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Office of Inspector General  
United States Department of State

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AUD-SI-20-30

Office of Audits

July 2020

# **Compliance Follow-Up Audit of Bureau of Diplomatic Security Property Management Procedures for Protective Personnel Equipment**

SECURITY AND INTELLIGENCE DIVISION

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# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-SI-20-30

## What OIG Audited

The Department of State (Department) requires accountable property, such as armored vests included in “high-threat kits” and provided to Bureau of Diplomatic Security (DS) special agents, to be tracked and inventoried in the Department’s property records. In August 2018, OIG reported that DS did not record protective personnel equipment (PPE) in the secure version of the Department’s Integrated Logistics Management System, Asset Management application (S-ILMS-AM), nor did it perform annual physical inventories as required.

The Office of Inspector General (OIG) conducted this compliance follow-up audit to determine whether actions taken by DS to address a property management recommendation (Recommendation 3) from a previous report<sup>a</sup> met the intent of the recommendation and is sufficient to close the recommendation.

## What OIG Recommends

With the issuance of this report, OIG is closing Recommendation 3 from its August 2018 report and offering one new recommendation to further improve DS’s management of PPE. Based on DS’s response to a draft of this report, OIG considers the recommendation unresolved. A synopsis of DS’s response to the new recommendation and OIG’s reply follow the recommendation in the Audit Results section of this report. DS’s response to a draft of this report is reprinted in its entirety in Appendix B. OIG’s reply to DS’s general comments is presented in Appendix C.

July 2020

OFFICE OF AUDITS

SECURITY AND INTELLIGENCE DIVISION

**Compliance Follow-Up Audit of Bureau of Diplomatic Security Property Management Procedures for Protective Personnel Equipment**

## What OIG Found

OIG found that DS had taken steps to develop and implement a process to manage accountable property, such as PPE contained in high-threat kits. Specifically, OIG found that DS Countermeasures Directorate, Office of Physical Security Programs, Defensive Equipment, and Armored Vehicle Division was recording accountable property contained in high-threat kits in S-ILMS-AM upon receipt. This action was previously recommended by OIG and is now being done in accordance with the Department’s Foreign Affairs Manual (FAM). OIG tested 60 accountable property items from high-threat kits and found that all were properly recorded in S-ILMS-AM. In addition, OIG confirmed that DS had developed a process for performing an annual inventory of the high-threat kit items recorded in S-ILMS-AM, as required by the FAM. Furthermore, in October 2019, OIG observed that DS was conducting its first annual inventory of accountable PPE contained in high-threat kits.

During the conduct of this audit, OIG noted one compliance area outside of its scope that needed attention. OIG found instances in which Property Transaction Forms were not completed to document the “charge out” of PPE included in high-threat kits. Specifically, OIG tested 32 property charge outs specific to high-threat kits and found 16 instances (50 percent) in which the appropriate form had not been completed. The items provided are sensitive equipment and must be safeguarded. OIG concludes that greater attention to enforcing property management procedures and accountability is needed to correct this deficiency.

<sup>a</sup> OIG, *Management Assistance Report: The Bureau of Diplomatic Security’s Office of Training and Performance Standards Should Improve Property Management Over Equipment Provided During High-Threat Training* (AUD-SI-18-49, August 2018).

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this compliance follow-up audit to determine whether actions taken by the Bureau of Diplomatic Security (DS) to address a property management recommendation (Recommendation 3) from a previous report<sup>1</sup> met the intent of the recommendation and are sufficient to close the recommendation.

## BACKGROUND

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The Office of the Foreign Affairs Security Training Center,<sup>2</sup> which is part of DS's Training Directorate, coordinates professional training for DS Special Agents. The Foreign Affairs Security Training Center offers approximately 70 courses and modules related to security topics to Department of State (Department) personnel, their dependents, and employees from other foreign affairs agencies. One of the training courses offered is a mandatory prerequisite for all DS Special Agents who will serve in designated high-threat, high-risk posts. As part of the training, DS special agents are provided "high-threat kits" to use during training and at their assigned posts. The high-threat kits contain protective personnel equipment (PPE). In FY 2016, each high-threat kit cost \$9,167 and contained 50 items, including a tactical helmet, a vest with 2 armor plates, gloves, sunglasses, a medical kit, and a global positioning system (GPS) unit.<sup>3</sup>

