Office of Inspector General
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Review of the Department of State's Organizational Reform Effort

MIDDLE EAST REGION OPERATIONS

HIGHLIGHTS
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What OIG Reviewed

In January 2017, the President issued a Presidential Memorandum imposing a Federal hiring freeze. Two months later in March 2017, the President signed Executive Order (EO) 13781, *Comprehensive Plan for Reorganizing the Executive Branch*, which required each Federal agency to submit a proposed plan to the Office of Management and Budget (OMB) that described how the agency would reorganize. In April 2017, OMB issued memorandum M-17-22, to provide agencies guidance on fulfilling the requirements of the hiring freeze and EO 13781. In response, in May 2017, then-Department of State (Department) Secretary Tillerson initiated a joint reform effort with the U.S. Agency for International Development (USAID). In September 2017, the Department and USAID submitted a draft joint Agency Reform Plan to OMB.

The Consolidated Appropriations Acts for FYs 2017, 2018, and 2019 each had a provision requiring Congressional notification before implementing any reorganization or redesign plan. In addition, the explanatory statement for the 2018 Consolidated Appropriations Act (Public Law 115-141) required the Office of Inspector General (OIG) to review (1) the processes by which the Department developed and implemented reorganization and redesign efforts and plans; and (2) the extent to which employees provided input into these efforts and plans. Finally, Senate Report 115-152 required OIG to review the extent to which recommendations in such plans were proposed by career employees of the Department, contractors, and Federal employees outside the Department.

OIG conducted this review to determine whether the processes employed by the Department to develop and implement its organizational reform effort complied with applicable Federal law and OMB memorandum M-17-22. In addition, OIG responded to the specific review requirements of the Consolidated Appropriations Acts, including the explanatory language, and of Senate Report 115-152. Appendix C provides definitions of key terminology used in this report. The Under Secretary for Management's response to a draft of this report is reprinted in its entirety in Appendix D.

What OIG Found

The process employed by the Department to develop and implement its reform efforts generally complied with applicable Federal law and OMB guidance. Specifically, the Department notified Congress about the creation of the Center for Analytics, a new directorate that resulted from the reform effort, and it complied with six of eight OMB requirements. The Department only partially complied with two requirements, however, because it did not submit 1) an Analytical Framework with proposals to eliminate, restructure, or merge activities and 2) a Long-Term Workforce Reduction Plan with specific actions. According to OMB officials, the absence of these plans limited the "transformational" potential of the reform effort.

The Department used a three-phased approach to develop and implement its organizational reform efforts. The Department sent a survey to Department employees, organized teams assigned to develop ideas for inclusion in the Agency Reform Plan and directed teams to implement 16 projects identified as related to Department reform (called "Keystone Projects"). However, OIG could not clearly connect the raw data collected for the Listening Tour Survey to the report summarizing the data from that survey. Similarly, OIG could not connect the report to the efforts in Phase II and could not connect Phase II with decisions and choices made in Phase III.

With respect to employee input into the reform effort and the associated recommendations in the Agency Reform Plan, more than 35,000 individuals (43 percent) responded to a survey that was sent to approximately 87,000 Department and USAID email accounts. The individuals whose opinions were solicited included career employees, contractors, and Federal employees outside the Department. OIG could not establish the extent to which responses from survey participants directly influenced the recommendations offered in the Agency Reform Plan. However, OIG did verify that approximately 600 Department and USAID employees participated on teams whose proposals contributed to the recommendations in the Agency Reform Plan and the development of the 16 Keystone Projects.

Participants in the organizational reform effort shared with OIG lessons learned and observations of the process employed. Overall, participants stated that the effort was a "missed opportunity" and emphasized that leadership, communication, and coordination of a coherent mission with integrated strategic goals are paramount to achieving agency efficiencies, effectiveness, and accountability.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this review to determine whether the processes employed by the Department of State (Department) to develop and implement its organizational reform effort that commenced in May 2017 complied with applicable Federal law and Office of Management and Budget (OMB) guidance. Specifically, OIG reviewed the extent to which the Department complied with required notification to Congress, as set forth in the 2017, 2018, and 2019 Consolidated Appropriations Acts. This review also responds to the explanatory statement for H.R. 1625 (P.L. 115-141) that required OIG to review (1) the processes by which the Department and the U.S. Agency for International Development (USAID) developed and implemented reorganization and redesign efforts and plans, including (2) the extent to which employees of each agency provided input into these efforts and plans.[1] Similarly, Senate Report 115-152[2] required OIG to review the extent to which recommendations in such plans were proposed by career employees of the Department, contractors, and Federal employees outside the Department. Appendix C provides definitions of key terminology used in this report.

BACKGROUND

In January 2017, the President issued a Presidential Memorandum imposing a Federal hiring freeze[3] to ensure "immediate action [would be] taken to halt the growth of the Federal workforce until a long-term plan to reduce the size of the Federal Government's workforce is put into place."[4] Two months later, on March 13, the President signed Executive Order (EO) 13781, which required the head of each Federal agency to submit a proposed plan to the OMB Director within 180 days of the date of the order describing how the agency would reorganize, if appropriate, "to improve the efficiency, effectiveness, and accountability of that agency." On March 16, 2017, the President submitted a Budget Blueprint to Congress that proposed budget cuts to "eliminate wasteful spending," which included a 28-percent reduction of funding for the

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[1] *Explanatory Statement Submitted by Mr. Frelinghuysen, Chairman of the House Committee on Appropriations Regarding the House Amendment to the Senate Amendment on H.R. 1625* - Congressional Record, Vol 164, No. 50, at H2841. The explanatory statement required OIG to examine the Department's "reorganization and redesign" efforts. For the purpose of this report, OIG uses the term "reform effort" to describe all phases of the Department's 2017–18 reorganization and redesign effort. Specifically, within the Department, the term "redesign" is used to represent only two of three phases of the effort. Therefore, OIG used the term "reform effort" to encapsulate the entire effort.

[2] Senate Report 115-152, from the Senate Committee on Department of State, Foreign Operations, and Related Programs Appropriations, September 7, 2017, 102. The above-mentioned explanatory statement incorporates Senate Report 115-52 by reference.

[3] The above-mentioned explanatory statement also required OIG to review the status and impact of the 2017 hiring freeze. The results of this review are presented in a separate report: OIG, *Review of the Effects of the Department of State Hiring Freeze* (ISP-I-19-23, August 2019).

[4] The White House, "Presidential Memorandum Regarding the Hiring Freeze," January 23, 2017 and OMB, Memorandum M-17-22, "A Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce," April 12, 2017.

Department and USAID.[5] In April 2017, OMB issued memorandum M-17-22 to "[provide] agencies guidance on fulfilling the requirements of the Hiring Freeze Presidential Memorandum and EO 13781 while aligning those initiatives with the federal budget and performance planning processes."[6] In response to EO 13781 and OMB memorandum M-17-22, in May 2017, then-Secretary of State Tillerson initiated a joint effort with USAID to "reform" the two agencies. In September 2017, the Department and USAID submitted a draft joint Agency Reform Plan to OMB.

There are various Congressional requirements related to this review. The Consolidated Appropriations Acts of 2017, 2018, and 2019 required the Department to submit to the Senate Committee on Appropriations, "prior to implementing any reorganization…a report [that includes] a detailed justification and analysis containing … the process used to identify the merger, closing, or termination of any operating unit," and "the impact on personnel."[7] Second, the 2018 explanatory statement required OIG to review[8]:

- The processes by which the Department and USAID "developed and implemented reorganization and redesign efforts and plans."
- The extent to which employees of each agency provided input into these efforts and plans.

Senate Report 115-152, as referenced in the aforementioned explanatory statement, required that OIG[9]:

- "[R]eview the process by which any reorganization or redesign plan . . . was formulated, or. . . [any other] reorganizations taken by . . . [the Department and USAID] outside of the [Executive Order] since January 23, 2017."
- Include in its review the extent to which the recommendations for the plans were proposed by "employees, contractors, and Federal employees outside of these agencies."
- Review "compliance with the requirements of the act and any other act."

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[5] OMB, "America First: A Budget Blueprint to Make America Great Again," March 16, 2017. The Blueprint stated, "The Budget for the [Department] and USAID diplomatic and development activities is being refocused on priority strategic objectives and renewed attention is being placed on the appropriate U.S. share of international spending. In addition, the Budget seeks to reduce or end direct funding for international organizations whose missions do not substantially advance U.S. foreign policy interests, are duplicative, or are not well-managed. Additional steps will be taken to make the Department and USAID leaner, more efficient, and more effective. These steps to reduce foreign assistance free up funding for critical priorities here at home and put America first."
[6] OMB, Memorandum M-17-22.
[7] Consolidated Appropriations Acts: section 7034(l) of the FY 2017 Act; section 7081 of the FY 2018 Act; and section 7073 of the FY 2019 Act.
[8] Explanatory statement for H.R. 1625, at H2854.
[9] Senate Report 115-152 from the Committee on Appropriations, September 7, 2017, at 102.

REVIEW RESULTS

Finding A: Process Employed by the Department To Develop and Implement its Organizational Reform Effort Generally Complied With Federal and OMB Requirements

OIG found that the process employed by the Department to develop and implement its reform efforts generally complied with applicable Federal law as set forth in the Consolidated Appropriations Acts and OMB guidance. Specifically, OIG sought to review the extent to which the Department complied with the requirement to notify Congress before implementing any reorganization or reform plan and found that the Department notified Congress of the creation of the Center for Analytics, a new directorate that resulted from the reform effort. OIG also reviewed whether the Department adhered to OMB guidance set forth in OMB Memorandum M-17-22 regarding the reform process and found that the Department complied with six of eight OMB requirements. The Department only partially complied with two requirements, however, because it did not submit 1) an Analytical Framework with proposals to eliminate, restructure, or merge activities and 2) a Long-Term Workforce Reduction Plan with specific actions. According to OMB officials, the absence of these plans limited the "transformational" potential of the reform effort.

Department Compliance With Federal Reporting Requirements

The Consolidated Appropriations Acts of 2017, 2018, and 2019 required the Department to notify Congress before implementing any reorganization or redesign plan.[10] In particular, the 2017 Act states the following:

> Prior to implementing any reorganization of the [Department] or [USAID], including any action taken pursuant to the March 31, 2017 Executive Order 13781 on a Comprehensive Plan for Reorganizing the Executive Branch, the Secretary of State shall submit a report to the Committees on Appropriations on such reorganization.[11]

The 2017 Act further states that the report must include "a detailed justification and analysis." Similarly, the Consolidated Appropriations Acts of 2018 and 2019 require notification before implementing any plan to "expand, eliminate, consolidate, or downsize" any part of the agency. OIG sought to review the extent to which the Department complied with these requirements, based upon Senate Report 115-152, which directed OIG to review "compliance with the requirements of the act and any other act."[12] OIG interpreted the language to direct a review of the Department's compliance with *any* Federal law related to the reform effort.

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[10] The Consolidated Appropriations Act: section 7034(l) of the FY 2017 Act; section 7081 of the FY 2018 Act; and section 7073 of the FY 2019 Act.

[11] The Consolidated Appropriations Act, 2017, sec. 7034(l).

[12] Senate Report 115-152 from the Committee on Appropriations, September 7, 2017, 102.

