



Office of Inspector General  
United States Department of State

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AUD-MERO-22-44

Office of Audits

September 2022

# **Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq**

MIDDLE EAST REGION OPERATIONS



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

AUD-MERO-22-44

## What OIG Audited

As of July 2022, U.S. Embassy Baghdad, Iraq, managed approximately \$164 million worth of U.S. government nonexpendable personal property. The Foreign Affairs Manual defines personal property as property other than land, buildings, and structures, including items such as vehicles, furniture, equipment, appliances, and machinery. Nonexpendable personal property is property that is complete in itself, with a useful life of more than 2 years.

The Office of Inspector General (OIG) conducted this audit to determine whether Embassy Baghdad implemented internal controls to account for and manage the life cycle of nonexpendable personal property in accordance with federal and Department of State (Department) requirements.

To perform this audit, OIG conducted fieldwork at the Baghdad Embassy Compound and the Baghdad Diplomatic Support Center.

## What OIG Recommends

OIG offered 14 recommendations intended to improve the management of nonexpendable personal property at Embassy Baghdad. On the basis of the Department's response to a draft of this report, OIG considers all of the recommendations resolved, pending further action. A synopsis of the Department's responses to the recommendations offered and OIG's reply follow each recommendation in the Audit Results section of this report. Responses from Embassy Baghdad and the Bureau of Administration to a draft of this report are reprinted in their entirety in Appendices B and C, respectively.

September 2022

OFFICE OF AUDITS

MIDDLE EAST REGION OPERATIONS

## Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq

### What OIG Found

Embassy Baghdad implemented key internal controls to account for and manage the life cycle of nonexpendable personal property. Specifically, the embassy designated roles and required separation of duties for personnel involved at each stage to reduce the risk of property loss, misuse, or theft. The embassy also used the Department's online property management system and required documentation, conducted checks on property it received and designated for disposal, and completed annual physical inventories to account for nonexpendable property at every stage in its life cycle.

However, the embassy did not consistently or completely apply some internal controls and did not fully utilize available analytical tools to manage nonexpendable property. Specifically, OIG found that the embassy did not include all accountable property in its annual inventories and discontinued some property spot checks. In addition, the embassy did not always promptly dispose of property or secure access to the destruction yard holding area. Furthermore, the embassy did not always promptly complete the receiving process or promptly update the locations of items in the Integrated Logistics Management System. Lastly, the embassy did not fully utilize analytical tools when purchasing or replacing property, including when processing 24 furniture orders valued at \$12.9 million while \$7.6 million of furniture had been available in storage for more than 2 years.

Although from FY 2019 to FY 2022 the embassy encountered unique staffing challenges that contributed to these shortcomings, it also did not always develop, implement, document, and clearly communicate procedures for managing some elements of the property life cycle. As a result, Embassy Baghdad cannot be fully assured its nonexpendable property is managed in accordance with federal and Department requirements and properly safeguarded from misuse, nor that it has the appropriate property to accomplish its mission. In addition, had Embassy Baghdad employed all available analytical tools, it could have prevented unneeded property from being ordered, stored, and going unused.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this audit to determine whether U.S. Embassy Baghdad, Iraq, implemented internal controls to account for and manage the life cycle of nonexpendable personal property in accordance with federal and Department of State (Department) requirements.

## BACKGROUND

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Embassy Baghdad manages millions of dollars' worth of personal property, which the Foreign Affairs Manual (FAM) defines as U.S. government-owned or leased assets that are not otherwise classified as land, land improvement, buildings, and structures that are normally referred to as real property.<sup>1</sup> The FAM divides personal property into two general categories:

- **Expendable Personal Property** – property that, when put to use, is consumed, loses its identity, or becomes an integral part of another item of property. Examples of expendable property include office supplies, automobile tires, machine parts, and installed computer parts (regardless of cost).<sup>2</sup>
- **Nonexpendable Personal Property** – property that “(1) is complete in itself; (2) does not lose its identity or become a component part of another item when used; and (3) is of a durable nature with an anticipated useful life of more than 2 years.”<sup>3</sup> Examples of nonexpendable personal property include furniture, motor vehicles, heritage assets,<sup>4</sup> firearms, protective personal equipment, capitalized personal property,<sup>5</sup> and classified and unclassified information technology and telecommunications equipment.

As of July 2022, Embassy Baghdad managed nonexpendable personal property with an acquisition value of approximately \$164 million. OIG previously reported deficiencies in the Department's management of personal property that included issues with body armor, property in storage, and inventory checks.<sup>6</sup>

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<sup>1</sup> 14 FAM 411.4, “Definitions.”

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

<sup>4</sup> Heritage assets are “[a]ntiques, works of art, and other cultural objects with historic importance, antiquity, rare quality, or intrinsic value.” (Ibid.)

<sup>5</sup> Nonexpendable personal property with an acquisition cost of \$25,000 or more per item and an estimated service life of 2 years or longer, Department-owned motor vehicles regardless of cost, and commercial-off-the-shelf software configured for State operations with a total cost of \$500,000 or more are referred to as “capitalized personal property.” (Ibid.)

<sup>6</sup> OIG, *Classified Management Alert: U.S. Embassy Baghdad, Iraq Body Armor* (MA-21-01, July 2021); *Audit of Personal Property Accountability at U.S. Mission Iraq* (AUD-MERO-14-18, June 2014); *Audit of Property Accountability at Embassy Baghdad* (MERO-A-10-17, April 2010); *Audit of the U.S. Mission Iraq Medical Services* (AUD-MERO-15-25, May 2015).

## Embassy Baghdad Property Management

Embassy Baghdad manages nonexpendable personal property at two locations: the Baghdad Embassy Compound (BEC) and the Baghdad Diplomatic Support Center (BDSC).

The BEC is a 105-acre compound that includes a chancery, 3 office annex buildings, 18 residential buildings, 2 residential groupings of containerized housing, a cafeteria, retail shops, 2 gyms, and several warehouses and maintenance buildings. It also includes power, water production, and wastewater treatment plants. In addition, the BEC maintains the Embassy Helicopter Port, a firehouse, a shooting range, and a storage container yard at adjacent properties.

The BDSC is a large compound adjacent to Baghdad International Airport, 9 miles west of the BEC. It serves as the primary logistical and support platform for Embassy Baghdad. The BDSC includes a primary office building, an airport terminal, a runway and tarmac, civilian and military hospitals, several areas of civilian and military containerized housing, dining facilities, shops, and gyms. In addition, the BDSC includes facilities for power, water production, and wastewater treatment, as well as several maintenance buildings, storage containers, and property destruction and junk yards.

Nonexpendable personal property is managed at the BEC and the BDSC by the General Services Office (GSO), the Information Management Office (IMO), the Regional Security Office (RSO), and a subset of RSO—the Engineering Services Center (ESC). These sections manage distinct sets of nonexpendable personal property related to their respective activities, and each uses its own staff, approaches, and methods. There can be overlap between these sections for some types of property. For example, GSO and RSO work together to manage armored vehicles, which are ultimately reported on GSO's property records but are managed and used day-to-day by RSO. Table 1 outlines the types of property that each office typically manages.

**Table 1: Type of Nonexpendable Personal Property Management at Embassy Baghdad by Section**

Section	Types of Nonexpendable Personal Property
GSO	Appliances Equipment Furnishings Furniture (office and residential) Personal protective equipment for the embassy's "general population" Vehicles
IMO	Computers Radios Telephones

Section	Types of Nonexpendable Personal Property
RSO	Personal protective equipment for RSO and security personnel Special protective equipment Weapons
ESC	Closed circuit television Access and perimeter controls Explosives detection equipment Intrusion detection systems Locks X-ray machines

**Source:** Generated by OIG from Embassy Baghdad SharePoint sites and interviews with embassy personnel.

## Department Property Management Stakeholders and Systems

### *Bureau of Administration*

The Bureau of Administration's Office of Logistics Management, Office of Program Management and Policy (PMP), oversees the Department's personal property management program for posts abroad. It is responsible for establishing policy for the management and control of personal property, reviewing property management regulations and procedures, and providing guidance in areas such as property accountability, inventory management, property utilization, and disposal.

### *Integrated Logistics Management System*

PMP deploys and maintains the Integrated Logistics Management System (ILMS), a web-based information system used for managing the Department's logistical operations, such as procurement, warehousing, transportation, and diplomatic pouch functions. PMP also maintains the Secure Integrated Logistics Management System (S-ILMS) for managing classified property, sensitive but unclassified property, and property with sensitive aspects (e.g., location of property).

ILMS includes multiple modules that provide property management tools at different stages of the property life cycle, such as Asset Management, Annual Inventory Modernization, and Analytics. The FAM requires that all nonexpendable property be recorded and maintained within the Asset Management module of ILMS.<sup>7</sup> The Asset Management module is designed to track procurement, receipt, and disposal of the Department's domestic and overseas personal property. The module tracks specific information for personal property items, including the following:

- Unique identifier, such as an asset identification number, serial number, or vehicle identification number.

<sup>7</sup> 14 FAM 414.2-1(a)(1), "Approved Property Record Systems."

- The general type of property (e.g., vehicle or computer) and specific property description (e.g., make and model or brand).
- Cost, which includes the original purchase price and transportation and installation costs.
- Date the overseas post received the asset.
- Asset status, indicating whether the asset has been received, is in service, has been disposed of, or was transferred elsewhere.
- Office responsible for managing and using the asset.
- Location of the asset.

### ***Bureau of Diplomatic Security***

Two units within the Bureau of Diplomatic Security—the Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division (DEAV) and the Office of Security Technology—provide additional oversight to RSO at Embassy Baghdad for special protective equipment, armored vehicles, and technical security equipment. Although RSO, including ESC, conducts the day-to-day management of the items, and some personnel can update property records, other property management functions remain with the Bureau of Diplomatic Security. Specifically, DEAV maintains records for Department-owned sensitive nonexpendable personal property, such as firearms, optics, and aiming devices, in S-ILMS, and it purchases all armored vehicles sent to embassies. The Office of Security Technology directs and develops the standards, policies, and procedures for technical countermeasures, security technology operations, and facility security engineering programs globally. At Embassy Baghdad, the Office of Security Technology works with ESC to install and maintain technical security systems in all embassy facilities, such as badge readers, locks, and X-ray machines. The Office of Security Technology also maintains unclassified and classified versions of the Computerized Maintenance Management System (CMMS). The Foreign Affairs Handbook (FAH) requires the use of CMMS to track these security items.<sup>8</sup> CMMS integrates with ILMS and S-ILMS, and all records for security equipment in unclassified and classified versions of CMMS are also stored in ILMS and S-ILMS, respectively.

### ***Bureau of Information Resource Management***

The Bureau of Information Resource Management (IRM) provides oversight of information management equipment and devices, such as computer and telecommunications equipment, using ILMS to manage and account for its personal property at posts. IRM also has a system, the Information Technology Asset Management System, which connects with ILMS to identify and electronically verify the existence and location of any IRM property that is connected to the Department's networks.

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<sup>8</sup> 12 FAH-11 H-143(g), "Maintenance," and 12 FAH-11 H-144(a), "Operational Data Reporting Requirements."

## **The Life Cycle of Personal Property Management for Overseas Posts**

The FAM identifies different stages—receipt, use, and disposal—in the life cycle of nonexpendable property at an overseas post and requires that each stage be managed by separate individuals.<sup>9</sup> According to the FAM, property receipt requires a designated Receiving Clerk to conduct a physical check of all property being received and document the receipt.<sup>10</sup> The use stage<sup>11</sup> includes controlling property through record keeping,<sup>12</sup> managing property in storage,<sup>13</sup> and conducting inventories<sup>14</sup> and spot checks.<sup>15</sup> The disposal stage includes identifying property that is no longer useful, identifying the most advantageous method of disposal, and executing the disposal method.<sup>16</sup>

The FAM also identifies four separate individuals responsible for managing property at overseas posts: Property Management Officers (PMO), Receiving Clerks, Accountable Property Officers (APO), and Property Disposal Officers (PDO).<sup>17</sup> PMOs are responsible for overseeing all property management functions at a post, and they are authorized to designate responsibility for certain day-to-day property management activities to Receiving Clerks, APOs, and PDOs. Receiving Clerks receive, inspect, and document the quality, quantity, and condition of all personal property delivered to post. Once property is available for use, APOs are responsible for storing, maintaining, and inventorying the property. When property has reached the end of its useful life, PDOs oversee the disposal of the property in the manner most beneficial to the U.S. government, including destruction, sale, or transfer. Figure 1 depicts the nonexpendable personal property life cycle at an overseas post.

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<sup>9</sup> 14 FAM 411.1(a), “Scope.”

<sup>10</sup> 14 FAM 413.1, “General,” and 14 FAM 413.3 “Receiving Responsibility.”

<sup>11</sup> OIG reviewed property management principles in the FAM and FAH and discussed these principles with property management experts at post. Several different terms were used to describe property management activities between the receipt and disposal of property. OIG selected “use” to describe the management, accountability, storage, utilization, maintenance, and reporting activities that occur between property receipt and disposal.

<sup>12</sup> 14 FAM 414.1, “Accountability.”

<sup>13</sup> 14 FAM 414.4, “Managing Property in Stock.”