The Department identifies the types of personal property that must be tracked in the Department's property records and inventoried. Such items are considered accountable property. According to the Foreign Affairs Manual (FAM),<sup>4</sup> PPE, such as helmets and armored vests, is considered accountable property regardless of its cost. In contrast, serialized property (i.e., property with a manufacturer's serial number) is considered accountable property only if its cost is \$500 or greater.<sup>5</sup> The Department requires its bureaus and offices to track accountable personal property in the Department's asset management application.<sup>6</sup>

### **OIG's August 2018 Report**

In its August 2018 report,<sup>7</sup> OIG reported that the Office of Training and Performance Standards (TPS) was not complying with the Department's policies and procedures for managing

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<sup>1</sup> OIG, *Management Assistance Report: The Bureau of Diplomatic Security's Office of Training and Performance Standards Should Improve Property Management Over Equipment Provided During High-Threat Training* (AUD-SI-18-49, August 2018).

<sup>2</sup> When OIG performed its August 2018 audit, the name of this office was the Office of Training and Performance Standards.

<sup>3</sup> The vest (with armor plates), the helmet, and the GPS unit represent about half the cost of the items contained in the high-threat kit (\$4,551 of \$9,167).

<sup>4</sup> 14 FAM 411.4(1)(i), "Definitions."

<sup>5</sup> 14 FAM 411.4(2).

<sup>6</sup> 14 FAM 421.1(c), "Scope."

<sup>7</sup> AUD-SI-18-49, August 2018.

accountable personal property contained in high-threat kits. Specifically, TPS did not record PPE, such as tactical helmets, armored vests, and GPS units, in the secure version of the Department's Integrated Logistics Management System, Asset Management application (S-ILMS-AM), as required by the FAM. TPS also did not perform annual physical inventories, as required by the FAM,<sup>8</sup> or process accountable property through the DS Administration and Training Support Services office, in accordance with TPS procedures. Although TPS hired a logistician in September 2017 to develop controls over property management, the logistician had not completed this effort at the time of audit fieldwork.

As of July 2019, when OIG began fieldwork for this compliance follow-up audit, Recommendation 3 from OIG's 2018 report, which addressed these issues, was considered resolved, pending further action.<sup>9</sup> Recommendation 3 from the August 2018 report states:

**Recommendation 3:** OIG recommends that the Bureau of Diplomatic Security, Training Directorate, Office of Training and Performance Standards (TPS),<sup>10</sup> in coordination with the Bureau of Diplomatic Security, Countermeasures Directorate, Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division complete its joint effort to develop and implement a process to manage accountable property in the high-threat kits in accordance with requirements in Volume 14 of the Foreign Affairs Manual, Sections 420 and 426, and the Property Accountability requirements in Section 5-25 of TPS's Standard Operating Procedures. This process should (a) identify and record all accountable property in high-threat kits when the kits have been received and issued and returned and (b) provide steps for performing annual inventories.

Office of Management and Budget Circular A-50 requires each agency to establish systems to promptly and properly resolve and implement audit recommendations.<sup>11</sup> OIG considers a recommendation unresolved, resolved, or closed on the basis of actions that the Department has taken or plans to take in response to the recommendation. A recommendation is considered unresolved if the Department has neither acted nor stated how it plans to implement the recommendation. A recommendation is considered resolved when the Department has agreed to implement the recommendation or has begun, but has not yet completed, actions to fully implement the recommendation. Open recommendations include both unresolved and resolved recommendations. A recommendation is considered closed when the Department has completed actions necessary to implement the recommendation and OIG has determined that no additional action is required.

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<sup>8</sup> 14 FAM 426.1, "General."

<sup>9</sup> The other two recommendations from the original report that are related to managing accountable property were also resolved but were being addressed through the compliance process. Recommendation 1 related to the need to develop and implement an action plan to record accountable property that is on hand, along with any new high-threat kits delivered, into the Department's Integrated Logistics Management System Asset Management application. Recommendation 2 related to the need to perform a physical inventory of accountable property.

