



Office of Inspector General
United States Department of State

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

FISCAL YEAR 2022

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INTRODUCTION

This report is provided in accordance with the Reports Consolidation Act of 2000.¹ Each year, the Office of Inspector General (OIG) for the Department of State (Department) identifies the most significant management and performance challenges facing the Department and provides a brief assessment of the Department's progress in addressing those challenges. We assess progress primarily through our compliance process, which relates to individual and often targeted recommendations. Our oversight work provides a unique window into common and emergent issues.

Throughout FY 2022, the Coronavirus Disease 2019 (COVID-19) pandemic affected OIG's operations for a third consecutive year, but we adapted our programs and processes to ensure our critical functions continued. Despite such obstacles, we published 85 reports in FY 2022. Based on these reports and our previous work, OIG identified the following major management and performance challenges facing the Department:

- Protecting People and Facilities
- Managing and Overseeing Contracts, Grants, and Foreign Assistance
- Managing and Securing Information
- Managing Property and Finances
- Operating in Contingency and Critical Environments
- Managing the Workforce
- Promoting Accountability Through Internal Coordination and Clear Lines of Authority

This document includes examples of reports and findings that illustrate these challenge areas. In addition to publicly available work, OIG issues a number of Sensitive But Unclassified² and Classified reports throughout the year. Many of the findings in these reports reinforce our assessment of these management challenges.

Continued attention to management challenges will improve the Department's capacity to fulfill its mission while exhibiting good stewardship of public resources. OIG encourages the Department to apply specific recommendations broadly, where systemic improvements can be made that result in meaningful change.

¹ The Reports Consolidation Act of 2000, § 3, Public Law 106-531 (amending 31 United States Code [U.S.C.] § 3516).

² Sensitive But Unclassified material is information that is not classified for national security reasons, but warrants/requires administrative control and protection from public or other unauthorized disclosure for other reasons.

MESSAGE FROM THE SENIOR OFFICIAL PERFORMING THE DUTIES OF THE INSPECTOR GENERAL



Diana R. Shaw

The Department plays a critical role on behalf of the American people. The U.S. government's national security strategy asserts that, "today, more than ever, America's fate is inextricably linked to events beyond our shores."³ In this context, it is of particular importance that the Department succeed in its mission to protect and promote U.S. security, prosperity, and democratic values to shape an international environment in which all Americans can thrive.

If not properly addressed, major management challenges will impede the Department's ability to execute on this critical global mission. That is why we carefully examine the Department's standing in key areas and report on its top management challenges annually. This year, as in recent years, we identified seven major management challenges for the Department. Several of these challenges relate to the execution of core management functions, including financial, facilities, information technology, and workforce, as well as management and oversight of contracts, grants, and foreign assistance. Other challenges involve ensuring accountability, operating in difficult contingency environments, and delivering on basic security and safety expectations for people and facilities.

In addition to highlighting the different dimensions of these major challenge areas for the Department, our work identified tangible action that officials can take to ensure improvement. A few examples from this year's work follow:

- Department information systems are subject to serious threats that can lead to exploited weaknesses and compromised sensitive information. So, when an audit of the Department information security program identified weaknesses in eight of nine information security domains, we continued to recommend that the Department take steps to ensure that all Department information systems are authorized to operate and that officials establish an effective continuous monitoring program for Department systems.⁴

³ The White House, *Interim National Security Guidance*, March 2021.

⁴ OIG, *Audit of the Department of State FY 2022 Information Security Program* (AUD-IT-22-45, September 2022).

- Effective management and oversight of grants and contracts is integral to ensuring that the activities meet Department needs and deliver on expectations. Accordingly, when we found significant deficiencies in the Department's domestic guard service contract oversight prompting us to question \$360 million in related expenditures, we recommended key improvements to related invoice review practices that the Department has agreed to implement.⁵
- The integrity of recruitment and hiring decisions is critical to maintaining an effective human capital system. Unfortunately, we found that public members serving on the Department's Foreign Service Selection Boards did not fully meet Department qualifications and that family members and personal friends of Department employees had been selected for these roles. Therefore, we recommended measures for improving management oversight of the public member selection process.⁶

These represent just a few examples of the concrete ways that we have worked with the Department over the past year to strengthen its response to the management challenges it faces.