According to Department officials, only one reorganization activity that resulted from EO 13781 required congressional notification. This was the creation of the Center for Analytics, a new directorate within the Office of Management Policy, Rightsizing, and Innovation that was expected to be fully functioning before the end of FY 2019.[13] On April 10, 2019, the Department notified Congress regarding the planned Center for Analytics, and, in this notification, included detailed justification and analysis.[14]

OMB Memorandum M-17-22 Requirements

OMB Memorandum M-17-22 required executive agencies to undertake three interrelated efforts:

1. Take immediate actions to achieve near-term work force reductions and cost savings. Some OMB action items included using agency data to determine appropriate baselines for full-time equivalents, examining total personnel costs, and reviewing positions as they become vacant.

2. Develop a plan to maximize employee performance. OMB stated that, "at a minimum, agencies must address the timeline and implementation actions . . . to accomplish . . . five actions": (1) review and update formal agency policy; (2) provide transparency around the performance improvement plan process; (3) ensure managers and supporting HR staff are appropriately trained; (4) ensure accountability in manager performance plans; and (5) establish real-time manager support mechanisms.

3. Develop an Agency Reform Plan. The plan "must include proposals for the agency's long-term workforce reduction . . . and be aligned with the draft agency strategic plan. When developing [the plan, agencies should coordinate] with OMB[, and] . . . consult with key stakeholders including . . . [the] workforce. OMB will work with agencies to finalize these plans as part of the development of the President's FY 2019 Budget." The plan was to be submitted to OMB by September 2017 and include proposals in four categories: (1) eliminate activities; (2) restructure or merge; (3) improve efficiency and effectiveness; and (4) improve work force management, including the development of "a long-term workforce reduction plan."

OMB Memorandum M-17-22 further specifies eight requirements. In addressing OMB's requirements, OIG found that the Department fully complied with six and partially complied

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[13] According to the Department, the Center for Analytics is intended to serve as central entity for cross-functional analysis, enhance internal capacity for analysis within all bureaus and offices, infuse a culture of analytics into decision-making processes, and establish the foundation for a modern analytical capability.

[14] The Department's Bureau of Budget and Planning also provided OIG with examples of notifications submitted to Congress outside the 2017–2018 reform effort. OIG determined that these notifications also complied with Federal law. Department officials told OIG that they routinely notify Congress of changes that could be characterized as reorganization. Although OIG acknowledges that the Department submitted a congressional notification related to the reform effort in compliance with the acts, OIG was unable to determine whether the Department was in full compliance with the reporting requirements. The provisions are broad in scope and encompass numerous activities that fall outside of the Department's reform effort. Accordingly, OIG cannot verify that all such reorganizations were submitted in advance to Congress.

with two. Although required to do so, the Department did not submit 1) an Analytical Framework with proposals to eliminate, restructure, or merge activities and 2) a Long-Term Workforce Reduction Plan with specific actions. According to OMB officials, the absence of these plans limited the "transformational" potential of the reform effort. Table 1 provides details of the requirements and the Department's compliance with each of the eight elements.

Table 1: OMB Requirements for Agency Reform and Department Compliance

Requirement	Description	Compliance
Workforce & Cost Savings Reduction Plans	Begin taking immediate actions to achieve near-term workforce reductions and cost savings, including planning for funding levels in the President's FY 2018 budget.	Yes
June 2017 Employee Performance Maximization Plan	Develop a plan to maximize employee performance by June 30, 2017.	Yes
June 2017 Agency Reform Plan	Provide an initial high-level draft of the Agency Reform Plan.	Yes
June 2017 Short-Term Workforce Reduction Plan	Provide a report on progress on near-term workforce reduction actions.	Yes
September 2017 Agency Reform Plan	Submit an Agency Reform Plan to OMB in September 2017 as part of the Agency's FY 2019 budget submission to OMB that includes long-term workforce reductions.	Yes
September 2017 Analytical Framework	Develop a framework that results in proposals that eliminate, restructure, or merge activities; improve organizational efficiency and effectiveness; and address workforce management.	Partial
September 2017 Long-Term Workforce Reduction Plan	Develop a long-term workforce reduction plan as part of the Department's FY 2019 budget submission.	Partial
Agency Draft FYs 2018–2022 Strategy Plan	Include a strategy as a component of the FY 2019 budget submission.	Yes

Source: Generated by OIG from Memorandum M-17-22 and statements made by OMB officials regarding the Department's implementation of Memorandum M-17-22.

Partial Absence of Analytical Framework and Workforce Reduction Plan

OMB required the Department to include an Analytical Framework with proposals in four categories: (1) proposals that eliminate activities that are not core to the agency's mission or are needlessly redundant; (2) proposals that restructure or merge activities; (3) proposals that identify opportunities to improve organizational efficiency and effectiveness; and (4) proposals that address workforce management by reducing the workforce and maximizing employee performance. OIG found that the Department's Analytical Framework did not include proposals to eliminate, restructure, or merge activities. It did, however, include proposals that would improve organizational efficiency and effectiveness and address workforce management. Accordingly, OIG concluded that the Department partially fulfilled this requirement.

OMB also required the Department to develop a Long-Term Workforce Reduction Plan as part of the Department's FY 2019 budget submission. In written communications to OIG, OMB

officials stated that the Department and USAID submitted a plan that "envisioned significant consolidation of some business processes" and "significant personnel reductions and overall savings resulting from the reform plan." Furthermore, "the Department's budget request in FY 2019 reflected both initial costs of and savings resulting from the reform plan." However, OMB officials stated that the Department did not include in its budget request to Congress "specific actions to achieve the reductions or a proposal to change the way the Department conducted foreign affairs activities." As a result, OIG concluded that the Department partially fulfilled this requirement.

OMB Did Not Consider the Department's Reform Effort To Be "Transformational" Because of These Omissions

Because of the partial completion of the Analytical Framework and Long Term Workforce Reduction Plan requirement, OMB officials considered that the absence of key elements of these plans limited the "transformational" potential of the reform effort. An OMB official stated,

> Although many aspects of the Department's reform plan were the subject of internal and deliberative discussions on the FY 2019 Budget, OMB in general assessed that the Department's initial submission partially met the requirements described in OMB Memorandum M-17-22. [The Department] submitted proposed reforms that were intended to implement internal business process changes to improve the effectiveness and efficiency of the Department and the ability of staff to support U.S. foreign affairs and national security goals. In particular, the Department provided details on human capital, informational technology, and management support workstreams – along with a set of "quick wins" to implement easily achieved internal reforms – which demonstrated an in-depth reform planning process. However, [the Department's] plan did not include a reorganization proposal.[15]

An OMB official also stated,

> At the time of the submission, OMB had been impressed with the effort State and USAID had made on both business process reform and reorganization. In fact, we were optimistic that [the Department's] efforts could be transformational. [The Department's] FY 2019 Congressional Budget Submission included $96 million for human capital reform and $150 million for information technology. Unfortunately, the joint [Department]/USAID effort fell apart during the fall of 2017. A formal reorganization proposal was never submitted and the shared services efforts, which accounted for the biggest piece of net savings, were abandoned. The projects [the Department] has continued to pursue are

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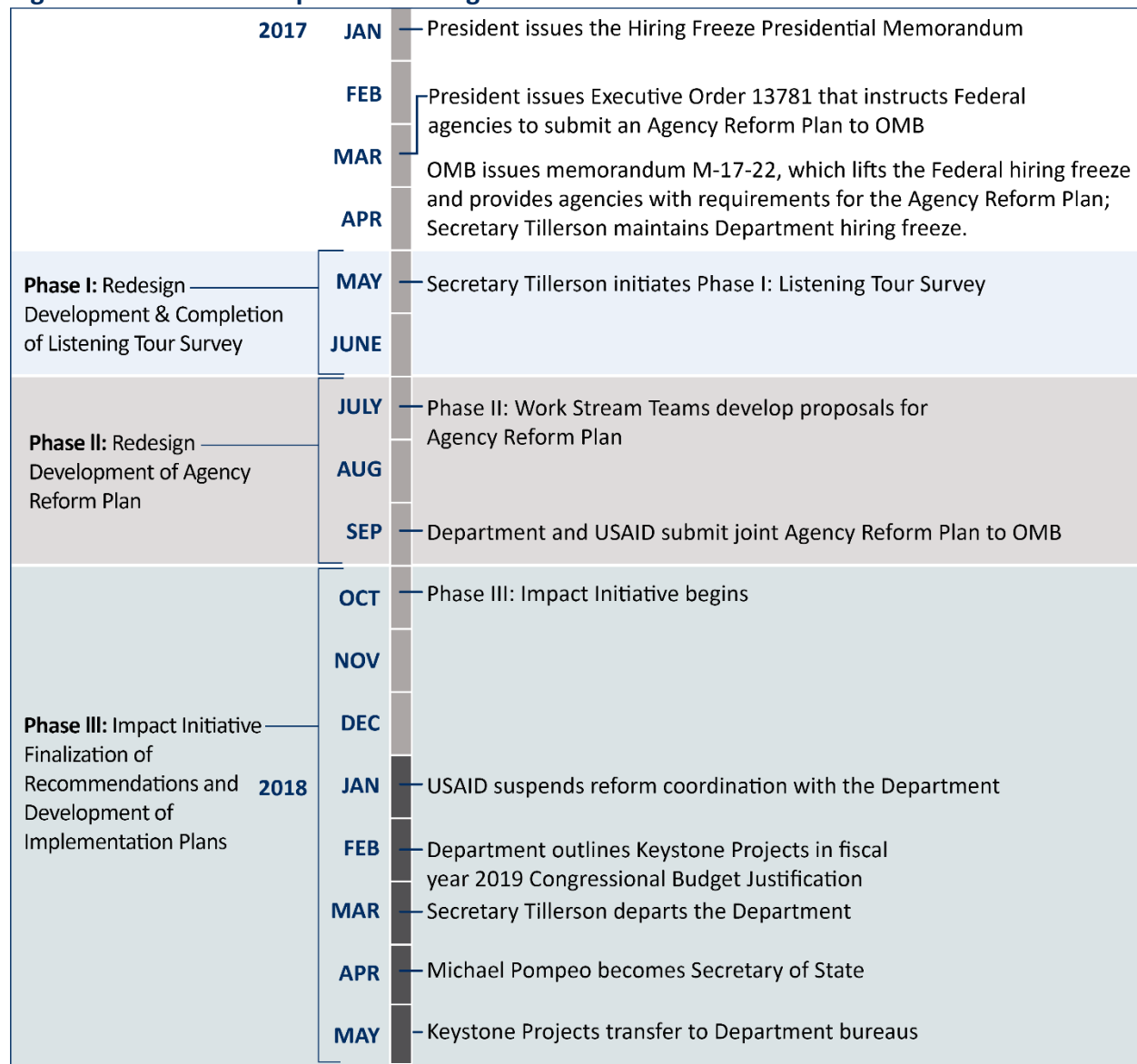[15] OMB, Responses to State OIG Redesign Questions, May 1, 2019.

useful but not transformational. Consequently, the FY 2020 Budget did not
maintain the reform funding proposed in FY 2019.[16]

Finding B: The Department Used a Three-Phased Approach To Develop and Implement its Organizational Reform Efforts

OIG was directed to review the processes by which the Department and USAID developed and implemented reorganization and redesign efforts and plans.[17] In doing so, OIG found that the Department used a three-phased approach to develop and implement its organizational reform efforts. The Department sent a Listening Tour Survey to Department employees, which constituted Phase I. The Department then initiated Phase II, which organized "work stream teams" and directed them to develop proposals for inclusion in the Agency Reform Plan. For Phase III, the Department assigned "outcome teams" to create implementation plans for the 16 "Keystone Projects" reform leadership identified. The Department expended approximately $13 million in contracted services in support of the three-phased reform effort. Figure 1 shows the timeline of the Department's organizational reform effort, and Appendix C explains key terminology. As set forth below, OIG cannot clearly connect the raw data collected for the Listening Tour Survey to the report summarizing the data from that survey. Similarly, OIG cannot connect the report to the efforts in Phase II and cannot connect Phase II with decisions and choices made in Phase III.