<sup>10</sup> Effective August 13, 2019, TPS became part of the Office of the Foreign Affairs Security Training Center.

<sup>11</sup> Office of Management and Budget, Circular A-50, "Audit Follow-up," § 5, "Policy."

## AUDIT RESULTS

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### **Finding A: Progress Has Been Made To Improve the Management of Accountable Property**

OIG found that DS had taken steps to develop and implement a process to manage accountable property, such as PPE contained in high-threat kits, provided to DS special agents during high-threat training and in support of their post assignments. Specifically, OIG confirmed that the DS Countermeasures Directorate, Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division (DEAV), on behalf of the Office of the Foreign Affairs Security Training Center (formerly TPS), was recording the accountable property in high-threat kits in S-ILMS-AM upon receipt at the DEAV warehouse, as previously recommended by OIG<sup>12</sup> and in accordance with the FAM.<sup>13</sup> OIG tested 60 accountable property items from high-threat kits<sup>14</sup> and found that all were properly recorded in S-ILMS-AM. In addition, OIG confirmed that DS had developed a process to perform an annual inventory of the high-threat kit items recorded in S-ILMS-AM, as required by the FAM.<sup>15</sup> Furthermore, in October 2019, OIG observed that DS was conducting its first annual inventory of accountable PPE contained in high-threat kits.

Notwithstanding this progress, during fieldwork for this compliance follow-up review, OIG noted two areas that needed additional attention. First, DS's "Action Plan" to address the deficiency identified by OIG in its August 2018 report had not been signed. Second, OIG noted that the "Action Plan" did not adequately describe and delineate roles and responsibilities among the parties responsible for managing accountable property. However, at the exit conference when OIG presented its understanding of these areas, DS officials in attendance explained that, although the "Action Plan" may not have been signed or fully described roles and responsibilities, it was simply guidance that DS used to implement corrective actions. Specifically, to implement the "Action Plan," DS's Principal Deputy Assistant Secretary issued a memorandum to all posts and missions worldwide, dated July 20, 2016, that advised that DEAV was responsible for handling all DS Special Protective Equipment<sup>16</sup> (including PPE). Additionally, DS issued three cables between FY 2016 and FY 2019 that contained additional guidance for handling accountable property, such as PPE. Furthermore, DS developed and implemented formal procedures within DEAV specific to handling PPE. Because of DS's explanation, and on the basis of OIG's review of the aforementioned documentation concerning DS's current

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<sup>12</sup> AUD-SI-18-49, August 2018.

<sup>13</sup> 14 FAM 421.1(c) states that "The Integrated Logistics Management System Asset Management application (ILMS-AM) must be used by all Department bureaus/offices to track personal property owned or leased by the [Department]."

<sup>14</sup> See Appendix A: Purpose, Scope, and Methodology for details on how the items were selected for testing.

<sup>15</sup> 14 FAM 426.1 states that "[p]hysical inventories of accountable personal property must be taken annually . . . starting not earlier than October 1."

<sup>16</sup> Special Protective Equipment refers to all weapons, equipment and gear used by DS Personnel to conduct law enforcement, security, and protective missions. PPE refers to gear used for security purposes and includes such accountable property as body armor, helmets, and serialized GPS units used domestically and at posts that also needs to be safeguarded and inventoried.

process to manage accountable property in the high-threat kits, OIG considers the actions taken sufficient to meet the intent of Recommendation 3 from OIG's August 2018 audit report.

***Current Status of OIG's August 2018 Recommendation (Recommendation 3)***

OIG concludes that the actions taken by DS to address Recommendation 3 in its August 2018 report<sup>17</sup> meet the intent of the recommendation because DS has developed and implemented procedures to manage accountable property specific to PPE. OIG is, therefore, closing Recommendation 3 from its August 2018 report, and no further action specific to this recommendation is required.

## OTHER MATTERS

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### **Property "Charge Out" Procedures Require Enforcement**

During audit fieldwork for this compliance follow-up audit, OIG found instances in which Property Transaction Forms (Form DS-584) were not completed to document the property "charge out"<sup>18</sup> of PPE included in high-threat kits. Specifically, OIG tested 32 property charge outs specific to high-threat kits<sup>19</sup> and found 16 instances (50 percent) in which Form DS-584 had not been completed.