In addition, in developing our oversight plans, we assess conditions that could lead to new management challenges for the Department and develop audits, inspections, and evaluations to identify opportunities for officials to respond to the new contours of these challenge areas. Accordingly, our current work and future oversight plans are designed to examine how the Department is adapting to some of the greatest foreign policy tests of our time. We are building, for example, a rich body of work on the Department's response to the U.S. government's withdrawal from Afghanistan that speaks to, among other things, the work of its remote mission in Doha, Qatar, as well as the emergency action planning that led up the 2021 withdrawal. Oversight of the Ukraine situation response efforts also represents a major OIG priority, as ongoing work will examine the operations of affected missions, assess the effectiveness of humanitarian response efforts, and examine security and economic coordination through multilateral organizations, among other areas. To help Department officials navigate related challenges, OIG plans to issue a product that shares observations from past work to inform the Department's ongoing response efforts.⁷

⁵ OIG, *Audit of the Bureau of Diplomatic Security's Oversight of Contractor Performance and Invoice Processing for the Domestic Guard Services Contract* (AUD-SI-22-37, September 2022).

⁶ OIG, *Review of the Recruitment and Selection Process for Public Members of Foreign Service Selection Boards* (ESP-22-02, May 2022).

⁷ OIG Work Plan: Fiscal Years 2023, 2024.

We remain committed to thorough and timely oversight of Department programs and operations and look forward to continuing to work with the Department to make progress in these important challenge areas in the year to come.

OIG IDENTIFIED MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES and MANAGEMENT RESPONSES

PROTECTING PEOPLE AND FACILITIES

The Department's global presence and the pervading threat of physical violence directed toward U.S. diplomats makes the protection of people and facilities a critical management challenge. Although the Department prioritizes safety and security, all personnel and facilities face some level of risk.

The construction and maintenance of safe and secure diplomatic facilities is a component of this challenge, which has serious implications in regions affected by conflict and instability. Our FY 2022 inspection work continued to identify problems related to facilities maintenance at several overseas posts, including pervasive fire safety deficiencies.⁸

Related to the health and safety of its personnel abroad, the recent pandemic presented a new issue for the Department. Maximum telework was encouraged for both domestic and overseas staff members throughout much of the pandemic and the Department regularly provided staff with information that addressed common concerns and detailed best practices for returning to the office.⁹

Management of embassy residences is another area with implications for health and safety of personnel. OIG notes that in FY 2022, the Department made numerous improvements in response to 19 recommendations from two 2021 reports that assessed management of occupational safety, health, and fire protection programs for overseas operations.¹⁰ The Department improved its compliance with the requirement for Post Occupational Safety and Health Officers (POSHO) to certify that residences meet safety standards. Specifically, at the time of OIG's inspection in October 2020, about 62 percent of residences

⁸ OIG, *Inspection of Embassy Luxembourg, Luxembourg* (ISP-I-22-09, February 2022).

⁹ OIG, *Inspection of Embassy Budapest, Hungary* (ISP-I-22-12, May 2022).

¹⁰ OIG, *Inspection of the Bureau of Overseas Buildings Operations' Office of Safety, Health, and Environmental Management* (ISP-I-21-21, April 2021) and OIG, *Inspection of the Bureau of Overseas Buildings Operations' Office of Fire Protection* (ISP-I-21-22, May 2021).

worldwide had a POSHO certification, but that rate improved to 91 percent by late July 2022. Additionally, the Department now requires chiefs of mission to certify in their annual statement of assurance that the mission has an effective fire protection program. Finally, the Department revised and clarified guidance in certain sections of the Foreign Affairs Manual (FAM) to reduce confusion and increase compliance with occupational safety, health, and fire protection program requirements.¹¹

The operation of official vehicles is a component of this challenge where OIG continues to see deficiencies with health and safety implications. As in previous years, we found instances where drivers either did not receive or were not current with required driver safety training or refresher training in accordance with the FAM.¹² Several embassies also failed to fulfill medical certification requirements for drivers and allowed drivers to exceed limits for driving shifts.¹³ In one example, OIG found several mission drivers exceeded the 10-hour daily duty shift maximum in 20 of the 21 pay periods reviewed.¹⁴

Lastly, we assess emergency action planning as part of this challenge. Department guidelines require U.S. embassies to maintain post-specific emergency action plans to respond to situations such as bombs, fires, civil disorder, or natural disasters. Although we frequently find substantial compliance with these guidelines, we continue to highlight deficiencies that have significant safety implications. Our overseas inspections noted some deficiencies related to crisis management preparation, particularly within Consular Sections.¹⁵ Additionally, during an audit specifically looking at emergency action planning at domestic facilities, OIG concluded that the Department was principally prepared to respond to and recover from emergencies at selected domestic facilities,¹⁶ but that 6 percent of domestic facilities used by the Department as of October 2021 did not have a facility emergency action plan.¹⁷ In addition, OIG found that facility emergency action plans were not always complete or accurate.¹⁸

¹¹ 15 FAM 900, "Fire Protection Program."

