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Office of Inspector General  
United States Department of State

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ISP-I-21-34

Office of Inspections

September 2021

# **Inspection of the Bureau of Administration's Property Management Division**

DOMESTIC OPERATIONS

UNCLASSIFIED



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

ISP-I-21-34

## What OIG Inspected

OIG inspected the Property Management Division, located under the Office of Logistics Management, Office of Program Management and Policy in the Bureau of Administration.

## What OIG Recommends

OIG made 5 recommendations to the Bureau of Administration.

In its comments on the draft report, the Bureau of Administration concurred with 4 recommendations and disagreed with 1 recommendation. OIG considers 4 recommendations resolved and 1 recommendation unresolved. The Bureau of Administration's response to each recommendation, and OIG's reply, can be found in the Recommendations section of this report. The bureau's formal response is reprinted in its entirety in Appendix B.

**September 2021**

**OFFICE OF INSPECTIONS**

**DOMESTIC OPERATIONS**

## **Inspection of the Bureau of Administration's Property Management Division**

### **What OIG Found**

- The Property Management Division had challenges fully implementing its programs due to previous extended vacancies in key positions, including the Division Director.
- The division did not routinely monitor bureau and overseas post compliance with Department of State property management standards.
- The division lacked adequate internal controls to monitor completion of annual inventory processes.
- The process to create new business units in the Integrated Logistics Management System resulted in inadequate oversight of 86 out of 1,213 business units in the system.
- Conflicting guidance on procedures for accounting for overseas missions' bulk fuel stocks created risks that such property would be recorded incorrectly in the Department's systems of record.
- Spotlight on Success: The Annual Inventory Modernization program resulted in enhanced internal controls over Department property while reducing the time required to conduct inventories by an average of 40 percent.

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## CONTEXT

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The Bureau of Administration, Office of Logistics Management, Office of Program Management and Policy, Property Management Division (PM) provides policy, guidance, training, and oversight on property management operations domestically and overseas, as outlined in 14 Foreign Affairs Manual (FAM) 400 and 14 Foreign Affairs Handbook (FAH)-1. As of January 2021, PM had worldwide oversight responsibilities for a total of \$5.2 billion in nonexpendable property and an additional \$92.7 million in expendable property.<sup>1</sup> The Department of State (Department) is required under the Federal Managers Financial Integrity Act of 1982<sup>2</sup> to establish internal administrative controls that provide reasonable assurance that property and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation. OIG has identified property management as one of the Department's major management and performance challenges.<sup>3</sup> Specifically, OIG noted that internal control deficiencies in property management, initially identified in the independent audit of the Department's consolidated financial statements in FY 2005 and reported in subsequent audits, continued to affect the Department's ability to account for personal property in a complete, accurate, and timely manner.<sup>4</sup>

At the time of the inspection, PM had 19 positions of which 16 were filled by 11 Civil Service employees, 1 Foreign Service officer, and 4 third-party contractors. PM is divided into two branches: the Compliance and Oversight Branch and the Customer Outreach and Support Branch. The Compliance and Oversight Branch oversees the worldwide physical accountability of the Department's personal property, such as vehicles, furniture, and supplies, and the disposal of excess property located in the National Capital Region.<sup>5</sup> This branch also serves as the point of contact for oversight and regulatory agencies such as the Government Accountability Office or the General Services Administration. The Customer Outreach and

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<sup>1</sup> Nonexpendable property is property that is complete in itself, does not lose its identity or become a component part of another item when used, and is of durable nature with an anticipated useful life of more than 2 years. Examples of nonexpendable property are furniture, office machines, information technology equipment, and communications equipment. Expendable property is property which, when put in use, is consumed, loses its identity, or becomes an integral part of another item of property. Examples of expendable are office supplies, automobile tires, and machine parts.

<sup>2</sup> The Federal Managers Financial Integrity Act (FMFIA) of 1982 (Pub. L. No. 97-255) amended the Accounting and Auditing Act of 1950 and requires ongoing evaluations and reports on the adequacy of each executive agency's systems of internal accounting and administrative control. See also 31 U.S.C. § 3512.