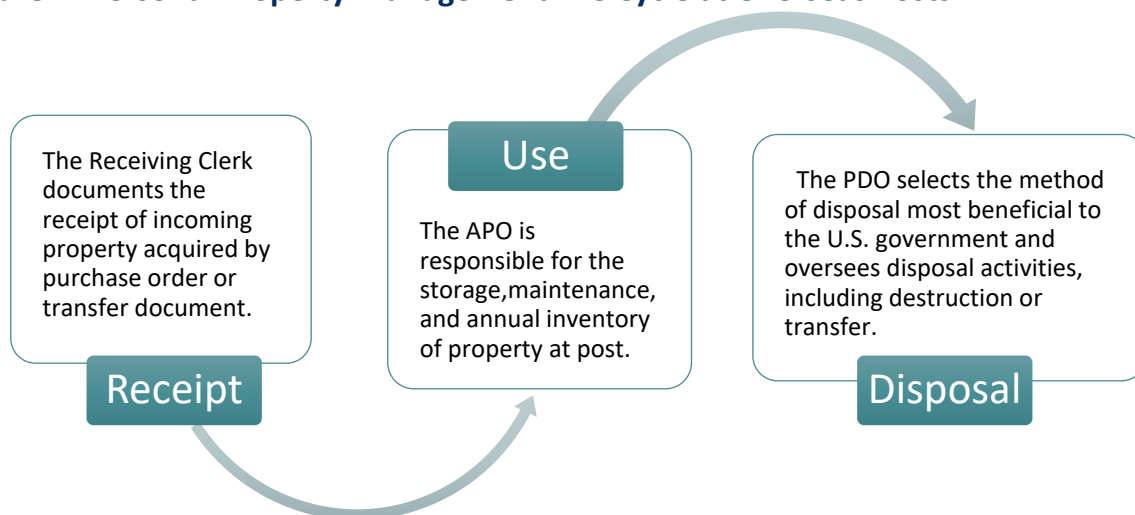
<sup>14</sup> 14 FAM 416, “Physical Inventory and Reconciliation.”

<sup>15</sup> 14 FAM 411.2-2(c), “Accountable Property Officer (APO).”

<sup>16</sup> 14 FAM 417.1-2, “Classifying Unneeded Property” and 14 FAM 417.2, “Disposal Methods.”

<sup>17</sup> 14 FAM 411.2-1, “Property Management Officer (PMO);” 14 FAM 411.2-2, “Accountable Property Officer (APO);” 14 FAM 411.2-3, “Property Disposal Officer (PDO);” 14 FAM 413.1, “General.”



**Figure 1: Personal Property Management Life Cycle at Overseas Posts**

**Source:** Generated by OIG from 14 FAM 413, "Property Receipt;" 14 FAM 411.2-2, "Accountable Property Officer;" and 14 FAM 411.2-3, "Property Disposal Officer."

## Standards for Internal Control in the Federal Government

The U.S. Government Accountability Office's (GAO) *Standards for Internal Control in the Federal Government* sets guidelines for federal entities to design, implement, and operate internal controls to achieve entity objectives.<sup>18</sup> Internal controls help organizations run their operations efficiently and effectively, report reliable information about operations, and comply with applicable laws and regulations. The Federal Managers Financial Integrity Act of 1982 requires federal executive branch entities to establish internal controls in accordance with standards set forth by GAO.<sup>19</sup> The Department has multiple levels of internal controls outlined in both the FAM and the FAH. These controls range from global internal controls, such as the requirement to use ILMS for personal property management, to post-specific controls, such as the designation of personal property management positions.<sup>20</sup>

## AUDIT RESULTS

### Finding A: Embassy Baghdad Implemented Some Key Internal Controls To Account for and Manage the Life Cycle of Nonexpendable Property

OIG found that Embassy Baghdad implemented some key internal controls to account for and manage the life cycle of nonexpendable personal property. Specifically, the embassy designated

<sup>18</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).

<sup>19</sup> *Ibid.*, page 1; 31 United States Code §3512 (c) and (d). Specifically, the Act requires agencies to establish internal controls consistent with standards GAO prescribes. Those standards are the *Standards for internal Control in the Federal Government*.

<sup>20</sup> 14 FAM 410, "Personal Property Management for Posts Abroad;" 14 FAH-1, "Personal Property Management Handbook."

key property management roles for each stage of the property life cycle, assigning different people to manage property receipt, use, and disposal at both the BEC and the BDSC. This internal control is important to reduce the risk of loss, misuse, or theft. The embassy also used the Department's online property management systems to account for nonexpendable property at every stage in its life cycle and used the appropriate documentation for each transaction. In addition, the embassy conducted checks of property that it received and that it designated for disposal. Furthermore, despite staffing challenges from FY 2019 to FY 2021, the embassy conducted the required annual inventory of property. OIG found that, as a result of these internal controls being implemented, Embassy Baghdad was able to better account for and manage the life cycle of nonexpendable property, compared with findings in previous OIG audits of property management at Embassy Baghdad.

***Embassy Baghdad Designated Property Management Roles and Separated Key Property Management Duties as Required***

According to the FAM, each establishment abroad must designate a PMO, who is responsible for all property management functions and for designating property management personnel<sup>21</sup>: an APO,<sup>22</sup> a PDO,<sup>23</sup> and a Receiving Clerk.<sup>24</sup> In addition, the FAM requires that property receipt, day-to-day management, and disposal duties be separated among staff.<sup>25</sup> The FAM specifically identifies procurement, receiving, payment, property record keeping, and conducting an annual physical inventory as duties that should be separated.<sup>26</sup> Separating duties supports oversight and accountability by ensuring that no one person has control over all aspects of personal property.<sup>27</sup>

OIG found that Embassy Baghdad met FAM and GAO internal control requirements for designating property management roles and separating key property management duties. Specifically, the embassy's Deputy Management Counselor was designated as the PMO for the BEC, and the Deputy Director of the BDSC was designated as the PMO for the BDSC. The PMOs, in turn, designated other individuals to serve key roles for managing each stage of the property life cycle at both the BEC and the BDSC.

To separate duties for receiving for the BEC and the BDSC, the PMOs designated two Receiving Clerks within GSO to manage the receipt of all incoming non-sensitive property, regardless of the type of property or which embassy offices had requested, procured, or would ultimately manage the property. GSO officials noted that on some occasions a Receiving Clerk may have been involved in the procurement process. To maintain duty separations consistent with FAM

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<sup>21</sup> 14 FAM 411.2-1(a) and (b), "Property Management Officer (PMO)."

<sup>22</sup> 14 FAM 411.2-2(a), "Accountable Property Officer (APO)."

<sup>23</sup> 14 FAM 411.2-3(a), "Property Disposal Officer (PDO)."

<sup>24</sup> 14 FAM 413.1(a), "General."

<sup>25</sup> 14 FAM 411.2(d), "Responsibilities."

<sup>26</sup> Ibid.

<sup>27</sup> GAO-14-704G, September 2014, pages 47, 50-51.

requirements, GSO ensured a different Receiving Clerk would review and approve incoming property.

The PMOs also designated individuals within GSO and IMO to serve as APOs to manage the use of non-security related property in their respective offices. In addition, both offices further separated duties for managing property use. For example, GSO and IMO both separated duties regarding property transfers and movements within the embassy by assigning different individuals the tasks of documenting the transactions, delivering the items, and obtaining approval signatures from relevant officials. In addition, the APOs for both offices generally do not participate in the embassy's annual physical inventory process because of their oversight responsibilities for other property management duties.

Finally, the PMOs designated one PDO for the embassy—the GSO—to oversee all disposals of non-sensitive property. Each office separated key disposal duties as well. For example, the APO for each respective section compiled the list of property for disposal and initiated the required documentation, the PDO approved the method of disposal, and the APO for each section confirmed the disposal was complete.

Formal responsibilities for receiving and disposing of sensitive properties were retained by other entities, rather than at Embassy Baghdad; therefore, the PMOs were not required to assign such responsibilities to Embassy Baghdad staff. Receipt and disposal activities of RSO and ESC sensitive nonexpendable property were managed within DEAV and the Office of Security Technology, respectively, rather than RSO and ESC. Although individuals within RSO and ESC did not participate in property receipt activities, they did assist the APOs within DEAV and the Office of Security Technology with property use, including updating information on the assignment and locations of security assets. Similarly, the Bureau of Information Resources Management formally received sensitive information technology assets and transferred them to the Embassy Baghdad IMO, although the IMO APO was responsible for managing the property's use once it was received at post. Although embassy staff participated in identifying and collecting RSO and ESC sensitive property and some IMO property for disposal, actual disposal of such items is managed and completed in Washington, DC and Frankfurt, Germany.

### ***Embassy Baghdad Implemented Key Internal Controls at Each Stage of the Property Life Cycle***

Property managers use ILMS to document actions taken during each stage of the property life cycle.<sup>28</sup> The FAM requires that posts utilize standardized forms to document the receipt, use, and disposal of personal property. These forms include:

- **Form DS-127, Receiving and Inspection Report**<sup>29</sup> – When receiving property, the Receiving Clerk must prepare a Receiving and Inspection Report (Receiving Report) to confirm and record receipt of incoming personal property.

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<sup>28</sup> 14 FAM 414.2-1(a)(1) and (3), "Approved Property Record Systems."

<sup>29</sup> 14 FAM 413.5(a), "Receiving Action."

- **Form DS-584, Property Transaction Report**<sup>30</sup> – The Property Transaction Report is used to document when personal property is issued to an employee, returned to a warehouse, or transferred between property management offices. The report must be signed by the APO or a designee of the APO and the official taking custody of the item, and it must be maintained as part of the property accountability records.
- **Form DS-132, Property Disposal Authorization and Survey Report**<sup>31</sup> – For the disposal of property, the APO must complete the Property Disposal Authorization and Survey Report (Property Disposal Report) for the PMO's approval. Once approved, the APO must send the Property Disposal Report to the PDO who keeps it on file until the property's final disposition. The PDO must then return the report to the APO to be kept in the property files.

### *Receipt of Property*

OIG observed embassy personnel with property management duties and found that they used ILMS and the required forms to account for and document the receipt of nonexpendable property. The embassy appropriately followed two different processes for property receipt, one for non-sensitive property and one for sensitive property. For non-sensitive property, which the embassy received either directly from a vendor or through shipping hubs in New York and New Jersey, OIG observed the BEC Receiving Clerk verifying the contents of shipments against purchase orders and shipping invoices and then generating within ILMS the required Form DS-127, Receiving and Inspection Report. After completing the Receiving Report, the Receiving Clerk sent it to the office that ordered the items—either IMO, RSO, or ESC—to notify the office that the items had arrived and were available.<sup>32</sup> Officials from the ordering office then verified and accepted the items and acknowledged acceptance by signing the Receiving Report and returning the form to the Receiving Clerk. OIG also observed that, for property purchased by the GSO, staff maintained separation of duties between purchasing and receiving and ensured that different staff completed the tasks.

Formal receipt of sensitive items was completed in Washington, DC, or Frankfurt, Germany, rather than at Embassy Baghdad. The Washington office that received the property subsequently physically transferred the sensitive property to the embassy using the diplomatic pouch. Officials from IMO, RSO, and ESC stated that prior to the property's arrival at post, the offices received emails notifying them of the transfer and providing a Form DS-584, Property Transaction Report.<sup>33</sup> Upon the property's arrival, the office that ordered the property compared the procurement documentation, Property Transaction Report, and the actual items in the shipment to verify completeness of the order. The Property Transaction Report required

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<sup>30</sup> 14 FAM 414.5(1), "Internal Requisitioning Procedures."

<sup>31</sup> 14 FAM 416.5-1(a), "APO Action," and 14 FAM 411.2-3 (c) "Property Disposal Officer (PDO)."

<sup>32</sup> Other embassy sections that required property requested it from GSO, who procured the property on those sections' behalf.

<sup>33</sup> The Property Transaction Report, rather than the Receiving and Inspection Report, was used for sensitive property because the Department had already formally received the property.

signatures from three different individuals to ensure oversight and accountability, which finalized the receipt of the sensitive property.<sup>34</sup>

Both the Receiving Report and the Property Transaction Report were generated in ILMS. For example, ILMS generates the Receiving Report from information in the purchase order and prompts the Receiving Clerk to create new records in ILMS for property in the order that is nonexpendable. In addition, completing the reports in ILMS allowed for the form creator to identify specific property items in ILMS to be transferred, ensuring that the correct items were transferred between property management offices or between locations, thereby increasing accuracy of the transaction.

### *Use of Property*

OIG also found that embassy personnel with property management duties used ILMS and the required forms to account for and document the use of nonexpendable property. GSO, IMO, RSO, and ESC at the BEC and the BDSC utilized ILMS and completed the required forms to account for and document property in use. OIG observed that Embassy Baghdad generated the required Property Transaction Reports to document transfers of nonexpendable property between property management offices and when changing the location of property items. For example, during fieldwork, OIG observed that the embassy completed the required Property Transaction Reports for 12 items of residential furniture that BEC GSO transferred to staff apartments. Once the 12 items were distributed to residences, GSO updated the new locations of the items in ILMS.

GSO, IMO, RSO, and ESC all used additional tools outside of ILMS to help manage day-to-day property functions. For example, ESC used CMMS to manage property day-to-day. CMMS integrates with ILMS and transmits changes made in CMMS, such as the location of an item, into ILMS. GSO, IMO, and RSO used other tools in addition to ILMS, such as Excel spreadsheets or internal databases. These tools enabled property managers in GSO, IMO, and RSO to track additional information beyond what was included in ILMS, such as license plate numbers for vehicles or the names of individuals to whom radios had been issued—additional information that the offices used to track property. Because the ability to edit information in ILMS was limited to certain officials in each office that managed property, the offline tools allowed more staff in GSO, IMO, and RSO to access information necessary to complete non-property management responsibilities.