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[16] Ibid.
[17] Explanatory statement for H.R. 1625, at H2854.

Figure 1: Timeline of Department's Organizational Reform Efforts

2017	**JAN**	President issues the Hiring Freeze Presidential Memorandum
	FEB	President issues Executive Order 13781 that instructs Federal agencies to submit an Agency Reform Plan to OMB
	MAR	OMB issues memorandum M-17-22, which lifts the Federal hiring freeze and provides agencies with requirements for the Agency Reform Plan; Secretary Tillerson maintains Department hiring freeze.
	APR	
Phase I: Redesign Development & Completion of Listening Tour Survey	**MAY**	Secretary Tillerson initiates Phase I: Listening Tour Survey
	JUNE	
Phase II: Redesign Development of Agency Reform Plan	**JULY**	Phase II: Work Stream Teams develop proposals for Agency Reform Plan
	AUG	
	SEP	Department and USAID submit joint Agency Reform Plan to OMB
Phase III: Impact Initiative Finalization of Recommendations and Development of Implementation Plans	**OCT**	Phase III: Impact Initiative begins
	NOV	
	DEC	
2018	**JAN**	USAID suspends reform coordination with the Department
	FEB	Department outlines Keystone Projects in fiscal year 2019 Congressional Budget Justification
	MAR	Secretary Tillerson departs the Department
	APR	Michael Pompeo becomes Secretary of State
	MAY	Keystone Projects transfer to Department bureaus

Source: Generated by OIG from a review of 2017 Presidential Memorandum imposing a hiring freeze, EO 13781, OMB Memorandum M-17-22, the Department's FY 2019 Congressional Budget Justification, and other documents.

Phase I: Redesign—Development and Completion of Listening Tour Survey

Phase I of the reform effort began in May 2017. The Department awarded a sole-source contract to Insigniam LLC to conduct a Listening Tour Survey that would solicit perspectives, suggestions, and insights on improving efficiency, effectiveness, and accountability within the Department and USAID. Insigniam drafted questions for an online questionnaire and provided them to the Secretary, the Executive Steering Committee (ESC),[18] and others at the Department

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[18] The ESC was made up of seven Department and five USAID senior officials and chaired by the Deputy Secretary of State. According to the Department, the ESC was intended to provide overall guidance to the teams in the reform process. From the Department, in addition to the Deputy Secretary, the members were the Under

for comment. The questions went through several rounds of comments among the Department, USAID, and Insigniam before they were finalized. The survey was then sent to all individuals who had a current Department or USAID email address, which included Department and USAID employees, contractors, and eligible family members. Of the more than 87,000 people who were sent the survey,[19] 35,386 individuals responded, 27,837 of whom were Department employees.[20] To supplement the survey responses, Insigniam also conducted 175 interviews with employees working at multiple domestic offices and overseas embassies and posts.[21] (OIG provides details on the survey respondents in Finding C.)

Using the results of the online survey and the in-person interviews, Insigniam prepared a Listening Tour Report and provided it to the Secretary in June 2017. Secretary Tillerson, in a Department notice to staff, said Department leadership selected about 170 ideas from the Listening Tour Survey to inform Phase II of the process. In response to OIG's request for information, Insigniam officials stated that they did not have documentation demonstrating how the data from the survey was used to develop the Listening Tour Report, and therefore OIG could not clearly connect the raw data collected for the Listening Tour Survey to the report summarizing the data from that survey. Additionally, OIG could not connect the report to the efforts in Phase II.

Phase II: Redesign—Development of Agency Reform Plan

Phase II of the reform effort began in July 2017. During Phase II, approximately 200 Department and 100 USAID employees compiled ideas for the joint Agency Reform Plan. Staff members were divided into five teams, called "work stream teams" and instructed to think "big" about how to improve operations within each assigned subject. The five teams were Overseas Alignment & Approach, Foreign Assistance, Human Capital Planning, Management Support, and IT Platform Planning. Each team was co-led by one senior Department official and one USAID official, and the work streams were supported by contractors from Deloitte Consulting LLP (Deloitte) and Insigniam. According to a senior Department official, participants were initially recommended by Department bureau leaders; the individual recommendations were compiled into a list. According to the same individual, the Deputy Chief of Staff then filtered that list based on perceived loyalty to the Administration.[22] Afterward, this list was given to work

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Secretary of State for Political Affairs, the Acting Under Secretary of State for Management, the Acting Legal Adviser, the Ambassador to Bangladesh, the Executive Secretary, and the Deputy Chief of Staff. From USAID, members included the Acting Administrator, the Acting Assistant Administrator, and the Chief of Staff.

[19] The Department employed approximately 80,000 people (foreign service, civil service, local staff, and eligible family members) in 2017.

[20] Individuals were counted as respondents when they submitted surveys with at least one question answered.

[21] The ESC selected the locations that Insigniam could visit and conduct in-person interviews. The committee expressed an interest in including a wide variety of domestic offices and overseas embassies and posts. The Department and USAID human resources staff selected a representative sample of staff to be interviewed.

[22] As described in Appendix D, the Department's response questioned the inclusion of this sentence. After review of the Department's comments, OIG declined to modify the report on this point. Although OIG cannot independently verify that the lists had been filtered in the manner described, the information cited meets OIG's standards for reliability and relevance. The statements are from a senior Department official with first-hand knowledge of the issue, and the person was in a position to obtain the information in question. OIG received no

stream team leads, who selected several individuals from the list; in addition, these leads requested specific employees not on the list who they believed would bring additional value.

Work stream team participants noted that, in addition to the survey results, they used previous Department reform documentation to help inform their efforts. Table 2 describes the work stream teams and assignments.

Table 2: Phase II Work Streams and Topic Areas

Work Streams & Topic Areas
Foreign Assistance
Analyze current foreign assistance policies and programs at the Department and USAID to develop a future vision, ensuring alignment with national priorities.
Human Capital Planning
Identify ways to promote an agile and empowered workforce as part of an overarching talent map.
IT Platform Planning
Focus on improving the employee experience by increasing the use of cutting-edge technology and streamlining duplicative systems and processes.
Management Support
Identify opportunities to streamline administrative support functions at the bureau and agency levels to ensure frontline effectiveness.
Overseas Alignment & Approach
Assess key diplomatic activities and identify required platforms. Efforts include assessing the balance of work between headquarters and the field.

Source: USAID OIG, *Redesign Efforts Have Shifted Over Time* (9-000-18-003-P, March 2018).

Work stream teams developed blueprints for each proposed project that identified milestones, potential advantages, and risks and described strategies for mitigating risks. From the blueprints, teams developed business cases with proposed actions and potential impacts, such as savings and investments. All documents were presented to the ESC, which reviewed the proposals to determine viability. Phase II ended in September 2017 with the submission of the joint Agency Reform Plan to OMB. The plan included seven proposals:

- Streamlining policy process and presence
- Maximizing the impact of foreign assistance
- Implementing a global service delivery framework
- Readying and empowering a twenty-first century workforce
- Improving governance and accountability for IT platforms
- Modernizing legacy systems and software
- Upgrading technology infrastructure to work anywhere, anytime

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information contradicting or casting doubt on these representations. Use of this information is also consistent with OIG's overall approach to this project. In particular, as described throughout the body of the report and in the methodology section, OIG relied extensively on interviews with a range of Department personnel, both because of the nature of the inquiry and because of the lack of documentation on certain issues. Finally, the information is substantively relevant because it provides information on one of the questions OIG examined— namely, the extent to which employees provided input into reform efforts and plans.

In addition to the proposals presented in the Agency Reform Plan, Insigniam identified seven projects from the Listening Tour survey results and created teams for each of these projects called "quick wins." The seven quick win projects were intended to be addressed within 4 months of initiation.[23] According to the Agency Reform Plan, the quick win projects would "immediately begin the change process[;] [b]y addressing employee issues first, [the Department] demonstrate[s] the value placed on [its] workforce."

OMB guidance provided that the proposals within the Agency Reform Plan must demonstrate cost savings[24]; however, according to a working group lead, work stream teams were not instructed to identify cost savings related to their assigned proposals. Rather, an independent working group[25] was directed to identify cost savings after ideas from work streams were formulated.[26] In his testimony to Congress in September 2017, the Deputy Secretary explained that the proposed savings were "efficiencies that [the Department] expect[s] . . . when [it] implements [the] new processes, procedures, and efficiencies. . . ."

In addition to the Agency Reform Plan submitted to OMB, Phase II work stream participants created a second plan, termed the "Secretary's Road Map." Participants understood that this plan, with a larger scope than the OMB submission, would provide the vision moving forward to Phase III participants regarding the ideas selected for implementation.[27] However, a senior Department official stated that he learned in discussions with Secretary Tillerson that the Secretary did not know that this second, more aspirational reform plan existed. The Secretary's Road Map was never used during Phase III.

Phase III: Impact Initiative—Finalization of Recommendations and Development of Implementation Plans

Phase III of the reform effort began in October 2017. Phase III focused on project implementation and was "rebranded" as the "Impact Initiative." Staff members were restructured into eight "outcome teams," with seven of those teams to focus on implementing 16 reform projects, which were termed "Keystone Projects."[28] The 16 Keystone Projects appeared to be revised and scoped down from the original ideas submitted as a part of the Agency Reform Plan. For example, the Agency Reform Plan identified "maximizing the impact of

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[23] Quick win projects were (1) increasing eligible family member employment, (2) improving the permanent change of station process, (3) improving telework flexibility for employees to temporarily work remotely as needed, (4) improving the security clearance process, (5) streamlining the official travel policy, (6) accelerating deployment of the cloud computing platform, and (7) establishing a combined USAID and Department global address list. See Table B.2 for further details.

[24] OMB, Memorandum M-17-22, 8.

[25] Several work groups were established to support the work stream and outcome teams, such as Communications and Data Analytics.

[26] Department officials stated that they could not provide OIG with supporting documentation demonstrating how the estimated cost savings were calculated.

[27] OIG did not obtain clear information regarding who provided this information to work stream participants.

[28] The eighth outcome team, the Leadership Coalition, was part of the Department's leadership Initiative. The Leadership Development and Training team was composed of senior and rising Department employees charged with advising the outcome teams on implementation of the modernization initiatives.

foreign assistance" as one of seven proposals; OIG identified the related Keystone Project as "defining and improving foreign assistance budget processes." OIG views "defining and improving foreign assistance budget processes" as only one potential component of "maximizing impact of foreign assistance." Additionally, Department officials could not clearly explain to OIG how the projects were developed and selected, nor could they produce any documentation demonstrating how the 16 Keystone Projects related to projects described in the Agency Reform Plan. OIG analyzed the Keystone Projects versus the Agency Reform Plan and was able to match three Keystone projects to specific proposals in the Agency Reform Plan. OIG also notes that some of the 16 Keystone Projects were already in motion prior to the reform effort. For example, the Microsoft 365 project had been in the implementation process for about two years before the reform effort began.[29]

Although the Agency Reform Plan submitted to OMB did not include a timetable for implementation, contract documents indicate that Phase III was intended to begin the implementation process for efforts described in the Plan; in addition, implementation of the quick win projects identified in Phase II began during Phase III, and Department officials stated that they anticipated that these quick win projects would begin achieving results in November and December 2017. Table 3 describes the outcome teams and the 16 Keystone Projects assigned in 7 distinct areas.