<sup>3</sup> Each year, OIG identifies the most serious management and performance challenges facing the Department based on a review of that year's work and past work. See OIG, *Inspector General Statement on the Department of State's Major Management and Performance Challenges Fiscal Year 2020* (OIG-EX-21-01, November 2020).

<sup>4</sup> Personal property is property that is not otherwise classified as land, land improvement, buildings, and structures that are normally referred to as real property. Personal property includes both nonexpendable and expendable property, such as vehicles, furniture, equipment, supplies, appliances, and machinery.

<sup>5</sup> The National Capital Region encompasses the District of Columbia; Prince George's and Montgomery counties in Maryland; Arlington, Fairfax, Loudoun, and Prince William counties in Virginia; and all cities and towns included within the outer boundaries of the foregoing counties.

Support Branch is responsible for PM's global training program, customer support, and guidance on the implementation of policy changes and updates on property management.

The Bureau of Administration's functional bureau strategy for FY 2018 to FY 2022 includes three strategic goals<sup>6</sup> that applied to PM as one of the bureau's lines of business:

- Improve the customer experience across the bureau's lines of business.
- Focus on enabling transparent access to Department information.
- Employ an agile, collaborative, modern workforce across the bureau's lines of business.

For this inspection, OIG focused on PM's operations and, consistent with Section 209 of the Foreign Service Act of 1980, evaluated the division's management of its programs.<sup>7</sup>

## PROGRAM MANAGEMENT

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OIG assessed PM's program management based on interviews with office leadership and staff, questionnaires completed by PM personnel, and a review of documents related to its policies, programs, and performance. One theme that arose during the inspection was that long-term vacancies in key positions hindered the division's ability to fully implement its programs. While most of the vacant positions had been filled at the time of the inspection—including the Division Director position, which was filled in December 2020 after sitting vacant for over 2½ years—during the staffing gaps, division staff had to assume leadership and other responsibilities in addition to maintaining their regular portfolios.<sup>8</sup> PM officials told OIG the long-term vacancies occurred because of the U.S. Government hiring freeze<sup>9</sup> and subsequent hiring delays, including those related to obtaining security clearances for new employees. As described further below, this resulted in PM having challenges fully implementing its programs in two areas—oversight of Department property and policy and guidance. However, despite the challenges, OIG found PM was able to implement some programs to provide oversight and operational support to its domestic and overseas customers. For example, the division reviewed and validated the annual inventories for the approximately 1,052 business units<sup>10</sup> it was responsible for; provided support to its domestic and overseas customers, as needed; and

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<sup>6</sup> Bureau of Administration, *Functional Bureau Strategy FY 2018-2022* (July 31, 2018).

<sup>7</sup> See Appendix A.

<sup>8</sup> In addition to the Division Director position, the Compliance and Oversight Branch chief position was vacant from September 2019 to April 2020 and the Customer Outreach and Support Branch chief position was vacant from November 2018 to August 2020. Other long-term vacancies included desk officer positions, including one that was vacant from August 2016 to November 2020.

<sup>9</sup> The Office of Management and Budget first announced a Government-wide hiring freeze on January 25, 2017. While most positions were frozen and could not be filled if vacant, the then-Secretary approved specific exemptions to the hiring freeze to ensure the Department was able to meet critical needs. The Secretary lifted the hiring freeze in May 2018. See OIG, *Review of the Effects of the Department of State Hiring Freeze* (ISP-I-19-23, August 2019).

<sup>10</sup> A business unit is a unique identifier that designates a domestic bureau or an overseas mission. Typically, each bureau or mission has two business units: one for personal property and the other for information technology property. However, a bureau or mission may have more than two business units based on program requirements.

coordinated property disposals with the General Services Administration for the Department's bureaus and offices located in the National Capital Region.