### *Disposal of Property*

OIG observed embassy personnel with property management duties and found that they used ILMS and the required forms to account for and document the disposal of nonexpendable property. Implementing these internal controls reduced the risks of loss, misuse, or theft of property identified for disposal.

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<sup>34</sup> 14 FAH-1 Exhibit H-421.5-2, "Form DS-584." The form requires signatures from an authorizing officer, an approving officer, and the individual who received the property.

The FAM outlines acceptable methods of property disposal, including transfer, sale, donation, and destruction.<sup>35</sup> In addition, the FAM requires that personnel with property management responsibilities use ILMS<sup>36</sup> and document actions taken for disposal of property.<sup>37</sup> Lastly, the FAH requires a detailed description of each item designated for destruction.<sup>38</sup> GAO's internal control guidelines also state that periodic counts and inventories of assets should be conducted to prevent risk of loss, misuse, or theft.<sup>39</sup>

OIG found that most nonexpendable property at Embassy Baghdad was disposed of through destruction. According to GSO officials, the cost of transferring property to other posts was often prohibitive, and the condition of the items often did not justify the expense. Furthermore, GSO officials stated that Embassy Baghdad generally could not donate or sell embassy property due to increased security threat in recent years, challenges making such arrangements with the Government of Iraq, staffing limitations, and, since 2020, health considerations during the COVID-19 pandemic. However, GSO officials stated donations and sales would resume in FY 2022.

As with property receipt, property disposal at Embassy Baghdad followed two processes—one for non-sensitive property and one for sensitive property. For non-sensitive property, OIG found that APOs initiated the disposal process by generating within ILMS the required Form DS-132, Property Disposal Authorization and Survey Report, identifying the specific items to be disposed of and the recommended disposal method. The process for generating this form also automatically updated the items' status in ILMS to reflect pending disposal. Property management staff then collected the specific items to be disposed of, which were stored in shipping containers until sufficient amounts warranted a disposal action. The PDO subsequently reviewed the Property Disposal Report and acknowledged concurrence with the APO's proposed disposal method and authorized disposal. The embassy transported property designated for destruction to the destruction yard at the BDSC, and property items were either destroyed immediately or were stored in an adjacent secure holding yard. Once the items were destroyed, the destruction yard confirmed their destruction to the respective APOs, and the APOs finalized the Property Disposal Report, cross-checking all necessary signatures.

The embassy also conducted checks on nonexpendable property designated for disposal. Prior to transporting the property to the destruction yard, APOs listed the items designated for disposal in the Property Disposal Form. In addition, once property was delivered to the destruction yard, the destruction yard manager conducted a spot check of property to ensure items to be disposed of were generally accounted for. These two checks reduced the risks of loss, misuse, or theft of property identified for disposal.

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<sup>35</sup> 14 FAM 417.2(b), "Disposal Methods."

<sup>36</sup> 14 FAM 414.2-1(a)(1), "Approved Property Record Systems."

<sup>37</sup> 14 FAM 417.2(a), "Disposal Methods."

<sup>38</sup> 14 FAH-1 H-716.6, "Abandonment or Destruction," and 14 FAH-1 Exhibit H-713.1, "Form DS-132."

<sup>39</sup> GAO-14-704G, September 2014, page 47.



It is important to note that most IMO, RSO, and ESC property was sensitive and could not be destroyed in Baghdad because the embassy did not have the facilities or equipment at post to either disassemble or destroy sensitive property. Therefore, sensitive property was transferred either to DEAV, the Office of Security Technology, or IRM in Washington, DC, or Frankfurt, Germany, by diplomatic pouch. Personnel from IMO, RSO, and ESC each documented the transfers of their respective sensitive property, completing the Property Transaction Report and updating the items' status in ILMS.

### ***Embassy Baghdad Adapted Process To Conduct Required Annual Inventory of Property***

The FAM requires that nonresidential accountable property, which includes certain nonexpendable property as well as all nonexpendable and expendable property in storage, be physically inventoried annually between October and March of the fiscal year.<sup>40</sup> The FAM also requires that posts conduct a physical inventory of residential accountable property between occupancies, rather than as part of the annual physical inventory process.<sup>41</sup> OIG found that Embassy Baghdad conducted the required annual physical inventories in FY 2019, FY 2020, and FY 2021. In addition, OIG found that Embassy Baghdad established a policy for conducting annual inventories for the embassy and inventories of residences between occupancies.

GSO officials stated that staffing reductions at Embassy Baghdad from FY 2019-2021 challenged GSO's ability to complete annual inventories and required that the embassy adapt its process. These staffing reductions derived from three sources: an embassy-wide effort to reduce staffing in FY 2019; three evacuations for some remaining staff; and the COVID-19 pandemic. First, from December 2018 to September 2019, the Department completed two staffing assessments at Embassy Baghdad that reduced American direct-hire and third country national employees by 30 percent. OIG reported that these staffing reductions affected Mission Iraq's ability to conduct its diplomatic, programmatic, and oversight functions.<sup>42</sup> In addition, during the downsizing, the Department issued an ordered departure in May 2019 for nonessential personnel, which further reduced staffing and set a *de facto* cap on the number of staff allowed at post. After security incidents in December 2019, embassy personnel were evacuated once again. Moreover, coinciding with initial outbreak of the COVID-19 pandemic in March 2020, the Department issued another ordered departure of nonessential personnel. In addition to the staffing reductions and ordered departures, to prevent the potential spread of COVID-19 within the embassy community, the embassy prohibited locally employed staff (LE Staff) from accessing the BEC and the BDSC compounds.<sup>43</sup> According to GSO officials, the 2019 reductions and subsequent ordered departures reduced GSO staffing from 6 to 4 officers, and the

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<sup>40</sup> 14 FAM 416.1(a) and (b), "General."

<sup>41</sup> 14 FAM 416.3(a), "Residential Furniture and Equipment."

<sup>42</sup> OIG, *Audit of the Department of State's Approach To Adjust the Size and Composition of U.S. Missions Afghanistan and Iraq* (AUD-MERO-20-38, August 2020), page 21.

<sup>43</sup> To prevent potential spread of COVID-19 at the BEC and the BDSC, on March 12, 2020, the embassy authorized excused absences for LE Staff. Some LE Staff subsequently began teleworking from locations outside the BEC and the BDSC, and beginning summer 2020, a limited number of LE Staff returned to the BEC and the BDSC to work and temporarily live. LE Staff began returning to work full time at the two compounds in September 2021 after COVID-19 vaccines became available.

prohibition on LE Staff from entering the BEC and the BDSC reduced the number of warehouse personnel from 49 to 2 in FY 2020 and 2021.

These staffing reductions, particularly the prohibition on LE Staff from accessing the BEC and the BDSC, required the embassy to adapt its process for completing its annual physical inventory in FY 2021. For example, to maintain separation of duties, the FAM states that APOs should not participate in the annual physical inventory process, and in previous years the GSO APOs at the BEC and the BDSC did not participate.<sup>44</sup> However, given the staffing shortages, GSO made an exception to this policy, allowing its APOs to participate in the FY 2021 inventory. In addition, GSO sought out volunteers from other embassy sections, including the consular section and human resources office, who would not normally have been involved in the annual inventory, and instructed them on conducting the inventory. Furthermore, from FY 2020 through 2021, GSO did not conduct inventories of property in residences between occupancies due to the loss of LE Staff, but it restarted the process in FY 2022.

OIG also found that, for the FY 2019 inventory, Embassy Baghdad utilized a new ILMS tool, the ILMS Annual Inventory Modernization module, to improve the accuracy and efficiency of its annual inventory. The module includes the ability to scan barcode labels affixed to accountable property using either a portable barcode scanner or through an app on a mobile smartphone. GSO officials stated that the ability to digitally scan items in certain locations, and identify those items done manually rather than digitally, is an improvement that mitigates fraud risk because manual entry does not digitally verify the presence of an item. The ILMS Annual Inventory Modernization module also allows the individuals conducting the inventory to create records for property or change property locations in ILMS based on what they find during the inventory, thereby correcting location inaccuracies.

### ***Improved Property Accountability at Embassy Baghdad***

In June 2014, OIG reported on personal property management at U.S. Mission Iraq, including Embassy Baghdad.<sup>45</sup> OIG reported that the Department did not have accurate property records for its personal property located throughout Iraq because the Department and U.S. Mission Iraq lacked processes to ensure that property records were consistently and accurately updated in a timely manner. In addition, OIG conducted existence testing<sup>46</sup> for samples of Mission Iraq property and could not verify the existence of 142 of 2,023 (7 percent) personal property items,

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<sup>44</sup> 14 FAM 416.2(c) states, "The individual responsible for maintaining the property records must not participate in the physical inventory count, when sufficient resources exist, to maintain adequate separation of duties." 14 FAM 411.2-2(b)(2) identifies the APO as being responsible for the maintenance of all property records.

<sup>45</sup> OIG, *Audit of Personal Property Accountability at U.S. Mission Iraq* (AUD-MERO-14-18, June 2014).

<sup>46</sup> Existence testing, also known as book-to-floor testing, intends to determine an entity's ability to account for the items recorded in its property books by selecting items recorded in the books and verifying their physical existence.



valued at approximately \$2.7 million.<sup>47</sup> OIG also conducted completeness testing<sup>48</sup> and could not trace 124 of 969 (12.8 percent) selected property items to the Department's property databases. OIG attributed these errors to a lack of management processes to ensure that property records were being maintained and updated, noting in particular that a single APO located in Baghdad had been responsible for managing all Mission Iraq property. OIG recommended that Embassy Baghdad implement revised procedures to consistently and accurately update personal property records on a timely basis.

Testing for this audit found that Embassy Baghdad had improved its processes to account for and manage nonexpendable property across its life cycle. During existence testing for this audit, OIG could not verify the existence of 19 of 451 (4 percent) items sampled from ILMS and S-ILMS. For completeness testing, OIG initially could not trace 15 of 278 (5 percent) items to ILMS and S-ILMS, all of which were located at the BDSC. OIG subsequently determined that 11 of 15 items that it could not trace were contractor-managed property but not clearly marked as such and therefore would not have been in either ILMS or S-ILMS; furthermore, BDSC had disposed of one item. As a result, OIG could not trace 3 of 264 (1 percent) of embassy-managed items that should have been recorded in ILMS.<sup>49</sup> Overall, OIG attributes the improvements to the embassy's implementation of key internal controls, including clearly designating property management roles and responsibilities throughout the property life cycle; increasing the number of APOs from one mission-wide to five within Baghdad; making greater use of online property management tools, such as the ILMS Asset Management module, throughout the property life cycle; and implementing property checks during receipt and disposal.

### **Finding B: Embassy Baghdad Did Not Consistently or Completely Apply Some Internal Controls and Did Not Fully Utilize Available Analytical Tools**

OIG found that Embassy Baghdad did not consistently or completely apply some internal controls and did not fully utilize available analytical tools to manage nonexpendable property. Specifically, Embassy Baghdad's annual inventories for FY 2021 and FY 2022 did not include all accountable property, and GSO discontinued periodic property spot checks. In addition, Embassy Baghdad did not always promptly dispose of nonexpendable property or secure access to the destruction yard holding site. Furthermore, the embassy did not always promptly complete the receiving process or promptly update the locations of items in ILMS. The embassy also did not fully utilize available analytical tools in ILMS to manage the life cycle of nonexpendable property. For example, Embassy Baghdad procured \$12.9 million of residential

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<sup>47</sup> The scope for the 2014 audit included all personal property within U.S. Mission Iraq, including government-managed property, contractor-managed property, and property the U.S. military loaned the mission. OIG conducted fieldwork for the 2014 report at the BEC, the BDSC, U.S. Consulates General Basrah and Erbil, and the Erbil Diplomatic Support Center.

<sup>48</sup> Completeness testing, also known as floor-to-book testing, tests the completeness of an entity's property books by selecting property from the floor and verifying it is recorded in the property books.

<sup>49</sup> The scope for this audit included only government-managed nonexpendable personal property located at the BEC and the BDSC. Although general results indicated improvements in property management, the differences in audit scopes do not make the results directly comparable. See Appendix A in this report for a complete discussion of the scope and methodologies employed for this audit.

furniture while the furniture in residences was still within the Department's minimum replacement standards. In addition, as of September 2021, the BEC had \$7.6 million worth of property in storage locations, 68 percent of which had been in storage for more than 2 years. This surplus of unused property in storage locations occurred because Embassy Baghdad did not always clearly document, communicate, and provide adequate training on property management requirements and available analytical tools. OIG questions whether the 24 residential furniture orders, valued at \$12.9 million, and the \$7.6 million of nonexpendable property assets maintained in storage, were necessary and reasonable.

According to embassy officials, staffing reductions in 2019, the COVID-19 pandemic, and multiple ordered departures contributed to the property management shortcomings. OIG acknowledges the unique challenges the embassy encountered beginning in 2019; however, OIG also found that the embassy did not always develop, implement, document, and clearly communicate standard operating procedures for managing property. It is important that these property management shortcomings are addressed so that Embassy Baghdad can have reasonable assurance that nonexpendable property is managed in accordance with federal and Department requirements and is not misplaced, lost, misused, or stolen and that Embassy Baghdad has the appropriate property it needs to accomplish its mission. Furthermore, the effective use of available analytical tools could have prevented some excess property, such as residential furniture, from being ordered, being stored, and going unused.