Table 3: Phase III Outcome Teams and 16 Keystone Projects

Outcome Teams & Keystone Projects
Human Capital and Talent Management
Keystone Projects: (1) workforce readiness; (2) agile performance management
IT Modernization
Keystone Projects: (3) real-time collaboration and work anywhere, anytime; (4) modernizing IT systems and service delivery; (5) improving enterprise-wide data availability
Data and Analytics
Keystone Projects: (6) building capacity and data literacy; (7) broadening and enhancing access to data and analytics; (8) increasing global awareness and data assets
Global Presence
Keystone Projects: (9) establishing a new global presence governance process; (10) developing the overseas presence and national interest data model to inform presence decisions; (11) leveraging existing and creation of new post archetypes
Policy Processes
Keystone Project: (12) a clarified and improved process to make State and USAID more effective in guiding and implementing US diplomacy and development policy
Foreign Assistance
Keystone Project: (13) defining and improving budget processes for foreign assistance – establishing a foreign assistance budget process that is effective, efficient, and driven by strategy
Operational Efficiencies
Keystone Projects: (14) assessing human resource (HR) service delivery real property; (15) assessing moving to a single real property platform and implementing internal/external process improvements; (16) overseas building operations (OBO) strategic sourcing
Source: Generated by OIG from information obtained from the Department.

[29] Several IT modernization projects are subject to reporting requirements under the Federal Information Technology Acquisition Reform Act of 2014 or the Government Performance and Results Modernization Act of 2010; both acts pre-date the reform effort that began in 2017.

In January 2018, USAID suspended its involvement in the joint reform effort, and Phase III formally ended in April 2018, following Secretary's Tillerson March 2018 departure from the Department. The outcome teams were provided a few weeks to complete their work and share what they had developed with specified bureaus. The bureaus then had the authority to determine whether to implement the proposed reform projects. That is, there was no direction from Department leadership regarding these projects.

Contractor Involvement in the Three-Phased Approach

The Department spent approximately $13 million on contractor support during the 11 months of the reform effort. As stated previously, Insigniam conducted the Listening Tour Survey in Phase I. Deloitte provided project management consulting services and technical expertise in Phases II and III (Insigniam became a sub-contractor to Deloitte during Phases II and III). Table 4 shows the amounts paid to Deloitte and Insigniam in support of the Department's reform effort.

Table 4: Contractor Costs

Support Type	Contractor Cost	Percentage of Total
Phases II & III Labor	$9,818,389	74
Fees	1,319,306	10
Intellectual Property	1,034,200	8
Phase I Listening Tour Survey	850,000	6
Travel	182,340	1
Expenses	78,571	1
Total	**$ 13,282,806**	**100**

Source: Generated by OIG from data obtained from the Department.

Status of the Department's Reform Efforts

In summary, OIG cannot clearly connect the raw data collected for the Listening Tour Survey to the report summarizing the data from that survey. Similarly, OIG cannot clearly connect the report to the efforts in Phase II and cannot connect Phase II with decisions and choices made in Phase III. However, the Department did undertake 16 projects to improve Department processes, some of which have continued and remain in various stages of implementation. As of June 2019, 1 Phase III Keystone Project was complete, 13 were ongoing, 2 were suspended, and 1 was canceled (the canceled Keystone Project was subsequently replaced with a related project that is currently ongoing). At the time of OIG's review, four of the seven Phase II quick win projects were complete, and the remaining three were considered ongoing. OIG also identified two additional projects that employees developed after their participation in the reform effort (see Appendix B for details and status of all projects).

Finding C: Employees and Others Provided Input Into Reform Effort, But Connection to Agency Reform Plan and Reform Projects is Unclear

OIG was directed to review the extent to which employees of the Department provided input into reform efforts and plans,[30] including an examination of the extent to which the recommendations for the plans were proposed by "employees, contractors, and Federal employees outside of [the Department]."[31] In doing so, OIG found that employee input into the reform effort and the associated recommendations in the Agency Reform Plan involved 35,386 individuals (43 percent) who responded to the Listening Tour Survey, which was sent to more than 87,000 Department and USAID email accounts. The individuals whose opinions were solicited included career employees, contractors, and Federal employees outside the Department. OIG could not establish the extent to which responses from survey participants directly influenced the recommendations offered in the Agency Reform Plan or the extent to which efforts described in the Plan were carried out in Phase III, the Impact Initiative. Specifically, the Phase I survey results cannot be clearly connected to the Phase II recommendations in the Agency Reform Plan. The Phase II Agency Reform Plan recommendations are not the same as the Phase III Keystone Projects, and OIG could not determine how the 16 Keystone Projects were developed. However, OIG did verify that approximately 500 Department and 125 USAID employees participated on teams whose proposals contributed in some way to the recommendations in the Agency Reform Plan and to a lesser extent, the development of the 16 Keystone Projects.

Input Provided Through Listening Tour Survey

The former Secretary of State initiated the Listening Tour Survey to solicit input from all Department and USAID employees. The Department contracted with Insigniam to facilitate the development and issuance of the online survey. The survey was sent to all individuals who had a current Department or USAID email address and included contractors and eligible family members. The survey included questions that touched on employees' understanding of the Department's mission, opportunities to provide feedback to supervisors, resources and tools employees needed to do their jobs, and opinions on "missions or responsibilities that should be transferred from the Department to other Departments or agencies."

As noted previously, the survey was sent to more than 87,000 individuals. Of this group, almost 80,000 individuals were from the Department.[32] According to the Insigniam Listening Tour Survey Report, overall, 35,386 individuals responded to at least one question in the survey—27,837 were from the Department (a response rate of approximately 35 percent), and 6,142 were from USAID.[33] Although approximately two-thirds of the civil service and foreign service workforce at the Department responded, only 13 percent of locally employed staff (who make

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[30] Explanatory statement for H.R. 1625, at H2854.
[31] Senate Report 115-152 from the Committee on Appropriations, September 7, 2017, 102.
[32] Department of State [Human Resource] Fact Sheet, March 31, 2017. Totals include foreign service, civil service, eligible family members, and locally employed staff.
[33] The remaining 1,407 individuals did not answer the demographic questions (such as affiliated agency).

up the largest body of employees) provided input. Insigniam also conducted 175 in-person interviews with both embassy and domestic staff to supplement the survey responses. See Table 5 for details of Department Listening Tour respondents.

Table 5: Department Employee Respondents to the Listening Tour Survey

Location	# of Department Employees Provided the Survey[a]	# of Respondents to the Survey	% of Employees Who Responded to the Survey
Overseas	63,448	14,268	22
Domestic	15,608	12,440	80
Total	**79,056**	**27,837** [b]	**35**

Respondent Categories	# of Department Employees	# of Department Respondents to the Survey	% of Department Respondents to the Survey
Foreign Service – Generalist	8,176	6,331	77
Foreign Service – Specialist	5,853	3,494	60
Civil Service	10,978	6,009	55
Locally Employed Staff	50,548	6,735	13
While Actually Employed (WAE)	*[c]	329	*
PSC Contractor	*	724	*
Other Contractor	*	2,181	*
Eligible Family Member – Mission Employed	3,501	1,261	36
U.S. Military/Uniformed Services	*	78	*
Intern	*	122	*
Seasonal	*	5	*

[a] Total number of foreign service generalists, foreign service specialists, civil service, eligible family members, and locally employed staff in March 2017. Employee location estimated based on HR Fact Sheet, March 31, 2017.

[b] The overseas and domestic total is 26,708 respondents. However, Insigniam's Listening Tour Report indicates 27,837 for total Department respondents because a respondent only needed to answer at least one question. While the difference of 1,129 people did not answer the location question, they are still counted as respondents.

[c] Unknown.

Source: Generated by OIG from data obtained from the Listening Tour Survey Report, Department's 2017 HR fact sheet, and other reform effort documentation received from the Department.

Based on the feedback obtained from the survey, Insigniam developed a Listening Tour Report. However, OIG found that Insigniam did not maintain documentation that tracked its source data to the summary report. Therefore, OIG was not able to determine the extent to which the information in the Listening Tour Report was supported by data obtained via the survey; in other words, OIG could not clearly connect the survey data to the report. OIG interviewed Department reform effort leaders; support staff; and work stream team, outcome team, and working group leaders and participants to obtain feedback regarding the Listening Tour Report. Some interviewees told OIG that they considered many of the main points highlighted in Insigniam's Listening Tour Report to be areas Department employees would like to see improved. For example, one interviewee asserted that recommendations to improve IT would be welcomed by employees. At the same time, several stated some recommendations in the report seemed of questionable interest to most Department employees. These interviewees

cited as an example the recommendation to move the Department's Bureau of Consular Affairs to the Department of Homeland Security.[34] OIG reviewed the results from the Listening Tour Survey and estimated that only 639 of the 35,386 respondents (1.8 percent) recommended consolidating Consular Affairs or its functions into a single agency.[35] Of the 639 respondents recommending consolidation, 92 percent specifically mentioned transferring Consular Affairs, or part of its function, to the Department of Homeland Security. The remainder recommended other forms of consolidation (combining consular functions in Government to the Department of Homeland Security, the Department, or elsewhere). In the end, it is unclear what motivated inclusion of this recommendation.[36]

Input From Work Stream Teams and Outcome Teams

The Phase II work stream teams provided the most substantial input into the joint Agency Reform Plan. The work stream teams consisted of approximately 200 Department employees and 100 USAID employees who participated either full time or part time during the reform effort. Approximately half of these participants were civil service employees, and half were foreign service. Working-level staff (GS-11 to GS-15 and FS-06 to FS-01) comprised 72 percent of participants, and senior executive and foreign service staff comprised 28 percent. According to a senior Department official, participants were initially recommended by Department bureau leaders, and a list of potential participants was compiled from those recommendations and filtered. The list was given to work stream team leaders who then selected individuals for participation. One work stream team leader also added employees to the team who were not on the list but who, in the leader's opinion, would bring additional value. Three hundred Department and USAID employees participated in 8 outcome teams that provided input into *how* a specific Phase III Keystone Project would be implemented; however, those employees did not have a role in selecting *which* projects were implemented.

Other Methods of Input

Department employees had other opportunities to submit feedback regarding the reform effort, such as through a website portal[37] and during outreach activities held by work stream teams. A Phase II working group participant familiar with the website portal data estimated that about 1,200 submissions were received. Many work stream teams reported incorporating feedback and ideas from the website submissions into Agency Reform Plan project proposals. The teams also conducted interviews and outreach activities to solicit additional feedback from Department staff. In addition, participants noted that they used information derived from previous Department reform efforts to help inform their current efforts, including the Quadrennial Diplomacy and Development Review of 2015, the Quadrennial Diplomacy and

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[34] Because of employee and Congressional concerns, Deputy Secretary Sullivan testified in Congress that Consular Affairs would not, in fact, move to the Department of Homeland Security.