According to DEAV officials, one reason for the exceptions identified is the fact that, when PPE is provided to DS special agents who are in the field, the employee receiving the equipment does not always sign and return Form DS-584 that acknowledges receipt and responsibility for returning the equipment when no longer needed. DEAV officials stated that DEAV and overseas posts exchange cables that acknowledge the shipment and receipt of PPE and that DEAV records the PPE in S-ILMS-AM upon receipt of these cables. OIG acknowledges this practice but concludes that greater attention to enforcing property management procedures is warranted because the items provided are sensitive equipment and must be safeguarded. Furthermore, sensitive PPE is susceptible to theft. For example, OIG previously reported<sup>20</sup> that a Government contractor was found guilty of the theft and sale of Government PPE. The contractor admitted to taking vests and helmets valued at more than \$16,000 from a DS facility and then selling or trading the items online.

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<sup>17</sup> See page 2 of this report for the recommendation.

<sup>18</sup> 14 FAM 425.3-4(c), "Property Loans and Charge Outs," states that "[p]roperty items regardless of cost . . . required by an employee for the employee's job over an extended period of time, should be issued under 'charge out' procedure to ensure that property accountability for the item is maintained. Such arrangements are approved by the [principal custodial officer] and documented on a Property Transaction Form DS-584. The [principal custodial officer] must ensure that the employee understands that any property provided to the employee in the performance of employee's official duties belongs to the U.S. Government and may not be used to conduct private business or any illegal or illicit activities. The property must be returned to the agency by the employee when the property is no longer needed for the use for which it was originally provided. The existence and condition of the property must be checked at least annually."

<sup>19</sup> See Appendix A: Purpose, Scope, and Methodology for details on how the items were selected for testing.

<sup>20</sup> AUD-SI-18-49, August 2018, at 9.

**Recommendation 1:** OIG recommends that the Bureau of Diplomatic Security develop and implement procedures to ensure that special agents acknowledge the receipt of protective personnel equipment (PPE) by signing and returning Form DS-584 and that all PPE is returned when no longer needed, in accordance with Foreign Affairs Manual guidance (14 FAM 425.3-4).

**Management Response:** DS acknowledged the recommendation. DS recognized that PPE sent overseas “should have” a DS-584 signed by the receiving agent but stated that, because of logistical difficulties entailed in doing so, it relies instead on classified cables to “address both property accountability and other national security/safety equities.” In contrast, DS explained that domestically assigned agents “will sign” and return a DS-584. More generally, DS stated that DEAV had “existing standard operating procedures in place that ensures accountability of all property under the program’s purview.” DS also stated that it was working with the Bureau of Administration to “update standard operating procedures . . . to ensure they correctly reflect the process” of using cables to acknowledge the receipt to PPE. DS also stated that DEAV “contacts DS agents with expired PPE to replace them.”

**OIG Reply:** Although DS acknowledged the recommendation, it did not specifically state whether it agreed or disagreed with the recommendation. DS’s language suggests that it believes that use of the classified cables may meet the intent of the recommendation with respect to agents assigned overseas, but it did not explicitly so state. In addition, DS’s response did not address efforts to obtain PPE that is no longer needed from DS agents. Accordingly, OIG considers the recommendation unresolved and will work with DS officials during the audit compliance process to clarify its position. This recommendation will be considered resolved when DS provides details of the steps it will undertake to address the recommendation or provides an acceptable alternative that meets the intent of the recommendation. This recommendation will be closed when OIG receives and accepts documentation demonstrating that DS has developed and implemented procedures to ensure special agents acknowledge the receipt of PPE by signing and returning Form DS-584 and that all PPE is returned when no longer needed, as required by the FAM.

In addition to responding to the recommendation offered in this report, DS provided general comments in response to a draft of this report. Appendix C presents OIG’s reply to each of DS’s general comments.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Diplomatic Security develop and implement procedures to ensure that special agents acknowledge the receipt of protective personnel equipment (PPE) by signing and returning Form DS-584 and that all PPE is returned when no longer needed, in accordance with Foreign Affairs Manual guidance (14 FAM 425.3-4).