***Embassy Baghdad Did Not Consistently and Completely Apply Some Internal Controls***

Embassy Baghdad did not consistently and completely apply some internal controls. OIG found that Embassy Baghdad's 2021-2022 annual physical inventories did not include all accountable property, and the embassy discontinued periodic property spot checks in 2019. In addition, Embassy Baghdad did not always promptly dispose of nonexpendable property and, for property awaiting destruction, the keys to the secure holding yard were themselves not fully secured. Furthermore, Embassy Baghdad did not always promptly complete the receiving process for nonexpendable property, and some property was found in locations other than what was recorded in property records.

***Embassy Baghdad's Annual Physical Inventory Did Not Include All of its Accountable Property***

OIG found that Embassy Baghdad's annual physical inventory did not include all accountable property. The FAM requires that accountable property not located in an individual residence be physically inventoried annually.<sup>50</sup> The FAM further requires that this inventory include all program-related property, motor vehicles, and all expendable and nonexpendable property in storage.<sup>51</sup> In addition, the FAM states that the inventory should be conducted "blind[ly]," meaning that it should be "made without reference to any previous inventory, property records, or other listing of property."<sup>52</sup>

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<sup>50</sup> 14 FAM 416.1(a).

<sup>51</sup> Ibid.

<sup>52</sup> 14 FAM 416.1(d).

LE Staff's limited access to the BEC and the BDSC during the COVID-19 pandemic required that Embassy Baghdad rely upon embassy staff volunteers to complete its annual physical inventories in FY 2021. A BEC GSO official stated that staff volunteers were instructed to look for all accountable property in a specific embassy location. Staff were provided scanners to record the unique identifier information on the barcode label affixed to property items at assigned locations, and they were instructed to include in the inventory all accountable property physically residing in each location, regardless of whether the property had an affixed barcode label. A feature of the ILMS Annual Inventory Modernization module is the ability to see all items listed in the location input to the scanner. Because the barcode scanners interfaced with the property records, volunteers could determine in real time which items listed at a location they had scanned, and which they had not yet scanned.

However, OIG found that the annual inventories conducted in FY 2021 and FY 2022 did not include all accountable property at the BEC and the BDSC, as the FAM requires. According to a GSO official, embassy employees conducting the inventory at the BEC often could not discern what constituted accountable property that should be included in the effort. Therefore, the employees usually relied on the property lists obtained from the Annual Inventory Modernization module to guide their inventory efforts. In addition, the property lists obtained from the module did not include all accountable property at the BEC and the BDSC as the FAM required. Rather, the lists excluded all accountable property with acquisition values less than \$500.

Embassy Baghdad staff did not properly implement the FY 2021 annual physical inventory, in part, because the GSO officials did not effectively communicate to staff how to complete the effort. Nonetheless, a BEC GSO official stated they briefed employees on how to conduct annual inventories. Specifically, GSO provided volunteers with scanners, showed them how to scan each barcode label, instructed them to scan all property with a barcode label affixed, and asked that they identify property missing a barcode label. However, the same BEC GSO official acknowledged that because of the volunteers' lack of property experience, they had difficulty identifying accountable property that did not have barcode labels affixed, and therefore only scanned items with a barcode label. A similar issue occurred at the BDSC, where GSO staff said that they scanned items listed at that location and did not scan any other items at those locations, even if it had a barcode.

The failure to identify all assets also occurred due to conflicting guidance provided in the FAM and in the Annual Inventory Modernization module itself. GAO's *Standards for Internal Control in the Federal Government* notes that management controls must be effectively communicated to meet an entity's objectives.<sup>53</sup> Although 14 FAM 416.1(a) states annual physical inventories should include all accountable property, the ILMS Annual Inventory Modernization module states that all property with an acquisition value less than \$500 is excluded from the annual inventories.

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<sup>53</sup> GAO-14-704G, September 2014, page 60.

The purpose of conducting annual physical inventories is to ensure the embassy can account for all property it manages. Part of this purpose is to identify accountable property in the embassy's possession that is not accounted for in ILMS, such as property in storage or in use that does not have an affixed barcode. To ensure accurate results, embassy staff conducting annual physical inventories, whether as part of their normal duties or as volunteer assistants, must understand how to identify all property that applies to the inventory process. Ineffective communication on the type of property to be included in annual inventories, whether Department guidance or embassy-provided guidance and training, may result in inaccurate representations of a post's actual levels of accountable property. OIG is therefore offering the following recommendations.

**Recommendation 1:** OIG recommends that U.S. Embassy Baghdad, Iraq, establish, implement, document, and communicate, to those conducting the annual physical inventory, a policy and procedures to ensure that the annual physical inventory includes all accountable property at the embassy, as required by 14 Foreign Affairs Manual 416.1.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has established, implemented, documented, and communicated, to those conducting the annual physical inventory, a policy and procedures to ensure that the annual physical inventory includes all accountable property at the embassy, as required by 14 Foreign Affairs Manual 416.1.

**Recommendation 2:** OIG recommends that the Bureau of Administration reconcile differences between the definitions for accountable property contained in the Integrated Logistics Management System – Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and communicate to overseas posts what property should be included in posts' annual inventories.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating it would "review the conflicting guidance provided in the ILMS Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and work to make the necessary updates accordingly."

**OIG Reply:** On the basis of the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the bureau has reconciled differences between the definitions for accountable property contained in the Integrated Logistics Management System – Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and has communicated to overseas posts what property should be included in posts' annual inventories.

### *GSO Discontinued Spot Checks of Property in Storage*

In addition to the annual inventory, the FAM requires that APOs conduct periodic, unannounced spot checks of expendable and nonexpendable property in storage to verify the accuracy of property records<sup>54</sup> and reconcile inventory discrepancies.<sup>55</sup> Discrepancies between physical inventory and property records found through the annual inventory and spot checks should be resolved by the APO.<sup>56</sup>

OIG found that all four embassy offices had a process in place to conduct property spot checks of all property, not just property in storage, prior to 2019 using either physical or electronic verification methods. Spot checks for most property were conducted using a method like the annual inventory in which property management staff selected property from their records and physically verified the property's status and location. GSO officials stated they would focus spot checks on items that previous annual inventories had indicated were missing or not in the expected locations. RSO and ESC also used a physical spot-checking approach.

In contrast to physical spot checks, IMO utilized an electronic process to conduct spot checks for some information technology property. For example, from its offices in the BEC, IMO verified the existence and tracked computers and other IMO equipment to their location on the embassy's computer network, regardless of whether the computers were located at the BEC or the BDSC. IMO officials stated they continue to conduct these spot checks.

Despite the different methods available to conduct spot checks, OIG found that offices managing property faced challenges in completing spot checks. GSO officials stated the office discontinued inventory spot checks in FY 2020 in response to staffing reductions and prohibitions on LE Staff access to the BEC and the BDSC. According to GSO officials, GSO stopped conducting property spot checks because doing so was time consuming and took existing staff away from higher priority tasks. The officials stated that GSO ideally would conduct periodic inventories of all accountable property at post in addition to its required annual inventory, since spot checks represent the only method they can use to reconcile property records in between annual property inventories. After the return of some LE staff, GSO officials stated that they resumed conducting spot checks. IMO officials stated that they did not conduct physical spot checks unless IMO's network system detected that some items were either offline or in need of repairs.

By not conducting periodic physical spot checks, the embassy cannot reconcile all discrepancies between property actually located at the embassy and property records in between annual inventories. In addition, since annual inventories have not included all accountable property, periodic spot checks would provide an opportunity to update the ILMS-generated property list with any additional accountable property discovered during periodic spot checks. OIG is therefore offering the following recommendation.

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<sup>54</sup> 14 FAM 411.2-2(c).

<sup>55</sup> 14 FAM 416.4(a) and (b), "Reconciling the Annual Inventory."

<sup>56</sup> Ibid.

**Recommendation 3:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures requiring Accountable Property Officers to conduct periodic physical inventory spot checks of nonexpendable property.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures requiring Accountable Property Officers to conduct periodic physical inventory spot checks of nonexpendable property.

*Embassy Did Not Always Promptly Dispose of Property or Secure Access to the Destruction Holding Yard*

OIG found that Embassy Baghdad did not always promptly dispose of property designated for disposal or effectively manage access to the embassy's property destruction yard. The FAH requires that property designated for disposal be disposed of in a timely manner.<sup>57</sup> In addition, GAO's *Standards for Internal Control in the Federal Government* state that property managers should establish physical controls to secure and safeguard vulnerable assets.<sup>58</sup> Examples include security for, and limited access to, assets such as cash, securities, inventories, and equipment that might be vulnerable to risk of loss or unauthorized use. Furthermore, federal and Department requirements state that property should be secured,<sup>59</sup> which will help to ensure accountability of that property. Implementing these requirements can help prevent those items from being lost, misused, or stolen.

Nonexpendable property items GSO, IMO, RSO, and ESC identified for disposal were collected and stored in locked shipping containers, and officials from each of the offices maintained keys for the locks on the containers. Once those containers were filled or their contents were otherwise ready for disposal, they were transported to the destruction yard at the BDSC. Upon arrival at the destruction yard, disposal personnel conducted spot checks of the property within each container and some property was immediately destroyed. However, OIG found that some property that could not be destroyed immediately due to scheduling and staffing availability was moved to a holding yard adjacent to the destruction yard and stored on pallets or in unlocked containers.

In addition, OIG found that some property designated for disposal via destruction was not destroyed for years. For example, as part of its sample of 278 items for completeness testing,

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<sup>57</sup> 14 FAH-1 H-711, "Disposable Property," states disposable property "should not be allowed to accumulate in offices or warehouses."

<sup>58</sup> GAO-14-704G, September 2014, page 47.

<sup>59</sup> 41 Code of Federal Regulations 102-35.30(a), "What actions must I take or am I authorized to take regardless of the property disposition method?" and 14 FAM 414.4(1), "Managing Property in Stock."



OIG selected 8 items at the destruction yard that were scheduled for disposal. These items were selected from unlocked containers. OIG found that 5 of those 8 items identified had been awaiting destruction for 2 years. A destruction yard official acknowledged the delay in destroying some property, stating staffing limitations during the COVID-19 pandemic affected the embassy's ability to destroy property promptly. The destruction yard official also stated that the return of LE Staff has allowed the embassy to take steps to reduce the destruction backlog.

Furthermore, OIG found that access to the holding area at Embassy Baghdad's destruction yard was not fully secured. The holding yard had fencing and was locked to limit access to the destruction yard personnel who would need to pick up the items to destroy them. In addition, there were three copies of the key to the holding yard lock—one for the destruction yard manager, one for the RSO, and one for the GSO. The number of keys was limited to protect the integrity of the shipments of property items for destruction until such a time as the destruction yard could destroy them. Figure 2 is a photograph of the property holding yard, which is adjacent to the destruction yard at the BDSC.



**Figure 2:** Photo of the locked gate to the property holding yard adjacent to the destruction yard at the BDSC. (OIG, September 2021)

Both RSO and GSO shared their respective keys with individuals needing access to the destruction yard. RSO had a process for storing, checking out, and returning the key when individuals required access to the yard. However, OIG found that GSO did not implement a similar process to control access to their key. Although GSO stored the key in a central location,

it did not implement a process for checking out and returning the key on the limited occasions when GSO personnel needed access to the holding yard. As a result, items stored in the holding yard were not always fully secured while those items were pending destruction, which increased the risk of items stored there while awaiting disposal being taken without the embassy's knowledge. To address this deficiency, OIG is offering the following recommendation.

**Recommendation 4:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to secure the keys and limit access to the destruction yard holding area at the Baghdad Diplomatic Support Center to only those people who need access to the area.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures to secure the keys and limit access to the destruction yard holding area at the Baghdad Diplomatic Support Center to only those people who need access to the area.

*Embassy Baghdad Did Not Always Promptly Complete the Receiving Process for Nonexpendable Property*

OIG found that Embassy Baghdad did not always promptly complete the receiving process for nonexpendable property. The FAM states that the Receiving Clerk must inspect promptly all property delivered to post,<sup>60</sup> and the FAH states that all incoming shipments must be processed within 7 calendar days.<sup>61</sup> The FAM states that the Receiving Clerk is responsible for preparing and distributing receiving reports,<sup>62</sup> which document that post received what it purchased. The FAM further states that offices using ILMS to manage property "must immediately affix a bar code label to accountable, nonexpendable property upon receipt."<sup>63</sup> In addition, the FAH states that receiving documents must identify each individual item on the receiving report<sup>64</sup> and must, immediately after delivery has been made, be completely checked against the acquisition and packing list documentation to verify commodity, quantity, quality, and condition.<sup>65</sup> The FAH

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<sup>60</sup> 14 FAM 413.1(a).

<sup>61</sup> 14 FAH-1 H-312(i), "Receiving and Acceptance."

<sup>62</sup> 14 FAM 413.3(a).

<sup>63</sup> 14 FAM 413.5(b), "Receiving Action."

<sup>64</sup> 14 FAH-1 H-312.6-1(a), "Receiving Document."

<sup>65</sup> 14 FAH-1 H-312.5-1(a), "General Inspection."