## **Oversight of Department Property**

### ***Division Did Not Routinely Monitor Bureau and Overseas Mission Compliance With Property Management Standards***

PM staff told OIG the division did not routinely monitor compliance by bureaus and overseas posts with Department property management standards. Additionally, PM did not establish objectives, internal guidance, and up-to-date standard operating procedures for desk officers, which resulted in inconsistent monitoring and increased risks that serious property management problems would not be identified. Guidance in 14 FAM 411.3-1a(2) and 14 FAM 421.4-1a(2) state that PM will routinely verify compliance with property management policy by monitoring activities within the Integrated Logistics Management System's (ILMS) Asset Management<sup>11</sup> module. According to the Government Accountability Office's *Standards for Internal Control in the Federal Government*,<sup>12</sup> Principle 12.04, management communicates to personnel the policies and procedures so that personnel can implement the control activities for their assigned responsibilities. PM officials said that insufficient staffing and competing priorities adversely affected its oversight capacity. PM officials acknowledged to OIG that routine reviews of compliance with property management metrics could identify and prevent internal controls issues before the conclusion of annual inventory processes. The lack of routine monitoring by desk officers to identify deficiencies in compliance with property management standards increases the risk of theft and mismanagement of Department property.

**Recommendation 1:** The Bureau of Administration should implement a plan to establish objectives and internal guidance and procedures to routinely monitor bureau and overseas mission compliance with Department property management standards. (Action: A)

### ***Division Lacked Full Oversight of Business Units in the Integrated Logistics Management System***

OIG found the process to create and manage business units in ILMS resulted in inadequate PM oversight of some units. Specifically, PM staff told OIG the Logistics Systems Division<sup>13</sup> added some business units to ILMS without PM's approval or knowledge, leaving PM staff uncertain

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<sup>11</sup> ILMS is an integrated web-based system that encompasses all Department supply chain functions in one system. It is designed to upgrade Department supply chain management by improving operations in purchasing, procurement, warehousing, transportation, property management, personal effects, and diplomatic pouch and mail. The Asset Management module is used to account for the Department's nonexpendable property.

<sup>12</sup> Government Accountability Office, *Standards for Internal Control in the Federal Government* 56 (GAO-14-704G, September 2014).

<sup>13</sup> The Logistics Systems Division designs, develops, and provides agency-wide support for logistics systems, including ILMS. The Logistics Systems Division and PM are located in the same office, the Office of Program Management and Policy.

about who managed the units and whether they were subject to annual inventory requirements. At the time of the inspection, PM staff had identified 86 out of a total of 1,213 business units that had been added to ILMS without PM approval.

According to 1 FAM 215.2-2a and b, PM is responsible for worldwide oversight, development of internal control standards, and approval of business requirements for systems that account for assets. PM staff told OIG that the creation and management of business units without PM's approval resulted from lack of formal guidance. PM staff also said that, on occasion, a bureau or mission would request the Logistics Systems Division to create a new ILMS business unit, without PM's knowledge or clearance. Without formal guidance that clearly documents the process to create and manage ILMS business units, PM cannot be certain it exercises adequate oversight, placing Department property at increased risk of mismanagement and theft.

**Recommendation 2:** The Bureau of Administration should implement and disseminate formal guidance requiring Property Management Division approval and oversight of all business units in the Integrated Logistics Management System, in accordance with Department guidelines. (Action: A)

### ***Division Lacked Adequate Internal Controls for Annual Inventories***

OIG found that PM lacked adequate internal controls to ensure completion of annual inventories of property managed by bureaus and overseas missions. Specifically, OIG identified the following issues:

- PM could not confirm that annual inventories were submitted for all ILMS business units. For example, at the time of the inspection, PM could not identify reasons for the lack of a completed FY 2020 annual inventory for a business unit at an overseas mission that contained approximately 209,000 Department assets. Standards in 14 FAM 416.1b state all overseas posts must conduct an annual inventory of personal and program property.<sup>14</sup>
- PM did not require missions with an expendable property shortage above the Department's threshold to submit a property survey board report or a corrective action plan despite those being required by Department standards.<sup>15</sup> For example, in FY 2019, one mission reported a 61.9 percent expendable property shortage (with a total value of approximately \$162,680) but was not required to submit a report showing the results of the property survey board's review of the matter. Standards in 14 FAM 416.5-1(B)c state that when the value of the inventory shortage exceeds one percent, the post property management officer must refer the shortage to a property survey board. Additionally,

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<sup>14</sup> Program property is property such as vehicles, secure telephones, or radios associated with a unique program where the overall management and technical expertise is controlled by a single bureau or agency. Program property is generally funded by that bureau or agency.