[35] OIG conducted a sample of the relevant data and projected estimates for these conclusions.

[36] OIG acknowledges that various interviewees attributed this to "politics" but cannot draw any independent conclusions on this point.

[37] The transformation management team managed a website for employees. This intranet page contained information about the reform effort and allowed employees to submit ideas.

Development Review of 2012, external reports, and the Readiness Initiative.[38] Lastly, external stakeholders were given an opportunity to submit white papers and ideas for consideration through online portals. These were managed by OMB and Deloitte, respectively, which periodically distributed comments to teams.

Employee Recommendations

As described previously, after the Phase I Listening Tour Survey, five topic areas were developed that became the Phase II work streams: Overseas Alignment & Approach, Foreign Assistance, Human Capital Planning, Management Support, and IT Platform Planning. As also noted previously, Insigniam could not provide documentation correlating the Phase I survey results with the Phase II work stream topic areas. Moreover, Department officials provided varying explanations of how Phase II work stream topic areas were developed. For example, several Department officials said the topic areas were developed from Listening Tour feedback, yet an official who developed the work stream teams said the topic areas did not come from the Listening Tour but from "common sense."

OIG analyzed the survey data in an attempt to determine whether the five work stream topics were areas of importance to the survey respondents. OIG assessed "importance" by using statistical analysis and specialized software that attempted to correlate survey responses with particular topic areas that were addressed in Phase II. Using this approach, OIG found that three of the five topic areas (human resources, IT, management) may have represented areas of importance to respondents and that the other two (overseas alignment and presence, foreign assistance) may have been of minimal interest. Consequently, the IT, human resources, and management work stream teams were able to use the survey report and data; however, the other two teams had insufficient survey responses relating to their topics to use the information. OIG was not, however, able to determine if Department staff had areas of interest outside the five work stream topics because the raw data was difficult to analyze and the responses could encompass or relate to numerous questions. Specifically, many of the survey questions were open ended, which meant that there was an unlimited set of possible answers that could, as noted, cover more than one question. Even with extensive analysis, it would have been challenging to categorize responses in a way that would clearly indicate the top five areas of interest from Listening Tour Survey respondents.

Likewise, Department officials told OIG that they believed the survey questions were poorly structured and they found it challenging to analyze the data and gain useful information. For example, in response to concerns voiced by Department officials during the Phase II process, the data analytics working group attempted to analyze survey data to provide work stream teams with useful information. Their analysis found that the survey responses identified areas of interest similar to the five themes selected; however, a number of themes from that analysis—such as changing the Department's approach to overseas housing, challenges with

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[38] In 2002, the Department implemented the Diplomatic Readiness Initiative to address shortfalls in the number and skills of employees. The Quadrennial Diplomacy and Development Review was a blueprint for advancing America's interests in global security, inclusive economic growth, climate change, accountable governance, and freedom. The first review was initiated under Secretary Clinton in 2010 and continued to a second review in 2015.

disproportionate fiscal year spending, or streamlining the visa process—were not represented in the Agency Reform Plan, the Keystone Projects, or the quick win projects.

From interviews with 17 work stream team, outcome team, working group and senior leader participants, OIG learned that, although most Phase II work stream teams used survey data as one of many methods to generate ideas, usage of this information in Phase III outcome teams varied. Figure 2 shows the extent to which the teams and working groups used survey data.

Figure 2: Teams and Groups Use of Listening Tour Survey
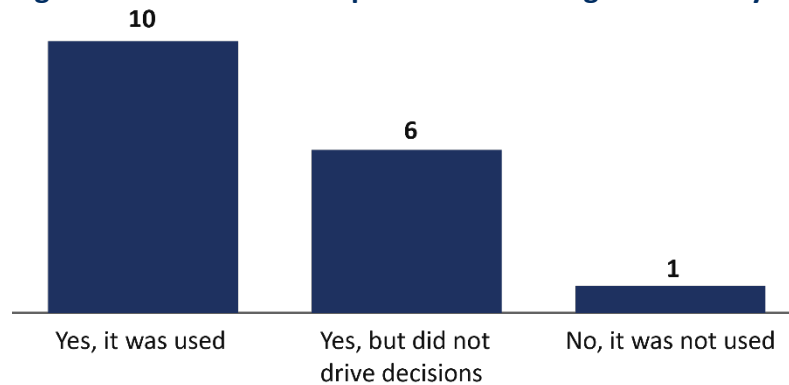
Source: Generated by OIG from interviews with Department officials who participated in work stream teams, outcome teams, and working groups.

According to some of the work stream team leads that OIG interviewed, input solicited throughout the reform process informed participants crafting of proposals in Phase II. Ultimately though, work stream teams decided what they would propose to the ESC. The ESC then referred proposals from the team's work stream submissions and provided them to senior leadership for selection. Senior leadership decided what would go into the Agency Reform Plan. Department senior leadership scaled back the proposals from Phase II into the 16 Keystone Projects.

Because there was no documentation demonstrating how the information in the survey ultimately resulted in the recommendations laid out in the Agency Reform Plan, OIG was not able to fully assess this point and could not clearly connect Phase II to Phase III. However, OIG conducted interviews with work stream team leads and others with integral knowledge of the reform process to gauge their opinion on the extent to which the Agency Reform Plan reflected the overall sentiments of Department personnel.[39] According to most interviewees, final project selection for the Agency Reform Plan was based on the goals of overall cost savings and staff reduction, as opposed to areas of greatest importance or impact to Department staff. One senior official [who was closely involved in the reform process] asserted that project selection for the Agency Reform Plan was a top-down process. In addition, a majority of staff members noted that, although many of the proposals submitted to the ESC and senior leadership for

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[39] OIG included the perspective of these personnel for two reasons. First, they were closely involved in the reform effort and therefore had unique insight into the effort. Second, because they were also Department employees, OIG determined that their views could reflect those of their colleagues.

consideration were developed from a bottom-up process (i.e., they were employee-driven ideas), the result of the Department's reform effort appeared to be more top-down.

Figure 3 shows how 26 key participants in the reform process perceived the effort, as bottom-up or top-down.

Figure 3: Reform Effort Participants' Perception of Approach to Project Selection
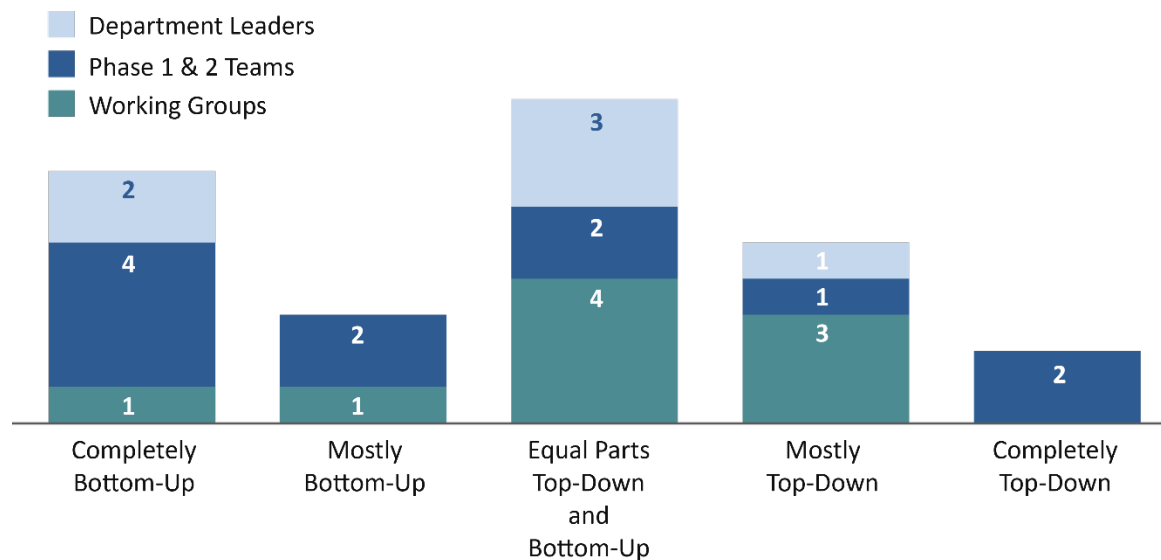
Source: Generated by OIG from interviews with Department officials.

In the end, however, OIG found that, although the survey data may not have driven the ideas included in the Agency Reform Plan, 14 of the 16 Keystone Projects came from work stream topic areas that were of interest to thousands of employees.

Contractors

The only opportunity for Department contractors to provide input was through the Listening Tour Survey provided in Phase I, although not all contractors received the survey. Still, it should be noted that contractors played a primary role in providing management consulting services and technical expertise for the reform effort.[40]

Federal Employees Outside the Department

The Phase I Listening Tour Survey, Phase II work stream teams, and Phase III outcome teams provided opportunity for input from Federal employees outside the Department, which were

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[40] Each work stream team in Phase II and every outcome team in Phase III was provided with at least one Deloitte consultant and one Insigniam consultant, as needed. These team consultants (as well as consultants that managed the overall effort) were charged with running day-to-day project management, such as identifying problems and solutions, facilitating, and leading organization design. For example, Deloitte consultants assigned to work stream teams would type notes from meetings and then synthesize those notes into templates for teams to produce deliverables such as project charters, blueprints, and business cases. These documents supported team proposals.

primarily USAID employees. OIG could not establish whether survey responses from employees of other agencies directly influenced the Agency Reform Plan or the 16 Keystone Projects. However, work stream participants said the feedback was taken into consideration in developing proposals. To a lesser degree, Phase III outcome teams used the data directly in helping to develop the 16 Keystone Projects. Nevertheless, USAID had anywhere from 25 to 100 employees involved in the joint reform effort at various stages, most of these employees were part of the Phase II work stream teams and the Phase III outcome teams, so they may have been influential in the development of recommendations and the 16 Keystone Projects.

Finding D: Lessons Learned and Observations From Organizational Reform Participants

Participants in the organizational reform effort shared with OIG lessons learned and observations of the process employed. Several participants believed that the effort was a "missed opportunity" to truly reform the Department and emphasized that leadership, communication, and coordination of a coherent mission with integrated strategic goals are paramount to achieving agency efficiencies, effectiveness, and accountability. Information garnered from participants about the Department's reform effort is included in this report for reference, should a similar effort be undertaken in the future. OIG also notes that it has relied heavily on interviews because of the absence of documentation for key decisions and processes.

Top Leadership Must Set Direction, Tone, and Pace for Successful Reform

The Government Accountability Office (GAO) provides guidance to Federal agencies for developing reform efforts and plans. These standards are intended to apply in a wide range of circumstances, and the fact that the reform efforts at issue here were directed by the President and guided by OMB do not diminish their relevance. To the contrary, it is particularly important to consider such guidance when the organization itself has not chosen to embark on such an endeavor.