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) conducted this compliance follow-up audit to determine whether actions taken by the Bureau of Diplomatic Security (DS) to address a property management recommendation (Recommendation 3) from a previous report<sup>1</sup> met the intent of the recommendation and is sufficient to close the recommendation.

OIG conducted this compliance follow-up audit from July through October 2019 in the Washington, DC, metropolitan area. OIG conducted this project in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the project to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the objectives.

To obtain background information for this compliance follow-up audit, OIG researched Department of State (Department) policies and procedures related to domestic personal property management included in the Foreign Affairs Manual and the Foreign Affairs Handbook and other Department guidance. To assess actions taken to implement the recommendation, OIG interviewed officials from the DS, Countermeasures Directorate, Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division (DEAV). OIG also reviewed DS's draft Action Plan<sup>2</sup> and other plans developed jointly by DS's Training Directorate and Countermeasures Directorate. In addition, OIG conducted a walkthrough of DS's process to account for and manage property.

To test whether the Department implemented Recommendation 3 from OIG's previous report,<sup>3</sup> OIG selected 32 property "charge outs" made between September 1, 2018, and June 30, 2019, which represented 60 specific accountable property items valued at an estimated \$214,000. OIG verified that the 60 accountable property items were recorded timely in the secure version of the Department's Integrated Logistics Management System, Asset Management application (S-ILMS-AM). Furthermore, OIG obtained and reviewed supporting documentation to determine whether the accountable property items were recorded completely and accurately in accordance with applicable Department property management standards. To perform this work, OIG reviewed available supporting documentation, such as Property Transaction Forms (Form DS-584) that list each property item issued to a Special Agent. OIG also reviewed DEAV's new inventory procedures.

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<sup>1</sup> OIG, *Management Assistance Report: The Bureau of Diplomatic Security's Office of Training and Performance Standards Should Improve Property Management Over Equipment Provided During High-Threat Training* (AUD-SI-18-49, August 2018).

<sup>2</sup> DS, "Action Plan to Improve Property Management of High-Threat Tactical Equipment," August 28, 2018.

<sup>3</sup> AUD-SI-18-49, August 2018.

## Prior Reports

The Background section of this report summarizes the results of *Management Assistance Report: The Bureau of Diplomatic Security’s Office of Training and Performance Standards Should Improve Property Management Over Equipment Provided During High-Threat Training*.<sup>4</sup>

## Work Related to Internal Controls

During this compliance follow-up audit, OIG considered several factors, including the subject matter of the project, to determine whether internal control was significant to the objective of this audit. Based on this consideration, OIG determined that internal control was significant for this audit. OIG then considered the components of internal control and the underlying principles included in the *Standards for Internal Control in the Federal Government*<sup>5</sup> to identify internal controls that were significant to the objective. Considering internal control in the context of a comprehensive internal control framework can help auditors to determine whether underlying internal control deficiencies exist.

For this compliance follow-up audit, OIG concluded that one of the five internal control components from the *Standards for Internal Control in the Federal Government*, Control Activities, was significant to the audit objective. The Control Activities component includes the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system. OIG also concluded that two of the principles related to the selected components were significant to the objective, as described in Table A.1.

**Table A.1: Internal Control Components and Principles Identified as Significant**

Components	Principles
Control Activities	Management should design control activities to achieve objectives and respond to risks.
Control Activities	Management should implement control activities through policies.

**Source:** OIG generated from an analysis of internal control components and principles from the Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

OIG interviewed Department officials, reviewed documents (e.g., applicable regulations and policies and procedures), and performed walkthroughs of processes to obtain an understanding of the internal controls related to the components and principles identified as significant for this compliance follow-up audit. In addition, OIG performed procedures to assess the design and implementation of key internal controls. Specifically, OIG:

<sup>4</sup> Ibid.

<sup>5</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

- Tested 60 accountable property items from high-threat kits to ensure they were properly recorded in S-ILMS-AM.
- Determined whether the required Property Transaction Forms (Form DS-584) had been completed accurately for 32 property charge outs.