¹² ISP-I-22-12, May 2022.

¹³ OIG, *Inspection of Embassy Tallinn, Estonia* (ISP-I-22-21, August 2022); *Inspection of Embassy Oslo, Norway* (ISP-I-22-23, July 2022); OIG, *Inspection of Embassy Montevideo, Uruguay* (ISP-I-22-11, April 2022); OIG, *Inspection of Santiago, Chile* (ISP-I-22-10, March 2022); OIG, *Inspection of the U.S. Mission to the Dutch Caribbean* (ISP-I-22-04, December 2021); *Inspection of Embassy Reykjavik, Iceland* (ISP-I-22-02, October 2021), ISP-I-22-12, May 2022.

¹⁴ ISP-I-22-10, March 2022.

¹⁵ OIG, *Inspection of Embassy Athens and Constituent Post, Greece* (ISP-I-22-14, May 2022).

¹⁶ OIG, *Audit of Department of State Emergency Action Plans at Selected Domestic Facilities*, (AUD-SI-22-36, September 2022).

¹⁷ OIG, *Management Assistance Report: Improvements Needed in Procedures for Emergency Action Planning at Selected Department of State Domestic Facilities* (AUD-SI-22-27, April 2022).

¹⁸ AUD-SI-22-36, September 2022.

MANAGING AND OVERSEEING CONTRACTS, GRANTS, AND FOREIGN ASSISTANCE

The oversight of contracts, grants, and foreign assistance continues to be a significant challenge for the Department. Those responsible for award oversight must monitor and document performance, confirm that work has been conducted in accordance with the terms of the award, hold contractors and grantees accountable for nonperformance, and ensure that costs are effectively contained. Domestically and abroad, Department entities did not consistently and adequately monitor and document contractor and grantee performance. Several examples from our FY 2022 work follow.

An audit of security, construction, and facility and household services contracts at overseas posts showed that contractors did not always establish and maintain trafficking in persons (TIP) compliance plans in accordance with Federal Acquisition Regulation requirements, and Department Contracting Officer's Representatives (COR) did not always request and review the TIP compliance plans for the purpose of developing required TIP monitoring strategies. Furthermore, Department contracting personnel did not consistently implement management controls for monitoring contracts to ensure contractors do not engage in unlawful TIP practices.¹⁹

Because of their significant value, typically long periods of performance, and serious implications for security, OIG applies focused scrutiny to the oversight of construction contracts. In an audit conducted this year, we assessed eight large overseas construction projects and found that neither the Bureau of Overseas Buildings Operations nor the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management fully complied with the acquisition planning and market research requirements in federal and Department guidance. For example, none of the projects reviewed had a formal written acquisition plan. The deficiencies identified during the audit deprive the Department of opportunities for increased competition that could enhance its ability to obtain quality construction services at reasonable prices.²⁰

OIG also audited the Bureau of Diplomatic Security's (DS) administration of the Department's domestic guard services contract and found that DS did not administer the contract in accordance with requirements. For example, OIG found incomplete COR files and inadequate invoice reviews. Additionally, OIG

¹⁹ OIG, *Audit of Department of State Actions To Prevent Unlawful Trafficking in Persons Practices When Executing Security, Construction, and Facility and Household Services Contracts at Overseas Posts* (AUD-MERO-22-28, May 2022).

²⁰ OIG, *Audit of Department of State Efforts To Promote Competition for Overseas Construction Jobs* (AUD-CGI-22-34, August 2022).

identified numerous deficiencies with the supporting documentation provided for selected invoices, including mathematical errors, lack of overtime approval, and incorrect number of hours worked. The deficiencies occurred for several reasons, including lack of procedures. Until the deficiencies are addressed, DS will not have reasonable assurance that contract administration is performed appropriately. As a result of the audit, OIG identified more than \$360 million in questioned costs.²¹

In a review of five cooperative agreements awarded by the Global Engagement Center (GEC) from FY 2018 through FY 2020, OIG found that third-party contractors were assigned to perform inherently governmental functions on four of the awards reviewed. GEC officials did not design and implement internal controls to ensure that only GEC federal employees retained decision-making authority over functions that are intimately related to the public's interest, which posed risks for award management and oversight.²²