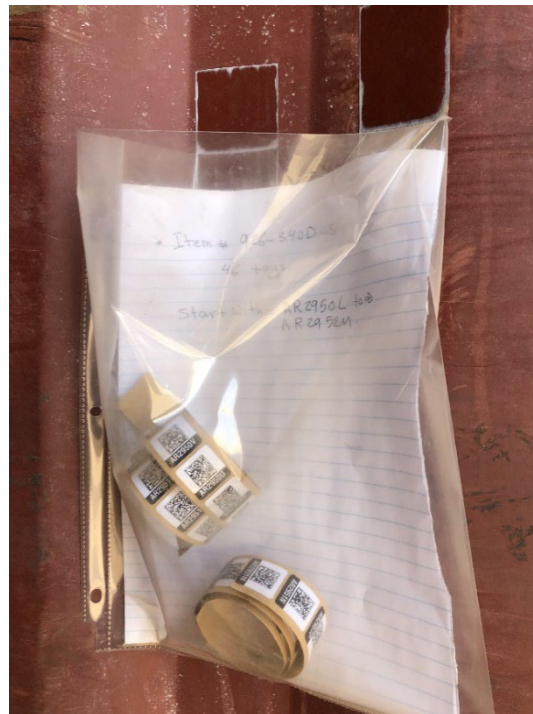
allows for a delayed inspection of property arriving at post, but outlines that it should be maintained in a holding area and should be inspected and received within 3 working days.<sup>66</sup>

OIG found that the BEC GSO had established and documented property receipt procedures that met FAM and FAH requirements. However, GSO officials stated that from FY 2020 through FY 2021, GSO had to adjust receiving procedures when LE Staff were unable to access the BEC. In such instances, GSO staff would open a shipping container, review its contents to ensure that the items in the containers generally matched the corresponding shipping manifests and then confirm with the procurement officials that they had received the items. However, they would then close the shipping containers and leave all the property until they had the time or staff to complete the receiving. According to GSO officials, the GSO staff had prioritized initial receiving of the items over completing the receiving process, updating the electronic records, and moving the items to storage.

OIG also found that the BDSC did not have documented procedures for receiving nonexpendable property. BDSC GSO officials stated that they normally follow FAM and FAH requirements for property receipt. However, OIG observed BDSC property items that did not have affixed barcode labels. For example, OIG observed a container of wardrobes and a plastic bag of barcode labels taped to the inside of the container. OIG identified in the bag of barcode labels, 2 barcode labels matching wardrobes in its existence testing. OIG also selected 12 barcode labels from the plastic bag to include in its completeness testing. According to a BDSC GSO official, this occurred because, as at the BDSC, staffing limitations in FYs 2020–2021 required them to adjust their property receipt processes. The GSO official stated that upon receiving these items, BDSC GSO staff added them to ILMS and created the barcode labels for each item but had not affixed the bar codes to the specific items. Instead, the barcode labels for these items were stored in a plastic bag on the side wall at the entrance of the shipping containers, and the BDSC GSO official further stated they had planned for the barcode labels to be affixed as the items were issued to a residence or office location. However, during its existence testing at the BDSC, OIG could not determine whether three property items in residences were the items included in OIG’s existence testing sample because GSO staff had not affixed barcode labels before issuing the items. Figures 3 and 4 are photographs of barcode labels stored on the side walls of shipping containers at the BDSC GSO Warehouse.

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<sup>66</sup> 14 FAH-1 H-312.5-2, “Delayed Inspection.”



**Figures 3 and 4:** Photos of barcode labels stored on the side walls of shipping containers at the BDSC GSO Warehouse. (OIG, September 2021)

BDSC GSO officials stated, and OIG observed at the BEC, that GSO staff at both locations have resumed the normal receiving approach. However, OIG also observed that the BDSC GSO had not addressed the previous shipments that had been received improperly and had not affixed the barcode labels even after LE Staff regained access. Moreover, BDSC GSO officials had not clearly communicated the temporary change in receiving procedures to LE Staff returning to work on the compound, who may be unaware of the items that had been received improperly and unwittingly issued property that did not have an affixed barcode label. Documenting and communicating the change would limit the risk of distributing property that subsequently could not be tracked. OIG is therefore offering the following recommendations.

**Recommendation 5:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures requiring that, upon receipt, all (a) nonexpendable property is promptly inspected, documented, and affixed with a barcode label and (b) identifying information is added into the Integrated Logistics Management System – Asset Management module in a timely manner.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures requiring that, upon receipt, all (a) nonexpendable property is promptly inspected, documented, and affixed with a barcode label and (b) identifying information is

added into the Integrated Logistics Management System – Asset Management module in a timely manner.

**Recommendation 6:** OIG recommends that U.S. Embassy Baghdad, Iraq, take actions to ensure that all existing property in storage facilities has been (a) affixed with a barcode label and (b) added into the Integrated Logistics Management System – Asset Management module.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad’s concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has taken actions to ensure that all existing property in storage facilities has been (a) affixed with a barcode label and (b) added into the Integrated Logistics Management System – Asset Management module.

*Embassy Baghdad Did Not Always Promptly Update the Status or Location of Items in ILMS*

OIG found that Embassy Baghdad did not always promptly update the status or location of items in ILMS. The FAM states that ILMS’s Asset Management module is the approved and required property accountability system for nonexpendable property.<sup>67</sup> Property management personnel should update ILMS to reflect the status and location of nonexpendable property at post,<sup>68</sup> including copies of relevant documentation as described by Department policy.<sup>69</sup> According to internal control guidelines, management should also “internally communicate the necessary quality information to achieve the entity’s objectives.”<sup>70</sup>

However, Embassy Baghdad did not always promptly update the status or location of items in ILMS. During existence testing, OIG did not initially find 35 of 451 (8 percent) of items at the BEC and the BDSC locations listed in ILMS. However, OIG subsequently located 16 of the 35 items but did not locate the remaining 19 of 35 items.

At the BEC, OIG found that the actual locations of 16 of 333 (5 percent) items did not match the locations listed in ILMS. OIG subsequently located 9 of the 16 items in locations other than what was listed in ILMS but did not locate 7 of the 16 items. Of the 7 BEC items that OIG could not locate, 4 items—1 television and 3 pieces of residential furniture—were managed by GSO,

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<sup>67</sup> 14 FAM 414.2-1(a)(1).

<sup>68</sup> 14 FAM 411.4 states accountability is the “ability to account for personal property by providing a complete audit trail for property transactions from receipt to final disposition.” Thus, to properly account for the property, ILMS needs to be updated to reflect the status and location of that property.

<sup>69</sup> Documentation to be maintained in ILMS’s Asset Management module includes the Annual Accountable Item Inventory, the specific accountable certificate, the Comprehensive Visual Report, Inventory Coverage, and Property Disposal Reports, as applicable. 14 FAM 416.2(e)(3) and (f), “Annual Physical Inventory.”

<sup>70</sup> GAO-14-704G, September 2014, page 60.

and 3 items—2 monitors and 1 satellite telephone kit—were managed by IMO.<sup>71</sup> Of the 9 BEC items that OIG found at locations other than what was listed in ILMS, 6 items managed by IMO—4 radios and 2 computers—had been moved either by embassy staff without the knowledge of IMO or by IMO staff themselves. ESC managed the 3 remaining items—1 key panel, 1 fiber interface, and 1 security appliance.

Similarly, at the BDSC, OIG found that the actual locations of 19 of 118 (16 percent) items did not match the locations listed in ILMS. OIG subsequently located 7 of the 19 items in locations other than what was listed in ILMS but could not locate 12 of the items. Of the 12 items that OIG could not locate, all 12—2 nightstands, 2 desks, 1 lamp, 1 mattress, 1 bookcase, 1 recliner, 1 end table, 1 cabinet, 1 office chair, and 1 bed frame—were managed by GSO. Of the 7 BDSC items OIG located, 2 items—1 table and 1 lamp, which were found at locations other than what was listed in ILMS—were managed by GSO; 4 items—2 computers and 2 radios—were managed by IMO; and 1 item—an explosives detector—was managed by ESC. Table 2 shows the full results of OIG’s existence testing at the BEC and the BDSC, including the number of nonexpendable property items reviewed, initially not located, subsequently located, and never located.

**Table 2: Nonexpendable Property Items Not in Locations Listed in ILMS**

Location	Items Reviewed	Items Initially Not Located	Items Subsequently Located	Items Not Located
Baghdad Embassy Compound	333	16	9	7
Baghdad Diplomatic Support Center	118	19	7	12
<b>Total</b>	<b>451</b>	<b>35</b>	<b>16</b>	<b>19</b>

**Source:** Generated by OIG based on nonexpendable property existence testing conducted at the BEC and the BDSC from July through October 2021.

GSO officials stated that they struggled to keep locations of residential furniture updated in ILMS because residents moved furniture between residences or removed furniture without notifying or involving GSO. However, OIG notes that implementing periodic inventory spot checks could identify property not in the locations recorded in ILMS and allow GSO to make corrections in the system. An ESC official noted that ESC uses CMMS to manage property on a day-to-day basis, and it used that system to identify the location of the four assets OIG could not initially find. The ESC official stated that CMMS and ILMS systems are integrated and should update daily. The official stated a failure to reconcile CMMS and ILMS when OIG was conducting its testing was likely why the location information in ILMS differed from the location information in CMMS. PMP officials also confirmed that CMMS and ILMS were integrated and that updates made in either system occurred daily. PMP officials stated that PMP maintains the ILMS system, performs periodic updates, and addresses technical issues with the system.

Finally, the IMO division that managed computers and monitors relied on one property management LE Staff to update the status and location of some unclassified property in ILMS.

<sup>71</sup> IMO located the satellite telephone several months later.

IMO is composed of five separate divisions responsible for specific types of information technology operations, and individuals within each of these divisions are responsible for managing the divisions' property.<sup>72</sup> As a result, parts of IMO could not consistently update ILMS during FY 2020 and FY 2021. OIG is therefore offering the following recommendations.

**Recommendation 7:** OIG recommends that the Bureau of Administration conduct a review of the integration of the Integrated Logistics Management System – Asset Management and the Computerized Maintenance Management System to ensure that all updated information is being communicated between systems.

**Management Response:** The Bureau of Administration concurred with the recommendation, stating it would “conduct a review of the integration between ILMS Asset Management and CMMS to ensure that it is working properly and communicating all updated information between systems.”

**OIG Reply:** On the basis of the Bureau of Administration's concurrence with the recommendation and planned actions, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the bureau has conducted a review of the integration of the Integrated Logistics Management System – Asset Management and the Computerized Maintenance Management System to ensure that all updated information is being communicated between systems.

**Recommendation 8:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to designate sufficient staff with access to the Integrated Logistics Management System to maintain continuous property management operations in each office responsible for managing nonexpendable property.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures to designate sufficient staff with access to the Integrated Logistics Management System to maintain continuous property management operations in each office responsible for managing nonexpendable property.

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<sup>72</sup> Both the BEC and the BDSC have divisions that manage their unclassified information technology systems. Three other divisions manage radios, telephones, and information technology equipment for use on the Department's classified network, respectively.



***Embassy Baghdad Did Not Fully Utilize Available Analytical Tools To Manage Nonexpendable Property***

Embassy Baghdad did not fully utilize available analytical tools in ILMS to manage the life cycle of nonexpendable property. The FAM states that personal property acquisition should be limited to the quantity and quality necessary for cost-effective and efficient U.S. government business and that property should not be acquired unless a bona fide need exists.<sup>73</sup> In addition, the FAM states that the APO must ensure that personal property is being utilized to the fullest extent practical and make a determination as to whether requirements for furniture and office machines can be met through items already owned by the post.<sup>74</sup> The FAM further states that embassy personnel with property management responsibilities should conduct both immediate and long-range planning to manage property efficiently.<sup>75</sup> Also, the FAH states that “a reordering system should be established that will prevent carrying an excessive inventory” and should be based on past usage to establish a reasonable stocking level.<sup>76</sup> Furthermore, internal control guidelines state that management should use quality information to support its internal controls and that effective communication of quality information is vital for an entity to achieve its objectives.<sup>77</sup>

ILMS contains a module called ILMS – Analytics that includes tools to provide updated information that posts can use to manage their existing property items and to order new property items when needed. The module’s tools allow personnel with property management responsibilities to view property data in ILMS and to identify trends in the amounts and types of property received, issued, and stored. In doing so, the tools can assist posts in tracking the type, and amounts of property that have been issued or deployed versus property maintained in storage. For example, an official with property management responsibilities at post could use the analytical tools to determine how much property that post has issued to offices or residences, or how much property it has remaining in storage, what kind of property it is, and how old it is.

OIG found instances of property management mistakes made over the years that might have been prevented with the use of relevant property data. Specifically, OIG found that, from 2010 to 2021, residential furniture had been ordered 24 times at a total cost of \$12.9 million, even though the embassy was furnished with new residential furniture when it opened in 2009, and furniture has a lifespan of 12 years, according to the FAH.<sup>78</sup> Even while new furniture was sitting in storage, more new furniture was being ordered. GSO officials stated that in 2021 there was still residential furniture in use at the staff apartments that was original to the embassy in

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<sup>73</sup> 14 FAM 412, “Requirements Planning and Use.”

<sup>74</sup> Ibid.

<sup>75</sup> 14 FAM 412.1(a), “Property Analysis and Management.”

<sup>76</sup> 14 FAH-1 H-419.1(a), “Nonexpendable Personal Property.”

<sup>77</sup> GAO-14-704G, September 2014, pages 58-60.

<sup>78</sup> 14 FAH-1 H-213(d)(71), “U.S. Government-wide Minimum Replacement Standard.” Household furniture includes all types of sofas, wardrobes, tables, chairs, bookshelves, patio or garden furniture, mirrors, and folding chairs.

2009, while multiple sets of newer furniture remained in storage, some of which had become damaged by the weather, dust, and insects.