Internal control deficiencies identified during this compliance follow-up audit that are significant within the context of the objective are presented in the Audit Results section of this report.

### **Use of Computer-Processed Data**

During this compliance follow-up audit, OIG used electronically processed data from S-ILMS-AM. OIG requested and received from DEAV an S-ILMS-AM file of all issued accountable property as of July 24, 2019. OIG sorted the data by date to identify the equipment items issued during the audit scope period (i.e., September 1, 2018, to June 30, 2019). Based on this analysis, OIG identified 60 accountable property items related to high-threat kits that were issued to DS Special Agents and recorded in S-ILMS-AM during the audit scope period. To assess data reliability, OIG obtained supporting documentation for all 60 property items. OIG did not identify any discrepancies during its testing. Specifically, OIG found that DEAV recorded the accountable property in S-ILMS-AM upon receipt, as required by Department policy. Based on the results of its testing, OIG concluded that the data from S-ILMS-AM were sufficiently reliable for the purposes of this compliance follow-up audit.

## APPENDIX B: RESPONSE FROM THE BUREAU OF DIPLOMATIC SECURITY

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United States Department of State

Washington, D.C. 20520

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June 3, 2020

### INFORMATION MEMO TO INSPECTOR GENERAL AKARD, ACTING - OIG

FROM: DS – Michael T. Evanoff 

SUBJECT: DS Response to Draft Report on *OIG Compliance Follow-Up Audit of Bureau of Diplomatic Security Property Management Procedures for Protective Personnel Equipment*

**OIG Report:** Property “Charge Out” Procedures Require Enforcement. During audit fieldwork for this compliance follow-up audit, OIG found instances in which Property Transaction Forms (Form DS-584) were not completed to document the property “charge out” of PPE included in high-threat kits. Specifically, OIG tested 32 property charge-outs specific to high-threat kits and found 16 instances (50 percent) in which Form DS-584 had not been completed. According to DS/PSP/DEAV officials, one reason for the exceptions identified is the fact that, when PPE is provided to DS special agents who are in the field, the employee receiving the equipment does not always sign and return a Form DS-584 that acknowledges receipt and responsibility for returning the equipment when it is no longer needed. DS/PSP/DEAV officials stated that DEAV and overseas posts exchange cables that acknowledge the shipment and receipt of PPE and that DS/PSP/DEAV records the PPE in S-ILMS-AM upon receipt of these cables. OIG acknowledges this practice, but concludes that greater attention to enforcing property management procedures is warranted because the items provided are sensitive equipment and must be safeguarded. Furthermore, sensitive PPE is susceptible to theft. For example, OIG previously reported that a U.S. government contractor was found guilty of the theft and sale of U.S. government PPE. The contractor admitted to taking vests and helmets valued at more than \$16,000 from a DS facility and then selling or trading these items online.

**Recommendation #1:** OIG recommends that the Bureau of Diplomatic Security develop and implement procedures to ensure that special agents acknowledge the receipt of protective personnel equipment (PPE) by signing and returning Form DS-584 and that all PPE is returned when no longer needed, in accordance with Foreign Affairs Manual guidance (14 FAM 425.3-4).

**DS Response (05/03/2020):** DS acknowledges the OIG's recommendation that PPE shipped overseas should have a DS-584 signed by the receiving agent. All PPE initially issued both domestically and overseas have a signed DS-584 in the secure Integrated Logistics Management System (S-ILMS). When property is shipped overseas, DS utilizes the exchange of classified cables to address both property accountability and other national security/safety equities. DS/PSP/DEAV notifies posts via classified cable and domestic offices via e-mail of any PPE shipment, and requests posts/agents report back to DS/PSP/DEAV that PPE has been received. Domestically assigned agents will sign a DS-584 and return the signed copy back to DS/PSP/DEAV. This document is uploaded within Individual Issuance for proof of delivery. Agents assigned overseas will acknowledge that their equipment has been received via