In another audit, OIG assessed whether selected grant and cooperative agreement recipients complied with cost-sharing requirements. OIG found that recipients generally complied with requirements. However, OIG identified a lack of supporting documentation for 13 percent of expense transactions selected for testing and issues with how some recipients reported cost-share amounts. The deficiencies occurred due to insufficient internal controls. For example, monitoring plans were not tailored to awards and monitoring controls were not adjusted when the COVID-19 pandemic prevented site visits. Grants Officer Representative (GOR) training did not provide adequate instruction for oversight of cost-share requirements and Grants Officers (GO) and GORs also lacked clarity related to their responsibilities for monitoring financial aspects of awards. Because of the deficiencies identified, the Department did not have assurance that award recipients' cost-sharing requirements are being fulfilled, resulting in OIG identifying questioned costs.²³

An audit of federal assistance awards to for-profit organizations provides another example of issues related to this management challenge. The audit identified that GOs and GORs did not consistently perform and document performance and financial monitoring, complete annual updates to risk assessments and monitoring plans, obtain audit reports, or conduct annual reviews when applicable. In addition, OIG found that oversight personnel were maintaining key documentation in "unofficial" award files that included personal computer drives, shared drives, or bureau-specific systems, which is

²¹ AUD-SI-22-37, September 2022.

²² OIG, *Management Assistance Report: Internal Controls are Needed to Safeguard Inherently Governmental Functions at the Global Engagement Center* (AUD-MERO-22-19, February 2022).

²³ OIG, *Audit of Compliance With Cost-Sharing Requirements for Selected Department of State Grants and Cooperative Agreements* (AUD-CGI-22-12, November 2021).

contrary to Department policy. The primary reason for the deficiencies identified was that the Department had not required the use of key oversight functions within its financial assistance management system.²⁴ Until the deficiencies are corrected, the Department cannot be sure that awards are administered in accordance with requirements.

Several inspections revealed similar grant management issues.²⁵ At one embassy, the Public Diplomacy Section's grant files did not consistently meet the Department's Federal Assistance Directive standards for documentation. OIG found that while all files reviewed contained notice of award and award provisions, and most contained payment documentation, fulfillment of other requirements, such as a monitoring plan and evidence of monitoring, was lacking.²⁶

MANAGING AND SECURING INFORMATION

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

For example, the FY 2022 audit of the Department's information security program found that the Department did not have a fully-developed and implemented information security program based on evidence of security weaknesses identified in eight of nine metric domains (risk management, supply chain risk management, configuration management, identity and access management, data protection and privacy, security training, information security continuous monitoring, and contingency planning).²⁷

²⁴ OIG, *Audit of Department of State Management and Monitoring of Federal Assistance Awards to For-Profit Organizations* (AUD-CGI-22-26, May 2022).

²⁵ OIG, *Inspection of Embassy Sofia, Bulgaria* (ISP-I-22-18, May 2022); OIG, *Inspection of the Bureau of Administration, Office of the Executive Director* (ISP-I-22-07, January 2022); OIG, *Inspection of the Bureau of East Asian and Pacific Affairs* (ISP-I-22-06, December 2021); OIG, *Inspection of Embassy Asuncion, Paraguay* (ISP-I-22-05, December 2021); OIG, *Inspection of the Office to Monitor and Combat Trafficking in Persons* (ISP-I-22-01, October 2021); ISP-I-22-11, August 2022; ISP-I-22-10, March 2022; ISP-I-22-09, February 2022; ISP-I-22-14, May 2022; ISP-I-22-12, May 2022; ISP-I-22-11, April 2022; ISP-I-22-04, December 2021.

²⁶ ISP-I-22-09, February 2022.

²⁷ AUD-IT-22-45, September 2022.

Specific issues related to contingency planning and the performance of Information Systems Security Officer duties were identified in several overseas inspection reports.²⁸ Both issues were also cited in an inspection of the Bureau of Administration, Office of the Executive Director. The report noted that the bureau's Information Technology Services Division had systems with IT contingency plan test due dates that were more than 5 years old and that most of its systems had never been tested.²⁹

Another example of this challenge comes from a recent review of the Bureau of Consular Affairs' ConsularOne Modernization Program. We found that in the 10 years since the program began in 2011, the responsible office had conducted a very limited pilot of just one component of the program— the customer-facing portion of the electronic Consular Report of Birth Abroad—and had continued to miss deployment dates for other components. Initially launched to modernize and consolidate approximately 90 discrete consular legacy systems into a common technology framework, the program has experienced deficiencies and delays with profound implications for the bureau's three fundamental responsibilities: the issuance of passports and other documentation to citizens and nationals, the protection of U.S. border security and facilitation of legitimate travel to the United States, and ensuring the welfare and protection of U.S. citizens abroad.³⁰

MANAGING PROPERTY AND FINANCES

Financial management has historically been a challenge for the Department, and, as described below, OIG continued to identify concerns related to this issue in FY 2022. OIG also notes several continued difficulties on the related issue of property management.