The FAH requires that overseas posts establish a reordering system that prevents carrying an excessive amount of nonexpendable property.<sup>79</sup> The FAH further states the reordering systems should “establish a reasonable stocking level (based on several years past usage) and submit replenishment orders only to maintain that level.”<sup>80</sup> Nonetheless, two GSO property utilization surveys conducted in 2021 found that the BEC had an excessive number of aging property assets in storage locations. As of September 2021, there were 15,785 property assets worth \$7.6 million unused in storage, accounting for approximately 25 percent of the BEC GSO’s property. Approximately 10,792 (17 percent) of property assets had been in storage for more than 2 years and had never been in service. According to GSO officials, the embassy was reviewing what property it could use and what items it could dispose of through destruction or auction. For example, in January 2022, the BEC hosted an auction of excess property, disposing of 455 items, recovering \$9,360 for those items. Previously, Embassy Baghdad had not been able to host auctions of its excess property.

OIG found few Embassy Baghdad property personnel regularly used the ILMS – Analytics module because they were unaware of the existence of these analytical tools, and others stated they did not use the analytical tools because they were unfamiliar with their capabilities. Some officials stated that they were aware of the ILMS – Analytics module but were not confident about the reliability of the data and whether application of the module’s tools would result in useful information. As one official stated, it could be a case of “garbage in, garbage out.”

A PMP official stated that the data provided in the ILMS – Analytics module were based on property information collected by posts and that access rights for who could alter the information were restricted to property managers at post. The official also stated that the manner in which the ILMS – Analytics data were aggregated and presented was decided by a Bureau of Administration panel that oversees policy related to ILMS. In addition, a PMP official stated that ILMS contained recommended operating procedures with instructions on the use of the tools. Furthermore, the officials also stated that PMP has provided training at overseas posts on the use of ILMS, including features like the analytical tools. However, the PMP officials noted that the COVID-19 pandemic and the security situation at Embassy Baghdad have limited PMP’s visits to posts to conduct such training.

The ILMS – Analytics module is designed to inform property management through analysis of relevant property data. A GSO official stated that these instances of over-ordering were the result of past officials not always identifying what property, such as furniture, the embassy had stored in the warehouses and containers before submitting purchase orders. The official also stated that ILMS analytical tools had the potential to improve property management in these types of instances. However, there is no embassy requirement that embassy officials with property management responsibilities use the module. Although PMP provides training at

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<sup>79</sup> 14 FAH-1 H-419.1(a), “Nonexpendable Personal Property.”

<sup>80</sup> Ibid.

overseas posts on the use of ILMS, including the features within ILMS – Analytics, PMP officials noted that the COVID-19 pandemic and the security situation at Embassy Baghdad had limited PMP’s opportunities to provide such training. As a result, some embassy officials with property management responsibilities have retained misconceptions over the module’s capabilities and the usefulness of applying its features to property management. However, by not using all ILMS property management tools, OIG concludes that the embassy will continue to be vulnerable to over-ordering or under-utilizing nonexpendable property.

In addition, the FAM and FAH require that property managers demonstrate a bona fide need to purchase property and that overseas posts implement reordering systems that establish “reasonable stocking level[s].”<sup>81</sup> However, OIG determined that Embassy Baghdad does not have standard operating procedures for either requirement. Therefore, given the timing and frequency of purchase orders, as well as the volume and lifespan of existing stock stored in embassy warehouses, OIG questions whether the 24 residential furniture purchase orders, valued at \$12.9 million, made from 2010 to 2021, were necessary and reasonable. OIG also questions whether the embassy maintaining 15,785 nonexpendable property assets in storage, valued at \$7.6 million, was necessary and reasonable. OIG is therefore offering the following recommendations.

**Recommendation 9:** OIG recommends that U.S. Embassy Baghdad, Iraq, determine (a) how much of the nonexpendable property associated with the 24 residential purchase orders made from 2010 to 2021 was used, how much remains in storage, and how much has been disposed of, along with the reasons for disposal, and (b) whether the questioned costs of \$12.9 million expended for their purchase were necessary and reasonable.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad’s concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has determined (a) how much of the nonexpendable property associated with the 24 residential purchase orders made from 2010 to 2021 was used, how much remains in storage, and how much has been disposed of, along with the reasons for disposal, and (b) whether the questioned costs of \$12.9 million expended for their purchase were necessary and reasonable.

**Recommendation 10:** OIG recommends that U.S. Embassy Baghdad, Iraq, determine (a) how many of the 15,785 nonexpendable property assets, valued at \$7.6 million, were used, how many remain in storage, and how many have been disposed of, along with the reasons for disposal, and (b) whether maintaining these 15,785 assets in storage is necessary and reasonable.

**Management Response:** Embassy Baghdad concurred with the recommendation.

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<sup>81</sup> 14 FAM 412 and 14 FAH-1 H-419.1.



**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has determined (a) how many of the 15,785 nonexpendable property assets, valued at \$7.6 million, were used, how many remain in storage, and how many have been disposed of, along with the reasons for disposal, and (b) whether maintaining these 15,785 assets in storage is necessary and reasonable.

**Recommendation 11:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures, consistent with 14 Foreign Affairs Manual 412, to require that personnel responsible for purchasing clearly demonstrate a bona fide need supporting the purchase of nonexpendable property.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures, consistent with 14 Foreign Affairs Manual 412, to require that personnel responsible for purchasing clearly demonstrate a bona fide need supporting the purchase of nonexpendable property.

**Recommendation 12:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures for nonexpendable property reordering, consistent with 14 Foreign Affairs Handbook-1 H-419.1(a) that prevents the embassy from carrying an excessive amount of nonexpendable property, establishes a reasonable stocking level, and limits replenishment orders to only maintain that level.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures for nonexpendable property reordering, consistent with 14 Foreign Affairs Handbook-1 H-419.1(a) that prevents the embassy from carrying an excessive amount of nonexpendable property, establishes a reasonable stocking level, and limits replenishment orders to only maintain that level.

**Recommendation 13:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to require the use of the Integrated Logistics Management System – Analytics module to manage and utilize

existing nonexpendable property at post and to properly plan the procurement of nonexpendable property that the embassy needs.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy has developed, implemented, documented, and communicated a policy and procedures to require the use of the Integrated Logistics Management System – Analytics module to manage and utilize existing nonexpendable property at post and to properly plan the procurement of nonexpendable property that the embassy needs.

**Recommendation 14:** OIG recommends that Embassy Baghdad, Iraq, in coordination with the Bureau of Administration, develop, implement, document, and communicate a policy and procedures to provide information and periodic training to U.S. Embassy Baghdad staff who manage nonexpendable property on the capabilities and proper use of the Integrated Logistics Management System – Analytics module to ensure that the embassy efficiently manages and utilizes existing nonexpendable property at post and properly procures nonexpendable property that the embassy needs.

**Management Response:** Embassy Baghdad concurred with the recommendation.

**OIG Reply:** On the basis of Embassy Baghdad's concurrence with the recommendation, OIG considers the recommendation resolved, pending further action. This recommendation will be closed when OIG receives documentation demonstrating that the embassy, in coordination with the Bureau of Administration, has developed, implemented, documented, and communicated a policy and procedures to provide information and periodic training to U.S. Embassy Baghdad staff who manage nonexpendable property on the capabilities and proper use of the Integrated Logistics Management System – Analytics module to ensure that the embassy efficiently manages and utilizes existing nonexpendable property at post and properly procures nonexpendable property that the embassy needs.

***Without Adequate Internal Controls, Nonexpendable Property Could Be at Greater Risk of Loss, Misuse, or Theft, and Embassy Baghdad Could Be Without Needed Property***

OIG recognizes that Embassy Baghdad has improved its management of property in recent years, despite the challenges it has faced related to staffing reductions, security and COVID-19 threats, and multiple ordered departures. Moreover, OIG acknowledges the unique challenges the embassy encountered beginning in 2019 that affected some of its property management functions. However, it is critical that the property management shortcomings OIG identified in this report are addressed so that Embassy Baghdad can have reasonable assurance that nonexpendable property is managed in accordance with federal and Department requirements and is not misplaced, lost, misused, or stolen. The importance of improving controls was

demonstrated in February 2022, when Embassy Baghdad officials informed OIG that embassy property items were found for sale in a local shop.<sup>82</sup>

In addition, improved controls will help to ensure that Embassy Baghdad has the appropriate property it needs to accomplish its mission efficiently and effectively. Such controls are especially important during times with staffing challenges. Furthermore, effective use of available analytical tools could have prevented some excess property, such as residential furniture, from being ordered, being stored, and then going unused. Implementing the recommendations OIG has offered will improve the embassy's ability to manage and account for property throughout the property's life cycle.

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<sup>82</sup> The embassy is presently investigating the possible theft of embassy property, and OIG's Office of Investigations awaits the results of the embassy's investigation.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that U.S. Embassy Baghdad, Iraq, establish, implement, document, and communicate, to those conducting the annual physical inventory, a policy and procedures to ensure that the annual physical inventory includes all accountable property at the embassy, as required by 14 Foreign Affairs Manual 416.1.

**Recommendation 2:** OIG recommends that the Bureau of Administration reconcile differences between the definitions for accountable property contained in the Integrated Logistics Management System – Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and communicate to overseas posts what property should be included in posts’ annual inventories.

**Recommendation 3:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures requiring Accountable Property Officers to conduct periodic physical inventory spot checks of nonexpendable property.

**Recommendation 4:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to secure the keys and limit access to the destruction yard holding area at the Baghdad Diplomatic Support Center to only those people who need access to the area.

**Recommendation 5:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures requiring that, upon receipt, all (a) nonexpendable property is promptly inspected, documented, and affixed with a barcode label and (b) identifying information is added into the Integrated Logistics Management System – Asset Management module in a timely manner.

**Recommendation 6:** OIG recommends that U.S. Embassy Baghdad, Iraq, take actions to ensure that all existing property in storage facilities has been (a) affixed with a barcode label and (b) added into the Integrated Logistics Management System – Asset Management module.

**Recommendation 7:** OIG recommends that the Bureau of Administration conduct a review of the integration of the Integrated Logistics Management System – Asset Management and the Computerized Maintenance Management System to ensure that all updated information is being communicated between systems.

**Recommendation 8:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to designate sufficient staff with access to the Integrated Logistics Management System to maintain continuous property management operations in each office responsible for managing nonexpendable property.

**Recommendation 9:** OIG recommends that U.S. Embassy Baghdad, Iraq, determine (a) how much of the nonexpendable property associated with the 24 residential purchase orders made from 2010 to 2021 was used, how much remains in storage, and how much has been disposed

of, along with the reasons for disposal, and (b) whether the questioned costs of \$12.9 million expended for their purchase were necessary and reasonable.

**Recommendation 10:** OIG recommends that U.S. Embassy Baghdad, Iraq, determine (a) how many of the 15,785 nonexpendable property assets, valued at \$7.6 million, were used, how many remain in storage, and how many have been disposed of, along with the reasons for disposal, and (b) whether maintaining these 15,785 assets in storage is necessary and reasonable.

**Recommendation 11:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures, consistent with 14 Foreign Affairs Manual 412, to require that personnel responsible for purchasing clearly demonstrate a bona fide need supporting the purchase of nonexpendable property.

**Recommendation 12:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures for nonexpendable property reordering, consistent with 14 Foreign Affairs Handbook-1 H-419.1(a) that prevents the embassy from carrying an excessive amount of nonexpendable property, establishes a reasonable stocking level, and limits replenishment orders to only maintain that level.

**Recommendation 13:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to require the use of the Integrated Logistics Management System – Analytics module to manage and utilize existing nonexpendable property at post and to properly plan the procurement of nonexpendable property that the embassy needs.

**Recommendation 14:** OIG recommends that Embassy Baghdad, Iraq, in coordination with the Bureau of Administration, develop, implement, document, and communicate a policy and procedures to provide information and periodic training to U.S. Embassy Baghdad staff who manage nonexpendable property on the capabilities and proper use of the Integrated Logistics Management System – Analytics module to ensure that the embassy efficiently manages and utilizes existing nonexpendable property at post and properly procures nonexpendable property that the embassy needs.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) conducted this audit to determine whether U.S. Embassy Baghdad, Iraq, implemented internal controls to account for and manage the life cycle of nonexpendable personal property in accordance with federal and Department of State (Department) requirements.

OIG conducted this audit from January 2021 to June 2022 in the Washington, DC, metropolitan area and at Embassy Baghdad locations, including the Baghdad Embassy Compound (BEC) and the Baghdad Diplomatic Support Center (BDSC). The scope of this audit included Embassy Baghdad-managed nonexpendable personal property that either existed at the embassy or that was in personal property records between October 2020 and October 2021. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG faced several challenges in completing this work because of the COVID-19 pandemic and the security conditions in Iraq. These challenges included limitations on in-person meetings, difficulty accessing information, and related difficulties within the Department that affected its ability to respond to OIG requests for information in a timely manner. In addition, for a period of several months, OIG personnel were on ordered departure from their assignments at the embassy in Baghdad. Despite the challenges, OIG determined that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective. This report relates to Overseas Contingency Operation Inherent Resolve and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended.<sup>1</sup>

To obtain background information, including criteria, OIG reviewed the Foreign Affairs Manual (FAM); the Foreign Affairs Handbook; and policies, procedures, and guidance established by the Bureau of Administration's Office of Logistics Management, Office of Program Management and Policy (PMP) and the Bureau of Diplomatic Security's Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division (DEAV). OIG conducted interviews with PMP, DEAV, and embassy officials regarding property management systems, such as the Integrated Logistics Management System (ILMS), the Secure Integrated Logistics Management System (S-ILMS), and additional databases Embassy Baghdad offices used to manage property on a day-to-day basis.