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classified cable. This response cable, along with the original, system-generated DS-584 (without a signature) is uploaded into S-ILMS validating that the agent received his/her equipment. In this way, DS concurs that DS-584s must be signed when PPE is issued and believes that the exchange of cables for overseas shipment meets the intent of property accountability for safeguarding sensitive PPE given the other national security and safety equities being balanced. DS is working with A/LM/PMP to update standard operating procedures (SOPs) to ensure they correctly reflect the process of using classified cables for agents already in the field. The example given by the OIG regarding theft by a government contractor was the result of poor inventory control and oversight at another facility. DS/PSP/DEAV is now the program of record for PPE procurement, warehousing and issuance, and has a satellite warehouse facility at the Foreign Affairs Security Training Center (FASTC) in Blackstone, VA, where the event took place. The referenced example involved unmonitored containers. The DS/PSP/DEAV classified warehouse has a dozen employees, accounts for property in S-ILMS, and issues PPE using S-ILMS and the DS-584 form.

The recommendation correctly recognizes that when agents are assigned overseas, and the Department issues them new PPE that they have never received before, it is incumbent upon the Department to ensure the individual agent receives and acknowledges receipt of the initial issuance using a DS-584. There are often delays of days or weeks due to shipping and processing, but DS/PSP/DEAV ensures all agents receiving new PPE issued for the first time have a signed DS-584 in their file on S-ILMS. Those receiving new PPE overseas for which they did not previously have a signed DS-584 represent a small cadre of veteran agents transferring post-to-post with expired PPE, or veteran agents who transfer overseas with expired PPE and have not attended RSO or ATLaS In-Service training. Additionally, our system has the ability to track both PPE issuance dates and expiration dates. DS PPE (soft body armor and hard plates/carriers) have a five-year manufacturer's warranty. DS/PSP/DEAV has established a 4 ½ year replacement cycle for PPE, allowing sufficient time to order and receive the replacement equipment before the agent's current-issued PPE expires.

However, the transfer of property signed for previously via a DS-584 by the individual agent from CONUS to OCONUS cannot be done in person and this population remains constant each transfer season. In these cases, DS/PSP/DEAV utilizes the exchange of classified cables and attaches both to the agent's record in S-ILMS. DS/PSP/DEAV notifies post via classified cable of an incoming DS Special Agent's shipment to include tracking numbers, type(s) of equipment, serial numbers, sizes and who the equipment is assigned to. The classified cable also advises that PPE is accountable property in accordance with FAM/FAH guidelines and must be reported to DS/PSP/DEAV as part of annual inventory requirements.

Domestically, those agents outside of the National Capital Region who receive PPE issued for the first time, via shipment to a field or resident office, typically turn around a signed DS-584 to DS/PSP/DEAV within 5-10 business days. An open folder is tracked by both Shipping and Customer Service sections to follow-up and ensure compliance. PPE issued at FASTC for new agents in BSAC and ATLaS are issued in person by DS/PSP/DEAV's new warehouse and logistics operation on campus, so there are no longer any delays between issuance and receiving the DS-584 form.

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DS/PSP/DEAV has existing standard operating procedures in place that ensures accountability of all property under the program's purview and all PPE is tracked via S-ILMS. These processes were briefed in depth and provided to the OIG and necessitate an alternative process consistent with protecting classified information, maintaining property accountability and ensuring the safety of our security personnel overseas. DS accomplishes this via an exchange of classified cables that are attached to the individual agent records or post business units in S-ILMS as appropriate.

Expired PPE is collected by DS/PSP/DEAV and destroyed. DS/PSP/DEAV actively contacts DS agents with expired PPE to replace them, destroy old PPE that has been replaced, and includes this information in annual cable guidance and briefings.

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## APPENDIX C: OIG REPLY TO THE BUREAU OF DIPLOMATIC SECURITY'S GENERAL COMMENTS

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In addition to responding to the recommendation offered in this report, the Bureau of Diplomatic Security (DS) provided general comments related to a draft of this report (see Appendix B). This appendix provides a summary of DS's general comments and the Office of Inspector General's (OIG) reply.

**DS General Comment:** DS stated that "All [Protective Personnel Equipment (PPE) initially issued both domestically and overseas have a signed [Property Transaction Form] DS-584 in the secure Integrated Logistics Management System (S-ILMS)." DS also stated, "There are often delays of days or weeks due to shipping and processing," but represented that DS officials ensure "all agents receiving new PPE issued for the first time have a signed DS-584 in their file on S-ILMS."