Financial Management

In one audit, we reported that selected Department bureaus did not consistently use the general budget object code designations in accordance with requirements when recording expense transactions.³¹ Recording expense data to the appropriate code is essential for management officials to have complete and accurate data for assessing spending patterns. Until deficiencies

²⁸ OIG, *Inspection of Embassy Pristina, Kosovo* (ISP-I-22-17, June 2022); ISP-I-22-18, May 2022; ISP-I-22-21, August 2022; ISP-I-22-14, May 2022; ISP-I-22-11, April 2022; ISP-I-22-10, March 2022, ISP-I-22-04, December 2021.

²⁹ ISP-I-22-07, January 2022.

³⁰ OIG, *Review of the Bureau of Consular Affairs' ConsularOne Modernization Program— Significant Deployment Delays Continue* (ISP-I-22-03, November 2021).

³¹ OIG, *Audit of the Department of State's Use of "Not Otherwise Classified" Budget Object Codes* (AUD-FM-22-21, February 2022).

in the use of the codes are addressed, the Department will not have a full understanding of the specific purpose of its expenses or a method to easily identify how billions of dollars of funds were used.

We also reported deficiencies with the completeness, accuracy, and timeliness of some accounting data that the Department submitted for display on USASpending.gov.³² In addition, the auditor could not assess the quality of the data that the Department submitted related to overseas transactions because the Department did not certify those transactions. One reason for the deficiencies identified was a lack of quality assurance.³³

Another report showed that an embassy had \$1.7 million in cancelled foreign assistance funds to the Department of the Treasury from FY 2019 to FY 2021. Of the \$1.7 million, \$788,065 was eligible for reclassification under the International Narcotics and Law Enforcement Affairs (INL) Section's statutory reclassification authority, which would extend the time these funds would be available. Funds eligible for reclassification were returned primarily because the embassy lacked procedures to systematically identify and reclassify INL funds allocated to interagency agreements with the Department of Justice.³⁴

Finally, in an audit of the process to prepare residences for new tenants (i.e., make-ready) at U.S. Embassy Cairo, Egypt, OIG found the embassy was not accounting for costs in accordance with Department requirements. For example, officials incorrectly attributed time for locally employed staff such as welders, truck drivers, and carpenters to post's make-ready costs even though their work does not directly relate to make-ready efforts. In addition, Embassy Cairo did not record the supplies, tools, and equipment used for make-ready projects as part of the post's total make-ready costs. As a result, the reported costs for the embassy are not representative of its actual make-ready costs. Inaccurate budget information will make it challenging for Embassy Cairo officials to meet their daily operational needs because they do not have an accurate picture of the embassy's spending patterns.³⁵

³² USASpending.gov is a publicly accessible website that provides data on federal awards, including contracts and grants.

³³ OIG, *Audit of the Department of State's Implementation of the Digital Accountability and Transparency Act of 2014* (AUD-FM-22-08, November 2021).

³⁴ ISP-I-22-17, June 2022.

³⁵ OIG, *Audit of the Process To Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt* (AUD-MERO-22-23, March 2022).

Property Management

The audit of the Department's FY 2021 financial statements continued to identify property management as a significant deficiency. Specifically, the audit identified significant issues with overseas real property, domestic construction projects, leases, personal property, and software. For example, although the Department implemented certain controls to identify acquisitions and disposals related to overseas real property, the controls did not always ensure that all real property transactions were recorded in the proper fiscal year. The untimely processing of property acquisitions and disposals resulted in misstatements in the Department's asset and expense balances.³⁶

The financial statement audit also identified a significant number of personal property transactions from prior years that were not recorded in the correct fiscal year. In addition, the acquisition value for numerous tested items could not be supported or was incorrect and the gains or losses for some personal property disposals were not recorded properly. The Department's internal control structure did not ensure that personal property acquisitions and disposals were recorded in a complete, timely, and accurate manner and monitoring activities were not effective to ensure proper financial reporting for personal property. The errors resulted in misstatements to the Department's financial statements. The lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.³⁷