To determine the extent to which internal controls implemented by Embassy Baghdad were sufficient to account for and manage the life cycle of nonexpendable personal property, OIG reviewed the embassy's property management procedures and data recorded in ILMS and S-ILMS. OIG interviewed PMP, DEAV, and embassy officials in the General Services Office (GSO), the Information Management Office (IMO), the Regional Security Office (RSO), and the Engineering Services Center (ESC) to determine requirements for managing different stages of

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<sup>1</sup> Aspects of the audit scope included Embassy Baghdad's management of property items that both directly and indirectly support Operation Inherent Resolve.

the property life cycle. In addition, OIG observed GSO, IMO, RSO, and ESC personnel with property management responsibilities as they completed property management activities. Finally, OIG conducted two types of physical inventory analyses—existence testing and completeness testing—to test Embassy Baghdad’s property management systems and processes.

## Work Related to Internal Controls

Considering internal controls in the context of a comprehensive internal control framework can help auditors determine whether underlying internal control deficiencies exist. During the audit, OIG considered the components of internal control and the underlying principles in the *Standards for Internal Control in the Federal Government*<sup>2</sup> to identify internal controls that were significant to the audit objective.

OIG determined that three of five internal control components were significant to the audit objective: Control Environment, Control Activities, and Information and Communication. The Control Environment is the foundation for an internal control system that provides the discipline and structure, which affect the overall quality of internal control. Control Activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system. Information and Communication addresses the need for quality information to be appropriately communicated within an entity to help achieve the entity’s objectives. OIG also concluded that six internal control principles related to these three components were significant to the audit objective. Table A.1 identifies the internal control components and principles identified as significant to this audit.

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

Components	Principles
CONTROL ENVIRONMENT	Principle 3: Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity’s objectives.
CONTROL ACTIVITIES	Principle 10: Management should design control activities to achieve objectives and respond to risks. Principle 11: Management should design the entity’s information system and related control activities to achieve objectives and respond to risks. Principle 12: Management should implement control activities through policies.
INFORMATION AND COMMUNICATION	Principle 13: Management should use quality information to achieve the entity’s objectives. Principle 14: Management should internally communicate the necessary quality information to achieve the entity’s objectives.

**Source:** Generated by OIG 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).

<sup>2</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* (GAO-14-704G, September 2014).



OIG reviewed Department policy and procedure documents, interviewed Department officials, and observed key internal control activities to obtain an understanding of the internal controls related to the components and principles identified as significant to this audit. OIG performed procedures to assess the design, implementation, and operating effectiveness of key internal controls. Specifically, OIG:

- Reviewed relevant overseas property management requirements outlined in the FAM, the Foreign Affairs Handbook, PMP recommended operating procedures, PMP fact sheets, and training materials discussing property management requirements, roles, and responsibilities.
- Interviewed PMP and DEAV officials in Washington, DC, as well as Embassy Baghdad GSO, IMO, RSO, and ESC officials at the BEC and the BDSC to obtain an understanding of control activities throughout the property life cycle.
- Examined Embassy Baghdad designations of key positions to ensure adequate segregation of duties, as required by the FAM.
- Reviewed Embassy Baghdad GSO, IMO, RSO, and ESC documented procedures for managing the nonexpendable property life cycle within their respective offices.
- Observed embassy property management officials implementing key control activities when receiving, storing, assigning, inventorying, and disposing of nonexpendable property.
- Tested Embassy Baghdad's property management effectiveness by conducting two physical inventories on samples of the embassy's property records and personal property that existed at Embassy Baghdad.

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

## **Data Reliability**

OIG used computer-processed data from ILMS and S-ILMS—the Department's official end-to-end supply chain management systems for managing property procurement, receipt, storage, transfer, inventory, management, and disposal—to support findings and conclusions presented in this report. ILMS contains information on unclassified property, and S-ILMS contains information on classified property, as well as sensitive information associated with unclassified property.

### ***Obtaining Nonexpendable Property Data***

OIG obtained computer-processed data for nonexpendable property managed by four Embassy Baghdad offices: GSO, IMO, RSO, and ESC. GSO manages the largest portion of property at post, including residential and office furniture, motor vehicles, appliances, and personal protective equipment, such as body armor for the general population of embassy personnel. IMO manages the embassy's information technology, including computers, radios, telephones, and computer equipment used to access the Department's classified network. RSO manages nonexpendable property for use by RSO and security personnel, including weapons, special



protective equipment, such as night vision goggles, and personal protective equipment, such as body armor. ESC, which reports to RSO, manages technical security equipment, such as access and perimeter controls, closed circuit television, intrusion detection systems, locks, x-ray machines, and explosives detection equipment. Table 1 in the Background section of this report shows the types of nonexpendable property each embassy office manages.

OIG obtained the Embassy Baghdad-managed property data from October 2020 to April 2021. Data from GSO and IMO were drawn from the ILMS Asset Management module. OIG requested that GSO and IMO provide nonexpendable property data the offices managed as of October 1, 2020. GSO provided its data as of the requested date; however, IMO experienced technical difficulties with ILMS and provided the data as of two later dates: data on nonexpendable property used for operating Open Net—the Department’s unclassified computer network—at the BDSC were provided as of November 22, 2020; data on the remainder of IMO-managed nonexpendable property were provided as of December 2, 2020.

OIG initially met with ESC officials with property management responsibilities on October 7, 2020, and ESC provided its data as of October 20, 2020. OIG initially met with RSO officials on October 28, 2020. During that meeting, the officials indicated that OIG should obtain the required data directly from DEAV, which managed S-ILMS on the Department’s classified computer network. However, a staffing drawdown of Embassy Baghdad beginning in December 2020 delayed OIG’s initial meeting with DEAV to late January 2021, and subsequent technical difficulties accessing the classified network delayed OIG from obtaining the RSO-managed nonexpendable property data until April 6, 2021. RSO data were derived from S-ILMS. Table A.2 shows the dates each Embassy Baghdad office provided ILMS and S-ILMS data for the nonexpendable property they manage.

**Table A.2: Dates Embassy Baghdad Offices Provided Nonexpendable Property Data Derived From ILMS and S-ILMS**

<b>Embassy Office</b>	<b>Date Provided</b>
General Services Office	
• BEC	October 1, 2020
• BDSC	October 2, 2020
Information Management Office	
• BDSC Open Net Property Data	November 22, 2020
• Remainder of Data	December 2, 2020
Regional Security Office	April 6, 2021
Engineering Services Center	October 20, 2020

**Source:** Generated by OIG based on correspondence related to nonexpendable property data transmitted by Embassy Baghdad offices and derived from ILMS and S-ILMS.

### ***Assessing Data Reliability***

Upon obtaining the data, OIG conducted data reliability assessments. Specifically, OIG interviewed PMP officials and reviewed ILMS and S-ILMS policies and procedures for accessing the systems and for entering, using, and updating property records in ILMS and S-ILMS. In

addition, OIG reviewed embassy documentation and interviewed GSO, IMO, RSO, and ESC personnel to understand the purpose and procedures for exporting, maintaining, and using nonexpendable property data in databases and systems, outside ILMS and S-ILMS, which the offices use for day-to-day property management activities.<sup>3</sup> OIG compared these records to property data within ILMS and S-ILMS to determine the extent to which the data from the different sources reconciled. OIG determined that the documentation and data obtained from these systems were sufficiently reliable to support the findings and recommendations contained in this report.

## **Sampling Methodology**

OIG conducted two types of physical inventory analyses—existence testing and completeness testing—on samples of nonexpendable property to test the accuracy of Embassy Baghdad’s property management systems and processes. OIG conducted existence testing, also known as book-to-floor testing, to verify Embassy Baghdad’s ability to account for the items recorded in ILMS and S-ILMS. OIG also conducted completeness testing, also known as floor-to-book testing, to verify that Embassy Baghdad’s nonexpendable property records in ILMS and S-ILMS accounted for all the items located at the BEC and the BDSC.

### ***Existence Testing***

To determine whether Embassy Baghdad could account for nonexpendable personal property recorded in ILMS and S-ILMS, OIG conducted existence testing on a statistical sample of 451 property items derived from an audit universe of 110,350 Embassy Baghdad-managed nonexpendable property items recorded in ILMS and S-ILMS, physically verifying their existence, location, and condition.

The audit universe from which the sample was derived included all unclassified Embassy Baghdad-managed nonexpendable property recorded in ILMS and S-ILMS as of the dates OIG obtained the data for each of the four offices, as described in the Data Reliability section above. The universe excluded expendable property and all contractor-managed property, including contractor-acquired property and property the Department provided to contractors. OIG determined the universe included a total of 110,350 individual nonexpendable property items.

OIG then stratified this audit universe into four categories. The first three categories were based on the embassy offices responsible for managing the property: GSO, IMO, and RSO, which includes ESC. The fourth category consisted of capitalized nonexpendable personal property, which 14 FAM 411.4 states is any nonexpendable personal property that is valued at over \$25,000, is a motorized vehicle, or is commercial software valued at over \$500,000 and which have additional management requirements.<sup>4</sup> Capitalized nonexpendable property

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<sup>3</sup> As discussed in the Audit Results section, GSO, IMO, and RSO use Microsoft Excel spreadsheets and other databases that contain data extracted from ILMS, as well as additional information not contained in ILMS, that is useful for managing the property on a day-to-day basis. Similarly, ESC uses the Computerized Maintenance Management System, which integrates with ILMS, to manage classified and unclassified security equipment.

<sup>4</sup> 14 FAM 411.4, “Definitions.”

represents only a small percentage of the total nonexpendable property Embassy Baghdad managed, and the likelihood of selecting a capitalized property item using random sampling within the three office-based categories was low. Therefore, OIG included capitalized property as a separate category to ensure that such items were sufficiently represented in the sample.

OIG then derived a target universe for each of the four categories from which it drew its sample. OIG used the audit universes for the IMO, RSO, and capitalized property categories as the target universe for those categories. However, within the GSO category, OIG determined that 65,093 of the 90,741 (71 percent) GSO-managed items were located in residences. Therefore, to avoid oversampling these items, and to limit the need for OIG staff to enter occupied residences during the COVID-19 pandemic, OIG limited the number of residentially located items to 20 percent of the GSO target universe, which reduced the total GSO target universe to 32,060 items, or approximately 35 percent of the 90,741 items in the GSO category.

After deriving the respective target universes, OIG estimated the sample size for each property category using a 10 percent precision rate and a 95 percent confidence level. OIG then selected a sample for all four categories of property using a statistical sampling methodology within the statistical computing software called R.<sup>5</sup> Table A.3 shows the number of nonexpendable property items in the audit universe, target universe, and sample for each nonexpendable property category for OIG's existence testing.

**Table A.3: Audit Universe, Target Universe, and Sample Size by Nonexpendable Property Category for Existence Testing**

<b>Nonexpendable Property Category</b>	<b>Audit Universe</b>	<b>Target Universe</b>	<b>Sample Size</b>
GSO	90,741	32,060	115
IMO	9,601	9,602	115
RSO	9,209	9,209	116
Capitalized Property	799	799	105
<b>Total</b>	<b>110,350</b>	<b>51,669</b>	<b>451</b>

**Source:** Generated by OIG based on an assessment of Embassy Baghdad nonexpendable property data from ILMS and S-ILMS for the purpose of selecting a sample of nonexpendable property for existence testing.

OIG conducted existence testing from July–October 2021. OIG obtained information for each selected item from ILMS and S-ILMS, including unique identifying numbers, such as bar codes, and the specific places at the BEC and the BDSC each item should be physically located. OIG then attempted to determine whether each item existed at the location provided in ILMS and S-ILMS. OIG considered ILMS and S-ILMS to be in error if the selected items were not in their assigned physical locations. OIG initially determined 35 of 451 (8 percent) items were not in their assigned locations: 16 of 333 (5 percent) items located at the BEC and 19 of 118 (16 percent) items located at the BDSC. OIG subsequently reviewed property transfer and disposal reports generated within ILMS and consulted with personnel who managed the property to

<sup>5</sup> R is a software used to conduct statistical computing and graphical data representation. It was created by and is maintained by GNU, which creates free software for open use.

determine whether each item's location had changed during the interim between the dates the property data were drawn from ILMS and S-ILMS and the time when OIG completed the existence testing fieldwork. Using property records maintained outside ILMS and S-ILMS, the offices identified changes to some property that had not been updated in ILMS. In all, OIG accounted for 16 of 35 items it initially could not find, and it considered these items misreported in ILMS and S-ILMS. OIG could not account for the remaining 19 of 35 items, which it considered missing items. The full results of OIG's existence testing are presented in the Audit Results of this report.

### ***Completeness Testing***

OIG conducted completeness testing on a nonstatistical haphazard sample of 278 items to determine the extent to which property in use or stored at the BEC and the BDSC was recorded in ILMS and S-ILMS. The sample included unclassified nonexpendable property items managed by GSO, IMO, RSO, and ESC. The sample excluded expendable property, contractor-managed property, and classified property. In addition, the sample excluded property in locations OIG could not access. For example, OIG excluded equipment installed on radio towers or items in transit between locations during the time OIG was collecting property information for its sample.