**OIG Reply:** OIG reiterates that it performed testing on 32 property check-outs, and DS was unable to provide documentation showing that the recipient of 16 (50 percent) pieces of equipment provided *any* type of acknowledgment of receipt, including DS-584s. OIG also notes that DS officials were provided with sufficient time to produce the requested supporting documentation. On multiple occasions during this audit compliance follow-up, DS officials stated that it was difficult to obtain requested documentation related to property check-outs from agents at overseas posts.

**DS General Comment:** DS stated that "The example given by the OIG regarding theft by a government contractor was the result of poor inventory control and oversight at another facility."

**OIG Reply:** Professional auditing standards require that an audit report include the effect or potential effect of the deficiencies identified.<sup>1</sup> The example provided in this report related to prior theft of DS equipment due to inadequate internal controls. Accordingly, it is a potential "effect" that demonstrates what can (and, in this case, did) happen when there is a lack of accountability over sensitive PPE.

**DS General Comment:** DS stated that "Those receiving new PPE overseas for which they did not previously have a signed DS-584 for represents a small cadre of veteran agents transferring post-to-post with expired PPE, or veteran agents who transfer overseas with expired PPE." DS also stated, "However, the transfer of property signed for previously via a DS-584 by the individual agent . . . cannot be done in person and this population remains constant each transfer season."

**OIG Reply:** OIG does not believe that DS's explanation adequately addresses the concerns articulated in the report. In particular, when DS replaces expired PPE with new PPE, a new DS-

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<sup>1</sup> Government Accountability Office, *Government Auditing Standards, 2018 Revision* 189 (GAO-18-568G, July 2018).

584 must be signed. This is because the original DS-584 relates only to the serial numbers of the equipment that was originally issued to the DS special agent.

**DS General Comment:** DS stated that it had “existing standard operating procedures in place that ensures accountability of all property under the program’s purview.” DS also stated that “These processes were briefed in depth and provided to the OIG and necessitate an alternative process consistent with protecting classified information, maintaining property accountability and ensuring the safety of our security personnel overseas.” However, DS also stated that it is “working with [the Bureau of Administration] to update standard operating procedures. . . to ensure they correctly reflect the process of using classified cables for agents already in the field.”

**OIG Reply:** During this audit compliance follow-up, DS officials did not provide any formalized standard operating procedures related to its stated practice of using classified cables to obtain agents’ acknowledgement of the receipt of equipment. OIG requested all policies and procedures on several occasions, and DS officials had sufficient time to provide OIG with such documentation. In addition, DS’s response to a draft of this report indicated that DS had procedures, but it also stated that DS was working with the Bureau of Administration to update its procedures to reflect the process. Regardless of the status of the standard operating procedures, as set forth in this report and reiterated in this Appendix, when OIG tested 32 property check-outs, DS was unable to provide documentation demonstrating that the agent had acknowledged receipt for 50 percent of the items. Therefore, OIG continues to maintain that DS should focus additional attention on enforcing property management procedures.

**DS General Comment:** DS stated, “Expired PPE is collected. . . and destroyed.” DS also stated that DS “actively contacts DS agents with expired PPE to replace them.”

**OIG Reply:** OIG’s recommendation is related to unneeded equipment, not expired equipment, and DS’s response to a draft of this report did not provide information on unneeded equipment. Nevertheless, OIG acknowledges DS’s representation that it actively obtains and replaces expired equipment. However, OIG also notes that DS stated that its agents transfer from one post to another, or from a domestic location to an overseas location, with expired equipment. OIG will attempt to obtain clarity on this issue during the audit compliance process.

## ABBREVIATIONS

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DEAV	Defensive Equipment and Armored Vehicle Division
DS	Bureau of Diplomatic Security
FAM	Foreign Affairs Manual
GPS	global positioning system
OIG	Office of Inspector General
PPE	protective personnel equipment
S-ILMS-AM	secure version of the Department's Integrated Logistics Management System, Asset Management application
TPS	Office of Training and Performance Standards

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