Another report showed lapses in recordkeeping and appropriate physical security controls contributed to the loss of gifts at the Department. OIG received a referral that the Office of the Chief of Protocol was missing items of a significant value from its gift vault. The missing items were either gifts from, or were to be given as gifts to, foreign governments and dignitaries.³⁸

Lastly, the Department has historically faced issues with properly managing bulk fuel. An information report released this year noted that, from FY 2016 through FY 2020, OIG issued 43 unclassified reports that identified deficiencies in managing the acquisition, storage, distribution, and monitoring of fuel at overseas missions. On a positive note, as of September 2021, OIG found that 147 of 156 recommendations offered had been implemented and closed, and the posts involved had begun corrective actions to address each of the identified deficiencies in the nine remaining open recommendations. In

³⁶ OIG, *Independent Auditor's Report on the U.S. Department of State FY 2021 and FY 2020 Financial Statements* (AUD-FM-22-10, November 2021).

³⁷ Ibid.

³⁸ OIG, *Management Assistance Report: Office of the Chief of Protocol Gift Vault Access Controls* (ESP-22-01, November 2021).

response to a draft of the report, the Under Secretary of State for Management stated the findings and results would be used in applicable training.³⁹

OPERATING IN CONTINGENCY AND CRITICAL ENVIRONMENTS

Programs and posts operating in contingency and critical environments must adapt to constant change, pervasive security concerns, dramatic swings in personnel and funding, and widespread reliance on contractors and grantees.

An audit found that from FY 2019 to FY 2022, U.S. Embassy Baghdad, Iraq, encountered unique staffing challenges that affected the embassy's ability to properly manage nonexpendable personal property. Specifically, staffing reductions, security and COVID-19 threats, and multiple ordered departures reduced the number of staff available to complete required annual inventories and conduct inventory spot check. This also had an impact on complete property receipt and disposal procedures and the prompt updating of property records. As a result, Embassy Baghdad cannot have reasonable assurance that nonexpendable property is managed in accordance with federal and Department requirements and is not misplaced, lost, misused, or stolen.⁴⁰

In another audit, OIG identified numerous examples of missing or incomplete documentation for noncompetitive contracts in support of contingency operations in Afghanistan and Iraq. We concluded the Department did not fully adhere to required steps intended to ensure that fair and reasonable prices were paid on noncompetitive contract awards.⁴¹

Finally, given the scope of U.S. government Ukraine response efforts, their strategic significance, and attendant risks, OIG anticipates Department programs and operations in Ukraine will present new challenges. OIG has several ongoing and planned oversight projects related to the Ukraine response that will speak to the operations of affected missions, the effectiveness of humanitarian response efforts, and the quality and extent of security and economic coordination through multilateral organizations, among other areas. In addition, in early FY 2023, OIG plans to share observations from its past work that the Department can apply to its Ukraine response.

³⁹ OIG, *Information Report: Systemic Deficiencies Related to the Department of State's Fuel Management From FY 2016 Through FY 2020* (AUD-MERO-22-20, March 2022).

⁴⁰ OIG, *Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq* (AUD-MERO-22-44, September 2022).

⁴¹ OIG, *Audit of Noncompetitive Contracts in Support of Overseas Contingency Operations in Afghanistan and Iraq* (AUD-MERO-22-03, October 2021).

MANAGING THE WORKFORCE

The Department expends substantial resources on recruiting, training, and retaining a diverse, talented workforce capable of carrying out the Department's foreign policy mission and priorities. However, OIG's work finds that staffing gaps, frequent turnover, poor oversight, and inexperienced and undertrained staff frequently contribute to the Department's other management challenges.

For example, managers in the Bureau of East Asian and Pacific Affairs told OIG that the following issues hindered some office operations: U.S. direct-hire staffing constraints, a large number of temporary staff and the associated turnover of these staff after 1-year assignments, and an increasing workload. Managers told OIG these issues led to a lack of institutional memory and subject matter expertise, reactive operations, an inability to properly monitor foreign assistance, and difficulty managing the workload while maintaining a work-life balance.⁴²

The lack of appropriate training was another aspect of this challenge, detailed in multiple reports.⁴³ For example, one embassy did not conduct required safety, health, and environmental management training.⁴⁴ Another embassy failed to provide a locally employed staff training program⁴⁵ and two posts failed to provide training related to the operation and maintenance of heavy machinery.⁴⁶ This issue of training often underlies the contract and grant oversight deficiencies highlighted previously. For example, one inspection found that the embassy's COR program did not comply with Department standards in that, at the time of the inspection, the embassy had five CORs who oversaw six contracts worth approximately \$6 million and none of them had completed mandatory training.⁴⁷

In response to a whistleblower complaint, we reviewed allegations of nepotism and favoritism in the contract award process for public member positions on Department Foreign Service Selection Boards. We found that less than half of the public members who served on boards from 2019 through 2021 were fully qualified per Department policy and that family members and personal friends of Department employees received public member contracts to serve on the

⁴² ISP-I-22-06, December 2021.