In its report "Results-Oriented Cultures, Implementation Steps to Assist Mergers and Organizational Transformations," GAO states that a key practice for organization transformations is to "ensure top leadership drives the transformation." Specifically, GAO states that,

> Because a merger or transformation entails fundamental and often radical change, strong and inspirational leadership is indispensable. Top leadership (in the federal context, the department Secretary, Deputy Secretary, and other high-level political appointees) that is clearly and personally involved in the merger or transformation represents stability and provides an identifiable source

for employees to rally around during tumultuous times. Leadership must set the direction, pace, and tone for the transformation.[41]

The Foreign Affairs Manual (FAM) also codifies the GAO guidance, stating that to the extent practicable, major reorganizations should follow the same eight key practices, including "ensur[ing] top leadership drives the transformation."[42]

Lack of Executive Direction and Turnover of Leadership Negatively Affected Department Reform Efforts

Participants in the organizational reform effort told OIG that leadership deficiencies hampered the reform effort. Specifically, leaders changed frequently, and executive-level direction was minimal. This input corresponds to GAO's finding that the Department's reform effort lacked leadership focus and attention.[43]

Changes in Senior Leadership

During the 11 months of the reform effort, leadership changed frequently and, of the four different leaders named, only two were formally designated. In addition, for approximately 6 of the 11 months—including most of Phases I and II—the initiative had no formally designated leader. When asked, most interviewees had difficulties identifying the person in charge of the reform effort. According to an ESC member, the ESC's role was to "guide efforts, but never to approve or act." Table 1 presents the leadership changes associated with the Department's reform efforts between January 2017 and April 2018.

Table 6: Department Reform Leadership Changes Between January 2017 and April 2018

Date	Reform Status	Leadership
January 2017	Administration issues memorandum for hiring freeze	Under Secretary of State for Management departs the agency.
May 2017	Reform Phase I begins	No appointed leader to guide reform efforts
July 2017	Phase II begins	No appointed leader to guide reform efforts. According to Department employees OIG interviewed, the Deputy Chief of Staff is the de facto leader.
August 2017	Phase II continues	Counselor appointed to guide reform efforts.
November 2017	Phase III continues	Counselor departs. Deputy Chief of Staff becomes interim leader to guide the reform efforts.
February 2018	Phase III continues	Ambassador appointed to guide the reform effort.

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[41] GAO, Results - Oriented Cultures, Implementation Steps to Assist Mergers and Organizational Transformations (GAO-03-669 July 2003), 9.

[42] 1 FAM 014.2 Key Organizational Practices, May 5, 2011.

[43] GAO, Leadership Focus Needed to Guide Agency Reform Efforts (GAO-19-450 August 2019), 13. GAO examined the status of the Department's reform efforts and the extent to which the Department addressed certain key practices critical to a successful implementation of a reform. GAO concluded that the Department had not addressed certain leading practices and key considerations related to leadership focus and attention or monitoring in implementing its reform efforts and that changes in leadership led to several projects being scaled back or delayed.

March 2018	Phase III continues	Secretary Tillerson departs.
April 2018	Reform ends	Bureaus determine which reform efforts to continue.

Source: Generated by OIG from information obtained from the Department including interviews and other documentation.

The Department also struggled with senior leadership vacancies. Many senior officials departed the agency in 2017, and several positions requiring Senate confirmation remained vacant. For example, the Department did not have an Under Secretary of State for Management, the natural leader for a reform effort focused on modernization, from January 2017 to May 2019—more than twice the entire lifetime of the reform effort.

<u>Minimal Executive-Level Direction</u>

In its report that outlines key practices for Federal agencies for implementing organizational transformations, GAO states that, "top leadership must provide a clear, consistent rationale that brings together the originating components behind a single mission to guide the transformation and bridge the differences in leadership and management styles among . . . components."[44] However, Department officials stated that direction from the Secretary's office regarding the reform effort was limited. For example, a former Department official stated that "the Secretary thought he was empowering work stream and outcome teams by providing minimal direction and limited decisions; however, participants from USAID and the Department did not always agree on an approach, nor could they develop plans for implementing large changes at the Department without official delegation of authority." Moreover, according to a senior official, the former Secretary was not aware of a concurrent reform plan known as the "Secretary's Road Map" that presented additional ideas generated by the work stream teams but not included in the Agency Reform Plan. Participants understood that this plan, with a larger scope than the OMB submission, would guide Phase III participants on selected ideas for implementation. However, the Secretary's Road Map was never used during Phase III.

Effective Communication Is Essential in Implementing a Reform Effort

GAO also specifies the key practice of "establishing a communication strategy to create shared expectations and report related progress."[45] Particularly, GAO advises agencies to:

> Communicate early and often to build trust. Organizations implementing mergers or transformations have found that communicating information early and often helps to build an understanding of the purpose of planned changes and builds trust among employees and stakeholders. Especially for employees, frequent and timely communication cultivates a strong relationship with management and helps gain employee ownership for the merger or transformation.[46]

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[44] GAO-03-669, 9.
[45] GAO-03-669, 3.
[46] Ibid, at 23.

GAO also recommends that agencies prioritize "a two-way continuing communications strategy that listens and responds to concerns of employees regarding the effects of potential reforms."[47] The guidance further emphasizes that an agency should "publicize its reform goals, timeline, and report on related progress."[48] GAO says "the demand for transparency and accountability is a fact that needs to be accepted in any public-sector transformation," and goes on to state that "a full range of stakeholders and interested parties are concerned not only with what results are to be achieved, but also which processes are to be used to achieve those results."[49]

Again, the FAM codifies the GAO guidance, stating that reorganizations should implement this key practice by communicating early and often to build trust, ensuring the consistency of the message, encouraging two-way communication, and providing information to meet specific needs of employees.[50]

Ineffective Communication Hampered the Department's Reform Effort

Many Department officials pointed to communication challenges as a major factor in the limited success of the reform effort. According to Department officials, senior leadership provided infrequent and vague communication to Department employees regarding the status of the reform effort. According to Department officials interviewed by OIG, only 8 percent were satisfied with both leadership communication and reform effort communication, 8 percent were dissatisfied with one or the other, and 84 percent were dissatisfied with both. Many interviewees describe the Department's reform effort as lacking transparency, to the extent that it was difficult to establish buy-in from Department employees at large. Although a communication working group was developed in Phase III, interviewees stated that the group lacked a defined decision-making process and had no authority to approve decisions on its own. Moreover, a member of the working group told OIG that when the group wanted to send a communication to the Department at large, the Secretary's office often did not response to its request or simply denied the request without explanation or feedback. Interviewees also stated that participants in the reform effort were discouraged from consulting with Department peers who were not involved in the reform effort. According to Department officials, the Secretary's office wanted to give participants the space to brainstorm ideas without fear of reprisal. However, interviewees explained that, in their opinion, the lack of communication hampered the overall effort.

From interviews and a review of official communications, OIG found that limited internal communications were sent out to the Department during the reform effort. In fact, the Department's reform effort only had one dedicated communications staff person until Phase III began. Although the Department assigned dedicated staff to oversee communications for the reform effort in Phase III, the communications working group struggled with a lack of guidance from the Secretary's Office as to what could be communicated. Members reported to OIG that

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[47] GAO-18-427, 11.
[48] Ibid.
[49] GAO-03-669, at 14.
[50] 1 FAM 014.2.

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they felt that this prevented them from exercising their judgment appropriately. Department officials stated that the Secretary's office often blocked dissemination of proposed communications without explanation or guidance for revision.

OIG notes that several employees stated that the lack of communication had specific and harmful consequences. For example, interviewees commented that the lack of communication exacerbated concerns prompted by various factors, including the Department's decision to continue the hiring freeze after the Federal government-wide freeze had been lifted as well as the release of the budget that proposed a 30 percent reduction. This combination of factors led some employees to believe that the reform was not a genuine effort to identify ways to make improvements but was rather intended to pave the way for resource/budget cuts. OIG expresses no opinion on this conclusion but notes that a lack of communication seemingly contributed to this perception.

Coherent Mission and Integrated Strategic Goals Should Guide the Reform Effort

In "Results-Oriented Cultures, Implementation Steps to Assist Mergers and Organizational Transformations," GAO states that a key practice for reform efforts is to "establish a coherent mission and integrated strategic goals to guide the transformation."[51]

> In successful transformation efforts, developing, communicating, and constantly reinforcing the mission and strategic goals give employees a sense of what the organization intends to accomplish, as well as help employees figure out how their positions fit in with the new organization and what they need to do differently to help the new organization achieve success.[52]

As summarized in the background section, during the first 3 months of his Administration, the President directed agencies to impose a Federal hiring freeze and to submit a plan describing how the agency would reorganize. OMB then issued memorandum M-17-22, which stated that an objective of the reform effort was to create a "lean" Government.[53]

Although M-17-22 lifted the Federal hiring freeze, the former Secretary of State chose to continue a hiring freeze for another year. The Department generally did not coordinate the implementation of the ongoing freeze with the reform effort, although OMB's guidance explicitly stated that the two efforts were interrelated. Instead, according to Department officials interviewed by OIG, separate teams acting independently, with minimal communication between them, conducted the two efforts independently. As a result, senior Department officials stated that they lacked an understanding of any long-term strategic goals the hiring freeze was intended to support and were unable to apply staffing reductions in a way that reflected the Department's strategic priorities.[54] In a May 2019 congressional interview,

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[51] GAO-03-669, at 11.
[52] Ibid. at 11.
[53] OMB, Memorandum M-17-22.
[54] OIG, *Review of the Effects of the Department of State Hiring Freeze*, ISP-I-19-23, August 2019, 5.

former Secretary Tillerson stated that he had planned to use attrition from the extended hiring freeze to assist in the reorganization of the agency.[55]

The Department's Acting Under Secretary for Management said three separate proposals for staff reduction were offered that focused on the three distinct directions for the reduction— the hiring freeze, the Agency Reform Plan, and the Administration's proposed budget cuts. Each effort, however, occurred without input from the other. The lack of integration hindered all three efforts. For example, senior Department officials told OIG that they did not have clear understanding of any long-term strategic goals the hiring freeze was intended to support and consequently, they were unable to apply staffing reductions in a way that reflected the Department's strategic priorities, including those identified in the organizational reform effort. In some cases, they said that staffing reductions undermined pursuit of key Administration priorities such as counterterrorism and border security. Department officials also told OIG that staffing reductions hindered their ability to support organizational reform effort priorities such as transitioning to cloud computing and improving the efficiency of the security clearance process.[56] By the time the Department began aligning the three separate tracks, the reform effort had effectively come to an end.

According to Department historian documentation, since 1992, 11 separate attempts to organizationally reform the Department have led to modest results. Despite significant changes in the international system, many ideas for reform have remained strikingly consistent over the past quarter century. In the past 27 years, management initiatives such as improving strategic planning, integrating foreign affairs budgeting, strengthening Chief of Mission authority at posts, and upgrading the Department's technology and communications infrastructure have recurred in virtually every reform initiative undertaken. There have also been recurrent calls for management and organization changes that reflect structural and procedural goals as well as the difficulties involved in realizing them.[57] Echoing this sentiment, one Department official said, "we keep dealing with this cyclical process of identifying the same things over and over again, without really buckling down to fix them." Most participants interviewed for this review considered the Department's organizational reform effort a "missed opportunity" and OMB characterized the effort as "not transformational." Should such a reform effort be undertaken in the future with the aim of attaining organizational efficiencies, effectiveness, and accountability, paying exemplary attention to effective leadership, communication, and the coordination of a coherent mission with integrated strategic goals may be the best approach to achieving desired results.