OIG initially determined that a sample of approximately one-half the sample size of 451 items used for existence testing would be sufficient for its nonstatistical sample for completeness testing. OIG divided the completeness sample into three categories based on the offices responsible for managing specific types of property: GSO, IMO, and RSO (including ESC). OIG did not include a separate category for capitalized property because auditors could not determine property values with precision when selecting items for testing. However, OIG included one type of capitalized property—motor vehicles—within the GSO category because GSO is responsible for managing those assets.

OIG determined initial sample sizes for each category based on the proportion of property each represented within the audit universe of 110,350 items for existence testing. OIG then stratified each of the three categories by the types of property each embassy office managed to determine the number of specific property types to include within each of the three categories. However, to ensure OIG obtained sufficient amounts of the different types of property managed by each office, OIG increased the amount of GSO and RSO-managed property included in the sample. OIG's resulting sample included 278 nonexpendable property items. Table A.4 shows the sample sizes for each of the three property categories OIG used for completeness testing.

**Table A.4: Sample Size by Nonexpendable Property Category for Completeness Testing**

<b>Nonexpendable Property Category</b>	<b>Sample Size</b>
GSO	167 <sup>a</sup>
IMO	42
RSO	69 <sup>b</sup>
<b>Total</b>	<b>278</b>

<sup>a</sup> The total for GSO includes 37 vehicles.

<sup>b</sup> Includes property managed by RSO and ESC.

**Source:** Generated by OIG based on an assessment of Embassy Baghdad nonexpendable property data from ILMS and S-ILMS for the purpose of selecting a sample of nonexpendable property for completeness testing.

OIG conducted completeness testing from September–November 2021. OIG recorded numbers on barcode labels, or other unique identifying information, for 278 items: 187 items at the BEC and 91 items at the BDSC. OIG then searched ILMS and S-ILMS to determine whether the items were recorded in either of the systems and considered ILMS and S-ILMS to be in error if the selected items were not found within either system. OIG found that all 187 items selected from the BEC were recorded in ILMS or S-ILMS and that 15 of 91 (18 percent) items selected at the BDSC were not recorded in ILMS and S-ILMS. OIG reported the missing records to embassy officials, who subsequently determined that 11 of 15 items were contractor-managed items and that the BDSC had disposed of 1 additional item.

## **Prior Office of Inspector General Reports**

In *Audit of the Bureau of Diplomatic Security's Process To Verify That Purchased Protective Equipment Complied With Performance and Contractual Requirements* (AUD-SI-21-39, August 2021), OIG reported that the Bureau of Diplomatic Security implemented an internal control process and related activities to effectively verify that procured body armor complied with contractual requirements and NIJ standards, as applicable. OIG offered one recommendation regarding a noncompliant order of body armor made by the Antiterrorism Assistance program in FY 2018. As of April 2022, the recommendation remained open and was considered resolved, pending further action.

In *Audit of the U.S. Mission Iraq Medical Services* (AUD-MERO-15-25, May 2015), OIG reported deficiencies with the system that Comprehensive Health Services Middle East LLC (Embassy Baghdad's contract medical provider) used to track its medical inventory. The deficiencies included discrepancies between the recorded inventories and inventory on hand for the quantities and expiration dates of some medications, supplies, and equipment. OIG offered four recommendations to improve the inventory management of both personal properties acquired by the contractor and personal property furnished to the contractor by the government and to address questioned costs under this contract. All four recommendations have been implemented and are closed.

In *Audit of Personal Property Accountability at U.S. Mission Iraq* (AUD-MERO-14-18, June 2014), OIG reported multiple issues with the property management systems used by U.S. Mission Iraq

following the 2011 decrease in U.S. military presence in the country. For example, OIG could not verify the existence of 142 out of 2,023 (7 percent) items that were valued at \$2.7 million. Additionally, OIG could not trace 124 of 969 (12.8 percent) selected items in its completeness testing. OIG offered five recommendations to improve Embassy Baghdad's procedures around its management of personal property. All five recommendations have been implemented and closed.



## APPENDIX B: U.S. EMBASSY BAGHDAD, IRAQ, RESPONSE

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*Embassy of the United States of America*

**UNCLASSIFIED**

September 7, 2022

Mr. Norman P. Brown  
Assistant Inspector General for Audits  
Office of the Inspector General

Dear Mr. Brown,

Thank you for your letter of August 24, 2022, and the copy of the draft report *Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq*, which I read with great interest. This report is based on an audit conducted from January 2021 through October 2021, a period during which the mission struggled to meet its property oversight responsibilities due to 1) Department-mandated staffing reductions in 2019, which reduced the number of General Services Officers from five USDH down to three; 2) the COVID-19 pandemic, which resulted in nearly all of the GSO LE Staff working remotely for almost two years; and 3) the fact that the mission was on ordered departure for this entire period. Undoubtedly, these factors beyond our control contributed to the property management shortcomings identified in this draft report.

As Chief of Mission, I take full responsibility for all embassy property and have instructed the General Services Property team to develop, implement, document, and clearly communicate standard operating procedures for managing property, consistent with the provided recommendations. I fully concur that the property management shortcomings identified in this report need to be addressed so that Embassy Baghdad can have reasonable assurance that nonexpendable property is managed in accordance with federal and Department requirements and is not misplaced, lost, misused, or stolen and that Embassy Baghdad has the appropriate property it needs to accomplish its mission. As a Mission, we are committed to making the most effective use possible of available analytical tools, which could

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have prevented some excess property, such as residential furniture, from being ordered, being stored, and going unused.

Embassy Baghdad responses to the Recommendations are as follows:

**Recommendation 1:** OIG recommends that U.S. Embassy Baghdad, Iraq, establish, implement, document, and communicate, to those conducting the annual physical inventory, a policy and procedures to ensure that the annual physical inventory includes all accountable property at the embassy, as required by 14 Foreign Affairs Manual 416.1.

**Embassy Baghdad Response to Recommendation #1:** Embassy Baghdad concurs with this recommendation.

**Recommendation 2:** OIG recommends that the Bureau of Administration reconcile differences between the definitions for accountable property contained in the Integrated Logistics Management System – Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and communicate to overseas posts what property should be included in posts' annual inventories.

**Embassy Baghdad Response to Recommendation #2:** This is a recommendation for the Bureau of Administration, not applicable to Embassy Baghdad.

**Recommendation 3:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures requiring Accountable Property Officers to conduct periodic physical inventory spot checks of nonexpendable property.

**Embassy Baghdad Response to Recommendation #3:** Embassy Baghdad concurs with this recommendation.

**Recommendation 4:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to secure the keys and limit access to the destruction yard holding area at the Baghdad Diplomatic Support Center to only those people who need access to the area.

**Embassy Baghdad Response to Recommendation #4:** Embassy Baghdad concurs with this recommendation.

**Recommendation 5:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures requiring that, upon receipt, all (a) nonexpendable property is promptly inspected, documented, and affixed with a barcode label, and (b) identifying information is added into the Integrated Logistics Management System – Asset Management module in a timely manner.

**Embassy Baghdad Response to Recommendation #5:** Embassy Baghdad concurs with this recommendation.

**Recommendation 6:** OIG recommends that U.S. Embassy Baghdad, Iraq, take actions to ensure that all existing property in storage facilities has been (a) affixed with a barcode label and (b) added into the Integrated Logistics Management System – Asset Management module.

**Embassy Baghdad Response to Recommendation #6:** Embassy Baghdad concurs with this recommendation.

**Recommendation 7:** OIG recommends that the Bureau of Administration conduct a review of the integration of the Integrated Logistics Management System – Asset Management and the Computerized Maintenance Management System to ensure that all updated information is being communicated between systems.

**Embassy Baghdad Response to Recommendation #7:** This is a recommendation for the Bureau of Administration, not applicable to Embassy Baghdad.

**Recommendation 8:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to designate sufficient staff with access to the Integrated Logistics Management System to maintain continuous property management operations in each office responsible for managing nonexpendable property.

**Embassy Baghdad Response to Recommendation #8:** Embassy Baghdad concurs with this recommendation.



**Recommendation 9:** OIG recommends that U.S. Embassy Baghdad, Iraq, determine (a) how much of the nonexpendable property associated with the 24 residential purchase orders made from 2010 to 2022 was used, how much remains in storage, and how much has been disposed of, along with the reasons for disposal, and (b) whether the questioned costs of \$12.9 million expended for their purchase were necessary and reasonable.

**Embassy Baghdad Response to Recommendation #9:** Embassy Baghdad concurs with this recommendation.

**Recommendation 10:** OIG recommends that U.S. Embassy Baghdad, Iraq, determine (a) how many of the 15,785 nonexpendable property assets, valued at \$7.6 million, were used, how many remain in storage, and how many have been disposed of, along with the reasons for disposal, and (b) whether maintaining these 15,785 assets in storage is necessary and reasonable.

**Embassy Baghdad Response to Recommendation #10:** Embassy Baghdad concurs with this recommendation.

**Recommendation 11:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures, consistent with 14 Foreign Affairs Manual 412, to require that personnel responsible for purchasing clearly demonstrate a bona fide need supporting the purchase of nonexpendable property.

**Embassy Baghdad Response to Recommendation #11:** Embassy Baghdad concurs with this recommendation.

**Recommendation 12:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures for nonexpendable property reordering, consistent with 14 Foreign Affairs Handbook-1 H-419.1, that prevents the embassy from carrying an excessive amount of nonexpendable property, establishes a reasonable stocking level, and limits replenishment orders to only maintain that level.

**Embassy Baghdad Response to Recommendation #12:** Embassy Baghdad concurs with this recommendation.

**Recommendation 13:** OIG recommends that U.S. Embassy Baghdad, Iraq, develop, implement, document, and communicate a policy and procedures to **require** the use of the Integrated Logistics Management System – Analytics module to manage and utilize existing nonexpendable property at post and to properly plan the procurement of nonexpendable property that the embassy needs.

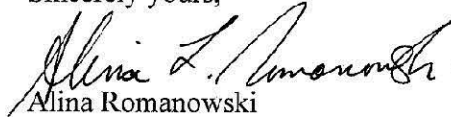
**Embassy Baghdad Response to Recommendation #13:** Embassy Baghdad concurs with this recommendation.

**Recommendation 14:** OIG recommends that Embassy Baghdad, Iraq, in coordination with the Bureau of Administration, develop, implement, document, and communicate a policy and procedures to provide information and periodic training to U.S. Embassy Baghdad staff who manage nonexpendable property on the capabilities and proper use of the Integrated Logistics Management System – Analytics module to ensure that the embassy efficiently manages and utilizes existing nonexpendable property at post and properly procures nonexpendable property that the embassy needs.

**Embassy Baghdad Response to Recommendation #14:** Embassy Baghdad concurs with this recommendation and looks forward to working with the Bureau of Administration on this recommendation.

Thank you once again for the copy of the draft report *Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq*, I look forward to working with the OIG in the coming months as we work together to resolve each of the recommendations that apply to Embassy Baghdad.

Sincerely yours,

  
Alina Romanowski

CC: NEA - Barbara Leaf  
A – Alaina Teplitz

## APPENDIX C: BUREAU OF ADMINISTRATION RESPONSE

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United States Department of State


Washington, D.C. 20520

UNCLASSIFIED

September 12, 2022

### MEMORANDUM

**TO:** OIG/AUD – Norman P. Brown

**FROM:** A/LM – Nathan J. Boyack 

**SUBJECT:** Draft Report - Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq

Thank you for the opportunity to provide an update to the subject report.

**Recommendation 2:** OIG recommends that the Bureau of Administration reconcile differences between the definitions for accountable property contained in the Integrated Logistics Management System – Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and communicate to overseas posts what property should be included in posts' annual inventories.

**Management Response (09-01-2022):** The Bureau of Administration concurs with this recommendation. A/LM will review the conflicting guidance provided in the ILMS Annual Inventory Modernization module and 14 Foreign Affairs Manual 416.1 and work to make the necessary updates accordingly.

**Recommendation 7:** OIG recommends that the Bureau of Administration conduct a review of the integration of the Integrated Logistics Management System – Asset Management and the Computerized Maintenance Management System to ensure that all updated information is being communicated between systems.

**Management Response (09-01-2022):** The Bureau of Administration concurs with this recommendation. A/LM will conduct a review of the integration between ILMS Asset Management and CMMS to ensure that it is working properly and communicating all updated information between systems.



Approved: A/LM – Nathan J. Boyack

Drafter: A/LM/PMP/SYS – Nathalie Stevens

Cleared: A/FO: Christine Sappenfield (ok)  
A/LM: John Dinkelman (ok)  
A/LM: Nathan Boyack (ok)  
A/LM/PMP: Mikael McCowan (ok)  
A/LM/PMP/PM: James Lewis (ok)  
A/LM/POL: Christopher Burney (ok)

## ABBREVIATIONS

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APO	Accountable Property Officer
BDSC	Baghdad Diplomatic Support Center
BEC	Baghdad Embassy Compound
CMMS	Computerized Maintenance Management System
DEAV	Bureau of Diplomatic Security, Office of Physical Security Programs, Defensive Equipment and Armored Vehicle Division
ESC	Engineering Services Center
GAO	Government Accountability Office
GSO	General Services Office
ILMS	Integrated Logistics Management System
IMO	Information Management Office
IRM	Bureau of Information Resource Management
LE	locally employed
OIG	Office of Inspector General
PDO	Property Disposal Officer
PMO	Property Management Officer
PMP	Bureau of Administration's Office of Logistics Management, Office of Program Management and Policy
S-ILMS	Secure Integrated Logistics Management System

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