⁴³ OIG, *Audit of Internal Controls Managing the Procurement of Goods at U.S. Embassy Freetown, Sierra Leone* (AUD-MERO-22-31, July 2022); ISP-I-22-23, July 2022; ISP-I-22-14, May 2022; ISP-I-22-10, March 2022; ISP-I-22-09, February 2022; ISP-I-22-04, December 2021; ISP-I-22-02, October 2022.

⁴⁴ ISP-I-22-02, October 2021.

⁴⁵ ISP-I-22-09, February 2022.

⁴⁶ ISP-I-22-23, July 2022; ISP-I-22-14, May 2022.

⁴⁷ ISP-I-22-10, March 2022.

boards. Among other causes, we concluded that the public member recruitment and selection process lacked adequate management oversight to minimize the risk of favoritism.⁴⁸

PROMOTING ACCOUNTABILITY THROUGH INTERNAL COORDINATION AND CLEAR LINES OF AUTHORITY

Ineffective patterns of communication and coordination between divisions and branches was a problem that was first identified in a 2016 inspection of the Bureau of Counselor Affairs' ConsularOne Modernization Program. While the Department acknowledges that clear lines of authority are necessary for ensuring that decision-makers are held accountable and foreign policy goals are met, OIG identified this problem again this year. Challenges in this area led to misunderstandings among staff and contractors concerning office priorities, eroded trust between divisions, and reduced operational effectiveness. In our review this year, leadership responsible for the program was unable to provide a clear, uniform definition of the ConsularOne program, what components it included, and which contracts supported the program, creating confusion for stakeholders. The lack of clarity on what constitutes the ConsularOne program hindered leadership's oversight of the modernization effort and the ability to hold staff accountable for their performance.⁴⁹

In a similar example of this challenge, OIG inspected the operations of the Diplomatic Courier Service in DS and reviewed its information management operations, which predominantly centered on the Classified Pouch Modernization Effort (CPME), a multi-year, multimillion-dollar project to modernize business processes with new technology to increase efficiency and accountability. OIG determined that information systems security was not fully integrated into the CPME initiative because the Bureau of Administration and DS did not agree on which bureau should be responsible for information systems security of CPME applications.⁵⁰

Lastly, we found the delineation of authorities between the Chief of Mission to the Dutch Caribbean and the Chief of Mission to the Netherlands was not clear and could impede their ability to meet Chief of Mission responsibilities. A lack of clarity between the authorities of the chiefs of mission in such situations

⁴⁸ ESP-22-02, May 2022.

⁴⁹ ISP-I-22-03, November 2021.

⁵⁰ OIG, *Inspection of the Bureau of Diplomatic Security's Diplomatic Courier Service* (ISP-I-22-13, May 2022).

could delay a U.S. government response to a crisis in the region and presents a potential risk to U.S. citizens and interests.⁵¹

⁵¹ ISP-I-22-04, December 2021.

APPENDIX A: U.S. DEPARTMENT OF STATE RESPONSE, AS PRINTED IN THE 2022 AGENCY FINANCIAL REPORT

OTHER INFORMATION

THE DEPARTMENT'S CHALLENGES AND MANAGEMENT'S RESPONSE



The Department's Challenges and Management's Response

Office of Inspector General Introduction

This report is provided in accordance with the Reports Consolidation Act of 2000¹. Each year, the Office of Inspector General (OIG) for the Department of State (Department) identifies the most significant management and performance challenges facing the Department and provides a brief assessment of the Department's progress in addressing those challenges. We assess progress primarily through our compliance process, which relates to individual and often targeted recommendations. Our oversight work provides a unique window into common and emergent issues.

Throughout FY 2022, the Coronavirus Disease 2019 (COVID-19) pandemic affected OIG's operations for a third consecutive year, but we adapted our programs and processes to ensure our critical functions continued. Despite such obstacles, we published 85 reports in FY 2022. Based on these reports and our previous work, OIG identified the following major management and performance challenges facing the Department:

- 1 Protecting People and Facilities
- 2 Managing and Overseeing Contracts, Grants, and Foreign Assistance
- 3 Managing and Securing Information
- 4 Managing Finances and Property
- 5 Operating in Contingency and Critical Environments
- 6 Managing the Workforce
- 7 Promoting Accountability Through Internal Coordination and Clear Lines of Authority

This document includes examples of reports and findings that illustrate these challenge areas. In addition to publicly

available work, OIG issues a number of Sensitive But Unclassified² and Classified reports throughout the year. Many of the findings in these reports reinforce our assessment of these management challenges.