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[55] Committee On Foreign Affairs, U.S. House of Representatives, Interview of Rex Tillerson, May 21, 2019, 28.
[56] OIG, ISP-I-19-23, 5.
[57] Botts, Joshua. "Major Department of State Management Reform Initiatives Since 1992." Office of the Historian, 23 Jan. 2017: 1.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Inspector General (OIG) conducted this review to determine whether the processes employed by the Department of State (Department) to develop and implement its organizational reform effort that commenced in May 2017 complied with applicable Federal law and Office of Management and Budget (OMB) guidance. This review also responds to the Explanatory Statement for the 2018 Consolidated Appropriations Act (H.R. 1625) that required OIG to review (1) the processes by which the Department and the U.S. Agency for International Development (USAID) developed and implemented reorganization and redesign efforts and plans and (2) the extent to which employees of each agency provided input into these efforts and plans. Similarly, Senate Report 115-152 required OIG to review the extent to which recommendations in such plans were proposed by career employees of the Department, contractors, and Federal employees outside the Department; and "compliance with the requirements of the act and any other act."

OIG conducted this review in accordance with the Quality Standards for Inspection and Evaluation that the Council of the Inspectors General on Integrity and Efficiency issued in 2012. OIG believes that the evidence obtained provides a reasonable basis for its findings and conclusions. Issuance of this report was delayed because of the lapse in OIG's appropriations that occurred from 11:59 p.m. December 21, 2018, through January 25, 2019.

OIG conducted fieldwork for this review from October 2018 to June 2019, in Washington, DC, and Arlington, VA. To address the review objective, OIG conducted 42 interviews with more than 70 current and former officials from the Office of Acquisitions Management, Office of Management Policy, Rightsizing, and Innovation, and the Office of Budget and Planning, among others. OIG interviewed Department leadership, including the former Acting Under Secretary for Management and Executive Steering Committee members. OIG interviewed numerous employee groups and team leaders who participated in the reform effort. OIG also interviewed representatives from Deloitte Consulting LLP (Deloitte) and Insigniam LLC who were responsible for providing project management consulting services and technical expertise. OIG conducted over a dozen qualitative and quantitative analyses to arrive at conclusions and summaries. OIG reviewed the Listening Tour Report and survey data prepared by Insigniam in addition to numerous documents, including the Agency Reform Plan, blueprints, and business cases prepared by various Department personnel. OIG also obtained written statements from the Office of Management and Budget regarding their view of the Department's reform efforts. Finally, OIG coordinated with the Government Accountability Office (GAO) and USAID OIG officials with their reviews of the Department reform effort.

As part of its reform effort, the Department conducted a survey to solicit employee input to gather insight and contribution on the opportunities and challenges staff encounter in executing the mission of the Department and USAID. OIG worked with its statistician and analyzed the survey results to determine if responses were incorporated into the Department's reform efforts. For example, OIG analyzed the survey data to determine whether respondents recommended consolidating Consular Affairs or its functions into a single agency, whether the

five work stream topics were areas of importance to the survey respondents, and whether the "quick win" projects originated from survey data. OIG found the survey data was difficult to analyze and responses could encompass or relate to numerous questions. Specifically, many of the survey questions were open ended, which meant that there was an unlimited set of possible answers that could, as noted, cover more than one question.

Prior Reports

Leadership Focus Needed to Guide Agency Reform Efforts, GAO-19-450, August 2019

GAO examined the status of the Department's reform efforts and the extent to which the Department addressed certain key practices critical to a successful implementation of a reform. GAO concluded that the Department had not addressed certain leading practices and key considerations related to leadership focus and attention or monitoring in implementing its reform efforts and that changes in leadership led to several projects being scaled back or slowed down. As of April 2019, GAO found that 1 reform project was complete, 1 was discontinued, 2 were stalled, and 13 were continuing. GAO further found that bureaus and offices responsible for implementing reform projects took steps to manage and monitor projects. GAO recommended that the Secretary of State (1) determine which unimplemented reform projects, if any, should be implemented and communicate this determination to Congress and appropriate Department personnel and (2) establish a dedicated team to manage the implementation of all reform projects that the Secretary decides to pursue.

Review of the Effects of the Department of State Hiring Freeze, ISP-I-19-23, August 2019

In response to the 2018 Consolidated Appropriations Act's explanatory statement, OIG reported that the hiring freeze affected the Department's eligible family member and civil service workforce. Between January 2017 and May 2018, employment of eligible family members declined by 20.7 percent, civil service by 7.1 percent, and foreign service by 1 percent. Moreover, occupational series with security, medical, and life safety responsibilities for civil service personnel declined by 7.6 percent from January 2017 to August 2018. OIG determined that implementation of the hiring freeze was not guided by strategic goals linked to the organizational reform effort. As a result, the Department was unable to reduce staffing levels in a way that reflected strategic goals. Officials from Department bureaus, offices, and overseas posts stated that procedures for seeking exemptions to the hiring freeze were cumbersome, time-consuming, and inefficient. They also stated that the Department did not fully communicate policies and procedures related to the hiring freeze. Further, despite the lifting of the hiring freeze in May 2018, the Department continues to be affected by the reduction in employment ceilings.

Government Reorganization, Key Questions to Assess Agency Reform Efforts, GAO-18-427, June 2018

GAO identified eight key questions that Congress, OMB, and agencies can use to help evaluate agency reform proposals. GAO categorized the eight questions into four categories: (1) goals

and outcomes, (2) process for developing reforms, (3) implementing the reforms, and (4) managing the Federal work force. GAO stated that successful reforms or transformations depend upon following change management practices such as agreement on reform goals and the involvement of Congress, Federal employees, and other key stakeholders. In conducting its work, GAO consulted with subject matter experts and reviewed its prior work on organizational transformations, collaboration, Government streamlining, and efficiency; fragmentation, overlap, and duplication; high risk; and other longstanding agency management challenges.

USAID's Redesign Efforts Have Shifted Over Time, Audit Report 9-000-18-003-P, March 2018

USAID OIG conducted a review in response to requirements in the Consolidated Appropriations Act of 2017 and the Department of State, Foreign Operations, and Related Programs Appropriations Bill of 2018. In its March 2018 report, USAID OIG stated the following:

> USAID and [Department] employees described the joint redesign process as resource-intensive and ad hoc… Interviewees of the report noted instances when leaders seemed unsure of next steps and said the lack of boundaries and explicit goals hindered progress…The looming question about a USAID-State Department merger not only distracted teams but further confused the direction of the redesign process…Questions of data integrity were raised, including projected cost savings as several USAID officials characterized the savings to be unrealistic.

Some interviewees noted that much of the information used by those working on the redesign was very "experiential or based on the backgrounds of people in the subgroup rather than hard data." Interviewees thought the joint and internal redesign processes lacked inclusiveness and transparency. USAID OIG determined that "USAID's actions relating to office reorganizations and staffing changes at the USAID/Regional Development Mission for Asia violated the spirit of the FY 2017 appropriations legislation, which included notification requirements if USAID initiated actions in response to [EO] 13781."

APPENDIX B: CURRENT STATUS OF KEYSTONE PROJECTS AND QUICK WIN PROJECTS

In March 2017, the President signed Executive Order (EO) 13781, which proposed a plan to reorganize Federal agencies.[1] In April 2017, the Office of Management and Budget (OMB) issued memorandum M-17-22 to provide implementation guidance for EO 13781, including a requirement for each Federal Government agency to develop and submit an Agency Reform Plan.[2] In response, Former Secretary of State Tillerson initiated a joint effort to reform the Department of State (Department) and the U.S. Agency for International Development (USAID). The Department and USAID submitted an Agency Reform Plan in September 2017.

OIG conducted this review to fulfill the requirements in the Consolidated Appropriations Acts of 2017, 2018, and 2019 and their explanatory statements and the Department of State, Foreign Operations, and Related Programs Appropriations Bill of 2018. This appendix details the status of the Keystone Projects as of March 2019 and the status of the Quick Win Projects as of May 2019.

The approximately 500 Department employees who participated in the work stream teams, working groups, and outcome teams contributed to the recommendations contained in the Agency Reform Plan and to the development of the 16 Keystone Projects—projects that the Department decided to undertake as part of the reform effort. Full implementation of the reform effort was expected to go on for several years; however, the reform fell behind schedule and, beginning in April 2018, project plans were transitioned to bureaus. Some of the projects that initially started as a part of the Department's reform effort continue and remain in various stages of implementation.

As of March 2019, the Department reported to OIG and the Government Accountability Office (GAO) that 1 Keystone Project was complete, 13 were ongoing, 2 were suspended, and 1 was canceled.[3] Table B.1 describes the status of these projects, as reported to OIG by the Department. "Complete" means the Department has finished work on the project and has announced its completion. "Canceled" means that the Department has stopped working on the project and does not expect the project to move forward. "Ongoing" means that the Department has planned steps and milestones for the project and is taking actions consistent with its plans. "Suspended" means that the Department has planned steps and milestones for the project but is not currently undertaking any activities or has indicated that it intends to resume activities once key requirements are met.

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[1] EO 13781, "Comprehensive Plan for Reorganizing the Executive Branch," March 13, 2017.
[2] OMB, Memorandum M-17-22, "A Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce," April 17, 2017.
[3] Sixteen Keystone Projects were announced, worked on, and transferred to Department bureaus in April 2018. Subsequently, 1 Keystone Project was cancelled and replaced with a related project that is ongoing.

Table B.1: Keystone Project Goals and Status Reported by the Department as of March 2019

Keystone Project	Description	Update
Workforce Readiness	Recruit top talent that complements workforce demands and allows for flexibility in moving personnel to meet mission needs	**Ongoing** ▷ Department is pursuing workforce initiatives as part of the President's Management Agenda, and the Foreign Service Institute is initiating a leadership development curriculum.
Improve Performance Management	Provide employees consistent and frequent performance feedback and opportunities to discuss career development with flexibilities. Implement a culture that fosters accountability.	**Ongoing** ▷ Department developed tools for supervisors and established a full-time tenure review board.
Real-Time Collaboration and Work Anytime, Anywhere	Deploy centrally managed wifi networks for unclassified data domestically and abroad, implement a modern enterprise-wide cloud collaboration suite, and provide employees with the tools and flexibility to work securely from anywhere.	**Ongoing** ▷ Department is reporting progress toward milestones, such as making Microsoft Office Online and Skype available to all staff members and expanding cloud-based email capabilities.
IT	Improve IT governance processes, tools, and infrastructure. Transition systems to modern platforms and use shared services.	**Ongoing** ▷ Department is strengthening IT governance, modernizing legacy technology, enhancing cybersecurity, and streamlining IT acquisition.
Improve Enterprise-wide Data Availability	Update and implement data standards, harmonize data sets, and clarify and activate data governance structures to make data more widely available.	**Ongoing** ▷ Department is developing standardized data sets for Department-wide use, reviewing data governance structures, and planning to continue this project through the Center for Analytics.
Build Capacity and Data Literacy	Develop a Center for Analytics to activate existing data management policies and leverage analytics capabilities. Build Department-wide analytical tools.	**Ongoing** ▷ Department plans to implement this project by enhancing internal capacity for analysis within all bureaus and offices through its Center for Analytics.
Broaden and Enhance Access to Data Analytics	Enhance employee ability to answer key questions without manual data calls; improve data quality, harmonize key datasets, and invest in data clean-up efforts.	**Ongoing** ▷ Department plans to implement this project with its Center for Analytics.
Increase Global Awareness of Data Assets	Raise the profile of Department's data through training, develop a culture that prioritizes data-informed decision making, highlight current capacities, seek feedback on existing needs, and empower staff.	**Ongoing** ▷ Department plans to implement this project with its Center for Analytics.
Improve U.S. Government Global Presence Governance	Build upon existing processes. Evaluate U.S. global presence against national interest. Allow agencies to improve coordination on overseas deployments, reducing overlap and duplication,	**Suspended** ❚❚ Implementation on hold, pending completion of the National Interest Global Presence Model and