<sup>15</sup> According to 14 FAM 416.5-2, a property survey board is convened to review and evaluate available information concerning lost, damaged, or destructed property. An inventory shortage occurs when property cannot be located and accounted for during the annual inventory.

14 FAH-1 H-617b(3) states the property survey board should also recommend corrective action for any recognized management control weakness.

- PM did not verify that all missions that maintain a stock of bulk fuel for use in vehicles, residential generators, or other equipment, accounted for it in their annual inventory. OIG's review of ILMS data showed that 14 of 81 posts PM believed had bulk fuel stock were not accounting for fuel in ILMS and, as a result, did not include it in the annual inventory submission to PM. Standards in 14 FAM 411.4 state fuel is accountable property that must be tracked in property records. According to 14 FAM 414.2-1a, ILMS is the approved property records system. Bulk fuel reporting is discussed in more detail later in this report.

According to 1 FAM 215.2-2a, PM provides worldwide oversight on property management operations. Additionally, 1 FAM 215.2-2b states PM monitors worldwide compliance with the annual inventory certification process. PM officials told OIG these issues occurred because of staffing shortfalls and competing priorities. PM officials also noted that ILMS' certification submission center<sup>16</sup> only required a corrective action plan for nonexpendable property shortages above the threshold. However, 1 FAM 215.2-2a states that PM is responsible for identifying and approving business requirements for the Department's asset management systems, which includes ILMS. Absent a comprehensive review of annual inventories, PM cannot be assured that Department property is accurately accounted for, and adequate actions are implemented to address possible mismanagement.

**Recommendation 3:** The Bureau of Administration should develop and implement internal controls for the review and validation of annual inventories, in accordance with Department standards. (Action: A)

### **Spotlight on Success: Annual Inventory Modernization Program Enhances Internal Controls While Reducing Annual Inventory Time**

The Annual Inventory Modernization (AIM) program, initiated by PM and the Logistical Systems Division, enhanced internal controls over Department property while reducing the time spent on completing annual inventories. AIM improved accountability of IT equipment by transferring custodial responsibilities from embassy general services officers, who have typically had responsibility for such equipment, to information management officers, thus making them responsible for their own inventory. AIM also allowed property management transactions, such as property transfers or disposals, to be recorded in ILMS during the annual inventory. The legacy inventory system did not allow such updates, which created a backlog of transactions that could only be added to ILMS once the annual inventory was closed. Finally, bureaus and missions that adopted AIM saw an average decrease of approximately 40 percent in the time needed to complete annual inventories. For example, AIM introduced a function that automatically detects IT assets such as computers connected to the network and accounts for them in the inventory, thereby eliminating the need for IT staff to locate and physically scan those assets. After a successful pilot phase involving 4

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<sup>16</sup> The certification submission center is the ILMS module used by bureaus and overseas missions to submit their inventory documentation to PM.

bureaus and 5 overseas missions in FY 2018, self-funded deployments to 74 missions and bureaus began in FY 2019.<sup>17</sup> As of the end of FY 2020, AIM had been deployed to 15 bureaus and 118 missions.

## Policy and Guidance

### ***Conflicting Guidance on Bulk Fuel Management Created Risks of Recording Property Records Incorrectly***

OIG found that conflicting guidance on procedures for accounting for overseas missions' bulk fuel stocks created risks that such property would be recorded incorrectly in ILMS. As stated in 4 FAM 031.7, agencies must maintain adequate inventory controls and accountability for property. According to the Department's Motor Pool Procedures Overseas Handbook, bulk fuel is expendable property. Guidance in 14 FAM 414.2-1a(2) states the ILMS Expendable Management module is the Department's approved module in which to record expendable property. However, guidance in the Department's Motor Pool Procedure Overseas Handbook, section 3.4, offered missions the option of using other types of records, such as paper logs, instead of the ILMS Expendable Management module to track their bulk fuel stocks. In addition, section 3.5 of the handbook states the physical inventory for bulk fuel should be recorded in the ILMS Asset Management module, used for nonexpendable property, rather than the Expendable Management module. PM staff told OIG that the Overseas Fleet Division<sup>18</sup> issued its handbook without PM's clearance even though PM has oversight responsibility for bulk fuel. Guidance in 1 FAM 215.2-2a states that PM provides worldwide oversight, guidance, and policy on property management operations. Without consistent guidance on bulk fuel stocks accountability, overseas missions cannot implement adequate management controls, which increases the risk of mismanagement and theft.

