to the development of the ERM program at every step, including the creation of the enterprise risk profile which incorporates management controls risks. CGFS/Management Controls (MC) is a key participant in the ERM working group, and M/PRI is a member of the Management Controls Steering Committee and the Senior Assessment Team. Through these formal mechanisms and through regular informal communication, M/PRI closely coordinates with CGFS and other key risk management stakeholders to ensure the ERM policies and processes reflect an integrated risk management approach.

The OIG found that the Embassy at Guatemala City did not coordinate systematically with OBO on establishing accurate staffing levels for the new embassy compound, resulting in an anticipated shortage of space. The Embassy worked with the Office of Management Policy, Rightsizing and Innovation (M/PRI) to prepare a 2018 table revision of the Mission to address the shortage. Post worked with OBO to economize the furniture configuration in the New Embassy Compound, ensuring that the current accurate staffing could be accommodated in the existing construction plans without costly delays.

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