Keystone Project	Description	Update
	and providing all agencies better visibility on projected future staffing.	reevaluation by Department's recenty confirmed Under Secretary for Management.
Develop and Implement a National Interest Global Presence Model	Strengthen ability to lead and coordinate the U.S. Government's presence abroad. Develop a robust quantitative means to compare overseas presence costs and personnel with national interests and policy priorities. Develop a National Interest Global Presence tool.	**Ongoing** ▷ Department is developing a National Interest Global Presence Model to meet a variety of needs and plans to implement this project with its proposed Center for Analytics.
Expand Post Archetype Options	Examine various presence models for deploying U.S. Government resources overseas. Conduct an analysis of past, current, and future overseas presence configurations to inform a "menu" of archetypes.	**Suspended** ▮▮ Implementation on hold, pending reevaluation after the National Interest Global Presence Model is completed.
Improve Efficiency and Results of Internal Policy and Decision-Making Processes and interagency Engagement	Improve the efficiency and results of internal Department policy and decision-making processes and help employees focus on executing the President's agenda for U.S. national security and prosperity. Improve decision making, programs, and implementation.	**Complete** ✓ In April 2018, the Department issued guidance for drafting and clearing documents related to planning and strategy.
Define and Improve Budget Processes for Foreign Assistance	Assess how to ensure the foreign assistance budget process is effective, efficient, and driven by strategy; update and integrate disparate foreign assistance-related systems; and streamline staff workload so employees have more time to plan, coordinate, implement, and monitor foreign assistance programs.	**Ongoing** ▷ Department is implementing changes to improve core aspects of the foreign assistance budget process, including strengthening linkages to strategic planning.
Assess Human Resources Service Delivery	Increase leading industry practices for operations and human resource services. Assess how services are currently provided, highlight pain points, generate recommendations, and review possibilities of achieving cost avoidance through new service delivery models.	**Ongoing** ▷ Department is consolidating shared services in its Charleston, SC, facility, analyzing human resources transaction costs, and working to make human resources service delivery more cost effective.
Real Property: Moving to One Real Property Function and Implementing Process Improvements	Department provided real property globally from two service providers: The Bureau of Overseas Buildings Operations and the Bureau of Administration. This project will initiate an assessment of moving toward one unified real property organization versus the two separate providers.	**Canceled** ✗ Department is no longer planning to combine its two real property offices into one real property provider.
Acquisition: Assessing Service Delivery and Expanding Strategic Sourcing Opportunities	Assess acquisition function, establish and expand additional strategic sourcing opportunities, bring more leading industry practices to operations, find improved ways of delivering acquisition services, review how business is currently done, highlight acquisition-process pain points, and generate a set of recommendations for a future operating model that addresses the root causes of inefficiencies.	**Ongoing** ▷ Department is establishing enterprise-wide agreements with vendors, strengthening program management capabilities, tracking investments, and reporting progress to OMB.

Keystone Project	Description	Update
Real Property: Implementing Internal and External Process Improvements	Evaluate and implement internal and external process improvements within the real property portfolio.	**Ongoing** ▷ Department is pursuing initiatives to reduce project, facility operations, and maintenance costs with contractor support.

Source: Generated by OIG with support from GAO and from information obtained from Department bureaus.

At the time of OIG's review, five of the seven quick win projects were complete and the remaining two were ongoing. Table B.2 provides specific information related to the quick win projects.

Table B.2: Quick Win Project Goals and Status as of May 2019

Quick Win Project	Description	Update
Cloud-Based Email and Collaboration	The Department will move to a secure, cloud-based email and document collaboration platform.	**Ongoing** ▷ Approximately 63 percent of all Department email and 74 percent of information located in the legacy SharePoint 2010 collaboration platform have been fully transitioned to the cloud. Both efforts are estimated to reach 90-percent completion by mid-2020.
Eligible Family Members (EFMs)	To support the talented and readily available EFM workforce, the Department will enhance Employee Professional Associates Programs (EPAP) opportunities.	**Complete** ✔ The number of EPAP positions increased as planned from 200 to 400, with an additional 50 positions remaining. Hired EFMs now have a menu of required training. EPAP specialist categories have expanded.
Work Force Flexibilities	For all overseas Americans to be eligible for short-term telework arrangements to help ensure employees are covered by harmonized human resource policies when medically evacuated.	**Complete** ✔ Changes to section 3 Foreign Affairs Manual (FAM) 2362.5. Also, launched a "Workplace Flexibilities Toolkit" that consolidates all available workplace flexibilities in October 2018.
Security Clearance	For provide interim security clearances for interns. To acquiring a new cloud-based case management system for clearance requests to reduce the wait time for all employees by 25 percent.	**Complete** ✔ A new policy for interim determinations was written, approved, and implemented. As a result, secret clearances averaged 79 days, improving upon the 97-day goal. A new case system is being developed.
Permanent Change of Station (PCS) Travel Improvement	Moving from 11 different PCS-related web sites across the Department and USAID to 1 centralized, online portal to reduce the notification process by 4 hours.	**Complete** ✔ A one-stop portal is available for use by all transferring employees since December 2017. The Department is in the process of enhancing the portal by

Quick Win Project	Description	Update
		adding additional tools and functionality.
Temporary Duty Assignment Travel Improvement	Reduce time spent by eliminating separate travel management system log-on. Expand online travel booking option. Standardize baggage policies and align domestic carrier policies.	**Ongoing** ▷ *Complete* - Single sign-on to travel management system complete. 14 FAM 583 was updated with two allowable bags (50 pounds each) for all Temporary Duty Assignment travel in December 2017. *Ongoing* – A codified mandate in the FAM for posts overseas to gradually join regional Travel Management Centers. Posts are being added at a manageable pace.
Common Global Address List	Department and USAID are now connected through a common global address list for email. This initiative is projected to save 34,000 hours each year by easing the burden on employees and eliminating the need for them to search across agencies for the simple yet crucial task of contacting the people you need as quickly as possible.	**Complete** ✓✓ Complete and in production since November 2017. Sync the Department's and USAID's common global address lists.

Source: OIG generated from information and updates provided by Department bureaus leading the projects.

OIG also identified two additional projects that derived from the Department organizational reform effort. Table B.3 presents these projects.

Table B.3: Spin-Off Project Goals and Status as of May 2019

Quick Win Project	Description	Update
Internal Communications Plan	Create a centralized Department internal communications team to plan the strategy, create and curate content, and measure and evaluate communications campaigns for an audience of Department employees and contractors.	**Ongoing** ▷ The new employee communications responsibility is currently in the Bureau of Public Affairs Strategic Planning Unit and is staffed by two individuals. Key products created include all-staff e-mails from the Secretary to the workforce, photographs and videos that are embedded in the e-mails, and content for the Department's Knowledge Portal intranet.
Foreign Assistance Strategy and Coordination	Enhance strategic reviews to strengthen accountability and planning. Provide tools for the Department to ensure whole-of-Government alignment of foreign assistance with regional policy priorities.	**Ongoing** ▷ The Department continues to work on budget formulation and execution, including re-start efforts related to strategic leadership reviews and foreign assistance coordination.

Source: OIG generated from information obtained from Department bureaus.

APPENDIX C: KEY TERMS AND DEFINITIONS

Term	Definition
Redesign	Phase I and II of the 2017–2018 reform effort under Secretary of State Tillerson. Some individuals refer to the entire reform effort as "Redesign."
Impact Initiative	Phase III of the 2017–2018 reform effort under Secretary of State Tillerson is called the Impact Initiative.
Transformation Management Office (TMO)	The TMO administered the reform process. It set the agenda for ESC meetings, and one TMO member from each agency was assigned to work stream or outcome teams to coordinate information with the ESC.
Executive Steering Committee (ESC)	The ESC was formed to set the overall strategy, remove obstacles, and provide overall guidance to the teams performing the work. This included resolving high-level issues and conflicts, as needed, and validating the soundness of work stream recommendations. The ESC was only active during Phase II.
Work Stream Teams	Phase II groups/teams that held discussions and brainstorming sessions to develop "blueprint" and "business case" work products. They presented information and work products to the ESC and leadership for feedback.
Contractors	*Deloitte*: Charged with running day-today project management such as identifying problems and solutions, facilitating, and leading organization design. *Insigniam*: In addition to administering the Listening Tour survey, Insigniam served as a co-lead with Deloitte for organizational redesign
Tiger Teams	A group of employees from relevant bureaus who were selected for pilots and focus groups.
Agency Reform Plan	A reform plan by each Federal Government agency that was required by OMB Memorandum M-17-22. Agency Reform Plans were also a part of each agency's FY 2019 budget submission to OMB and included areas the agency planned to develop for the reform, plans for workforce reduction, and a plan to maximize employee performance.
Quick Win	Visible results (wins) intended to forward the redesign of the Department and USAID. A quick win was intended to be addressed within 4 months of initiation.
Keystone Project	The final projects that were selected during Phase III of the reform effort. Sixteen Keystone Projects were announced, worked on, and officially transferred to bureaus in May 2018. One of the projects has been replaced since transfer, so there are technically 17 Keystones.
Blueprint	Work streams developed a document for each proposed project that identified milestones, potential advantages, risks, and described strategies for mitigating risks.
Business Case	From the "blueprints," teams developed other strategic documents with proposed actions and potential impacts, such as savings and investments.
Working Groups	Several work groups were established in support of the work stream and outcome teams, such as Communications and Data Analytics.
Outcome Teams	Phase III groups/teams that worked to create implementation plans for keystone projects. The outcome teams presented information, updates, and work products to leadership for feedback.

Source: Generated by OIG from information provided by the Department.

APPENDIX D: UNDERSECRETARY FOR MANAGEMENT RESPONSE

United States Department of State

Washington, D.C. 20520

November 15, 2019

MEMORANDUM

TO: OIG – Steve Linick

FROM: M – Brian J. Bulatao

SUBJECT: Response to the Draft Report – Review of the Department of State's
Organizational Reform Effort (AUD-MERO-20-XX, October 2019)

Thank you for the opportunity to review the draft report, The Department agrees with the findings. However, I request that the OIG review one sentence on Page 9 of the report. It states that, according to one senior Department official, "the Deputy Chief of Staff then filtered that list based on perceived loyalty to the Administration" to select participants for the second phase of the reform efforts.

The Department's understanding is that potential candidates for the Redesign were selected based on their ability to contribute to the team's objectives; their experience in effecting organizational change; and their availability. The Redesign drew from a broad cross-section of career Department officials and none of those involved were asked about their political views or affiliations. The Redesign team represented a diverse body of our workforce focused on strengthening the Department and improving efficiency, and those involved were enthusiastic about the opportunity to make a difference.

The Department respectfully requests that this sentence be deleted from the report, since it appears to be uncorroborated beyond that one source.

Approved: M/PRI – Janice deGarmo   (OK)

Drafted: M/PRI – Camille Pellegrino, 202-647-1285

Cleared: M -   LOckerman   (OK)
             M/PRI – BPomainville   (OK)

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ABBREVIATIONS

EO	Executive Order
ESC	Executive Steering Committee
GAO	Government Accountability Office
OMB	Office of Management and Budget
OIG	Office of Inspector General
PM	Presidential Memorandum
USAID	U.S. Agency for International Development

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