**Recommendation 4:** The Bureau of Administration should review and update standards governing bulk fuel stock accountability, in accordance with Department standards. (Action: A)

### ***Use of Electronic Scanner Not Mandated for Residential Assets Inventory***

OIG found Department standards did not mandate the use of the ILMS electronic scanners to inventory assets such as furniture, furnishings, and equipment located in overseas mission residences.<sup>19</sup> The ILMS Data Forensics Team<sup>20</sup> in 2017 identified the lack of consistent scanning

<sup>17</sup> Because the Office of Program Management and Policy was unable to secure funding, bureaus and missions wishing to adopt AIM had to pay for its deployment.

<sup>18</sup> The Overseas Fleet Division also is part of the Office of Program Management and Policy.

<sup>19</sup> According to 14 FAM 416.1a, physical inventories of residential furniture, furnishings, and equipment must be done when there is a change of occupancy and be reconciled immediately with records in the Residential Custodial File.

<sup>20</sup> The ILMS Data Forensics team is part of the Bureau of Administration Logistics System Division. The team develops business intelligence reports and analyzes transactional operations data in ILMS to identify potential malfeasance and assist managers with strengthening management controls at overseas posts.

of assets during residential inventories as a risk indicator that raised the risk of waste, fraud, and mismanagement. ILMS data reviewed by OIG showed that as of February 2021, approximately 69,000 assets located in overseas residences had not been inventoried using the electronic scanner in the past 3 years. Guidance in 14 FAH-1 H-614.3-1a states that missions can use either the electronic scanner or perform a manual inventory by generating a listing of all property in the residence and reconciling the list against the property records in ILMS. PM officials told OIG that using electronic scanners is a management control that should be required and enforced but acknowledged that guidance had not been updated to mandate their use. According to 1 FAM 215.2-2a, PM provides worldwide oversight, guidance, training, and policy on property management operations and identifies and approves requirements for the Department's asset management systems. In addition, 1 FAM 215.2-2b states PM sets the internal control standards and approves systems that account for Department assets worldwide. PM officials stated that an update had not been initiated because of staffing shortages and competing priorities. Failure to update Department guidance to eliminate the use of manual reconciliation of overseas residential inventories increases the risk of property mismanagement and theft.

**Recommendation 5:** The Bureau of Administration should require that the Property Management Division mandate the use of the Integrated Logistics Management System electronic scanners for overseas residential inventories. (Action: A)

## RECOMMENDATIONS

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OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendations. OIG issued the following recommendations to the Bureau of Administration. The Bureau of Administration's complete response can be found in Appendix B.<sup>1</sup>

**Recommendation 1:** The Bureau of Administration should implement a plan to establish objectives and internal guidance and procedures to routinely monitor bureau and overseas mission compliance with Department property management standards. (Action: A)

**Management Response:** In its August 4, 2021, response, the Bureau of Administration concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration implemented a plan to establish objectives and internal guidance and procedures to routinely monitor bureau and overseas mission compliance with Department property management standards.

**Recommendation 2:** The Bureau of Administration should implement and disseminate formal guidance requiring Property Management Division approval and oversight of all business units in the Integrated Logistics Management System, in accordance with Department guidelines. (Action: A)

**Management Response:** In its August 4, 2021, response, the Bureau of Administration concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration implemented and disseminated formal guidance requiring Property Management Division approval and oversight of all business units in the Integrated Logistics Management System, in accordance with Department guidelines.

**Recommendation 3:** The Bureau of Administration should develop and implement internal controls for the review and validation of annual inventories, in accordance with Department standards. (Action: A)

**Management Response:** In its August 4, 2021, response, the Bureau of Administration disagreed with this recommendation. The bureau noted that the Property Management Division (PM) utilizes a robust suite of annual inventory dashboards and tracking tools to

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<sup>1</sup> OIG faced delays in completing this work because of the COVID-19 pandemic and resulting operational challenges. These challenges included the inability to conduct most in-person meetings, limitations on our presence at the workplace, difficulty accessing certain information, prohibitions on travel, and related difficulties within the agencies we oversee, which also affected their ability to respond to our requests.

monitor annual inventory status and submission of approved business units for posts and bureaus. Throughout the inventory season, PM provides the Bureau of Administration's Office of Logistics Management leadership with real-time updates on the inventory status of all bureaus and overseas posts using several management tools such as the Annual Inventory Modernization dashboard, Management Digest, and Property Insight dashboards to ensure compliance in accordance with 14 Foreign Affairs Manual (FAM) 411.3-1a(2) and 14 FAM 421.4-1a(2). Furthermore, the bureau noted that the business unit cited in the finding as lacking a completed FY 2020 annual inventory is a Bureau of International Narcotics and Law Enforcement Affairs (INL) Federal grant assistance business unit. The assets in this business unit are not subject to the annual inventory, and INL manages and reports on these assets directly to the Bureau of the Comptroller and Global Financial Services.

**OIG Reply:** OIG considers the recommendation unresolved. OIG acknowledges that the bureau has a variety of tools to track the status and submission of annual inventories. However, OIG identified three internal control deficiencies the bureau needed to address, including PM's inability to confirm that annual inventories were submitted for all existing business units in the Integrated Logistics Management System. At the time of the inspection, PM staff were unable to provide an explanation for the lack of annual inventory for the INL business unit in FY 2020 while that same business unit had submitted an annual inventory to PM in FY 2019. Furthermore, at the time of the inspection, the INL business unit was 1 of 15 business units for which PM staff could not confirm if an annual inventory was required. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration developed and implemented internal controls for the review and validation of annual inventories, in accordance with Department standards.

**Recommendation 4:** The Bureau of Administration should review and update standards governing bulk fuel stock accountability, in accordance with Department standards. (Action: A)

**Management Response:** In its August 4, 2021, response, the Bureau of Administration concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration reviewed and updated standards governing bulk fuel stock accountability, in accordance with Department standards.

**Recommendation 5:** The Bureau of Administration should require that the Property Management Division mandate the use of the Integrated Logistics Management System electronic scanners for overseas residential inventories. (Action: A)

**Management Response:** In its August 4, 2021, response, the Bureau of Administration concurred with this recommendation.

**OIG Reply:** OIG considers the recommendation resolved. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration required the

Property Management Division to mandate the use of the Integrated Logistics Management System electronic scanners for overseas residential inventories.

## PRINCIPAL OFFICIALS

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<b>Title</b>	<b>Name</b>	<b>Arrival Date</b>
<b>Division</b>		
Division Director	James Lewis	12/2020
Deputy Division Director	Adam Wallingford	01/2021
<b>Branch</b>		
Compliance and Oversight Branch Chief	Samuel Bullard	04/2020
Customer Support and Outreach Branch Chief	Dasheka Davenport	08/2020

**Source:** Generated by OIG from data provided by the Property Management Division.

## **APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY**

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This inspection was conducted from January 4, 2021, to March 29, 2021, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspections Handbook, as issued by the Office of Inspector General (OIG) for the Department and the U.S. Agency for Global Media (USAGM).

### **Objectives and Scope**

The Office of Inspections provides the Secretary of State, the Chief Executive Officer of USAGM, and Congress with systematic and independent evaluations of the operations of the Department and USAGM. Consistent with Section 209 of the Foreign Service Act of 1980, OIG's specific objectives for this inspection of the Property Management Division (PM), within the Bureau of Administration, Office of Logistics Management, Office of Program Management and Policy, were to determine whether:

- (1) Staffing gaps and long-term vacancies affected PM's ability to fulfill its mission.
- (2) PM effectively mitigated potential oversight deficiencies arising from staffing gaps and long-term vacancies.
- (3) PM established and documented a methodology to review annual inventories.
- (4) PM ensured posts exercised adequate oversight for bulk fuel used for residential generators.

### **Methodology**

OIG used a risk-based approach to prepare for this inspection. Due to the COVID-19 pandemic and taking into consideration relevant guidance, OIG conducted the inspection remotely and relied on audio- and video-conferencing tools in lieu of in-person interviews with Department and other personnel. OIG also reviewed pertinent records; circulated surveys and compiled the results; and reviewed the substance of this report and its findings and recommendations with offices, individuals, and organizations affected by the review. OIG used professional judgment, along with physical, documentary, testimonial, and analytical evidence collected or generated, to develop its findings, conclusions, and actionable recommendations.

## APPENDIX B: MANAGEMENT RESPONSE

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United States Department of State

Washington, D.C. 20520

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August 4, 2021

**TO:** OIG/ISP – Sandra J. Lewis

**FROM:** A/LM – Cecilia Coates, Acting

**SUBJECT:** Response to OIG Draft Report – Inspection of the Bureau of Administration’s Property Management Division – ISP-I -21-34

(U) The Office of Logistics Management, Office of Program Management and Policy, (A/LM/PMP) has reviewed the OIG Draft Report – Inspection of the Bureau of Administration’s Property Management Division. A/LM/PMP provides the following comments in response to the recommendations made by OIG.

(U) **OIG Recommendation 1:** The Bureau of Administration should implement a plan to establish objectives and internal guidance and procedures to routinely monitor bureau and overseas mission compliance with Department property management standards. (Action: A)

(U) **Management Response:** A/LM/PMP concurs with the recommendation.

(U) **OIG Recommendation 2:** The Bureau of Administration should implement and disseminate formal guidance requiring Property Management Division approval and oversight of all business units in the Integrated Logistics Management System, in accordance with Department guidelines. (Action: A)

(U) **Management Response:** A/LM/PMP concurs with the recommendation.

(U) **OIG Recommendation 3:** The Bureau of Administration should develop and implement internal controls for the review and validation of annual inventories, in accordance with Department standards. (Action: A)

(U) **Management Response:** A/LM/PMP does not concur with the recommendation. The Property Management Division (PM) utilizes a robust suite of annual inventory dashboards and tracking tools to monitor annual inventory status and submission of approved business units for posts and bureaus. Throughout the inventory season, PM provides A/LM leadership with real-time updates on the inventory status of all bureaus and posts worldwide using several management tools such as the Annual Inventory

Modernization (AIM) dashboard, Management Digest, and Property Insight dashboards to ensure compliance in accordance with 14 FAM 411-3-1a (2) and 14 FAM 421-4-1a (2).

(U) It seems likely that this recommendation arose from a misunderstanding. The business unit that the draft OIG report cites as lacking a completed FY2020 annual inventory is a Bureau of International Narcotics and Law Enforcement Affairs (INL) federal grant assistance business unit. The assets in this business unit are not subject to the annual inventory. INL manages these federal assistance assets and reports on them directly to the Bureau of the Comptroller and Global Financial Services (CGFS).

(U) **OIG Recommendation 4**: The Bureau of Administration should review and update standards governing bulk fuel stock accountability, in accordance with Department standards. (Action: A)

(U) **Management Response**: Bulk fuel management is a unique challenge that is made more complex by varying conditions and circumstances at each post. A/LM/PMP concurs with the recommendation, but notes that a solution will require joint action with the Bureau of Overseas Buildings Operations (OBO). OBO is the home bureau for Facilities Managers that oversee generator fueling operations at post. A/LM/PMP plans to collaborate with stakeholders, including OBO, to provide clear guidance on the accountability of bulk fuel.

(U) **OIG Recommendation 5**: The Bureau of Administration should require that the Property Management Division mandate the use of the Integrated Logistics Management System electronic scanners for overseas residential inventories. (Action: A)

(U) **Management Response**: A/LM/PMP/PM concurs with the recommendation.

The point of contact for this memorandum is Mikael McCowan (mccowanmc@state.gov).

## ABBREVIATIONS

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AIM	Annual Inventory Modernization
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
ILMS	Integrated Logistics Management System
PM	Property Management Division

## OIG INSPECTION TEAM MEMBERS

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Sergio Lagares, Team Leader/Co-Team Manager

Daniel Pak, Co-Team Manager

Wilma Bodden-Raffucci

Matthew Lunn

### **Other Contributors**

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Timothy McQuay

Patricia Stewart

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