Continued attention to management challenges will improve the Department's capacity to fulfill its mission while exhibiting good stewardship of public resources. OIG encourages the Department to apply specific recommendations broadly, where systemic improvements can be made that result in meaningful change.

Management Introduction

As the President emphasized in the National Security Strategy, the challenges of our age require new investments and innovation to sharpen the United States' competitive edge and bolster our resilience. Toward these ends, the Department made significant progress in 2022 in advancing its management platform, even as it continued to address prior management challenges, including the major management challenges identified by the OIG. At the center of these efforts is the Modernization Agenda, which aims to shape the Department to meet today's challenges and ensure it is strong, effective, diverse, and flexible enough to lead America's engagement in the world.

The Modernization Agenda focuses across six initiatives: building capacity and expertise to address critical missions; modernizing training and professional development; institutionalizing a mission-first, agile,

¹ The Reports Consolidation Act of 2000, § 3, Public Law 106-531 (amending 31 United States Code [U.S.C.] § 3516).

² Sensitive But Unclassified material is information that is not classified for national security reasons, but warrants/requires administrative control and protection from public or other unauthorized disclosure for other reasons.

and hybrid workforce; attracting and retaining talent; modernizing technology and the use of data; and shifting the institution's culture toward decisive leadership and agility.

To develop and execute U.S. foreign policy, the Department must be organized and resourced for the challenges of today, and its workforce equipped with necessary skills and abilities. In 2022, the Department launched the Bureau of Cyberspace and Digital Policy and planned for the launch of "China House," an integrated collaborative structure that will draw expertise from across Department bureaus and offices into a single hub to ensure a coordinated approach to address the complex and significant foreign policy challenges posed by the People's Republic of China.

The Department also concluded an analysis to identify the skills, expertise, and capacity required to lead U.S. diplomacy and launched initiatives to revitalize training and professional development to increase opportunities for employees to acquire new skills, expand their experience, and grow personally and professionally throughout their careers. In addition to new mid-career professional skills training and expanded content offerings in emerging fields, the Department began to expand its training complement ("float") of Foreign Service and Civil Service personnel.

In 2022, the Department's workforce continued to demonstrate its resilience and agility, all while transitioning to a hybrid work environment from the largely remote environment of the pandemic. The Department is committed to supporting its workforce and equipping it to address today's challenges. Through its Future of Work plan, the Department aims to retain, to the greatest extent possible, the workplace flexibilities successfully adopted during the pandemic and to modernize policies, enhance workplace flexibilities, expand access to mobile technology, and improve workspace functionality.

The above steps will also help the Department recruit and retain top talent, critical to its efforts to be an employer of choice in the 21st Century. To attract talent from all segments of society, the Department established new fellowship programs, including the Colin L. Powell Leadership Program, and introduced modern assessment tools into its hiring processes. On retention, the Department launched its first Retention Unit, which initiated exit interviews and a stay survey for the development of an agency-wide retention strategy, anticipated in 2023. The Department has actively addressed various payroll issues caused by transitioning to a new payroll system and is committed to improving service to its employees, although work remains to be done.

To ensure that our workforce is diverse and reflects the country's full depth and breadth of talent, the Department continues to enhance its Diversity, Equity, Inclusion, and Accessibility (DEIA) strategy. DEIA provides a necessary foundation to build an institution where every employee can realize their full potential and have their voice heard, which will translate into a stronger, smarter, and more effective foreign policy.

The Department is also taking steps to modernize its footprint. The new Enterprise Location Framework will help the Department identify optimal locations for domestic organizations based on mission requirements. This framework is largely based on the results of the Mobility Assessment Tool, which identified the extent to which work functions can be accomplished remotely versus on-site.

The Department is also working to ensure that it is positioned to manage today's cyber threats and that data is integrated into policy and decision-making. Improving cybersecurity is a priority, and the Department aims to give decision-makers actionable intelligence based on critical cybersecurity data. To prevent network intrusions, the Department is implementing initiatives to harden networks and improve cybersecurity hygiene. Additionally, the Department launched a pilot to expand mobile secure communications access for its workforce. In the year since the Department's first Enterprise Data Strategy was approved, its Center for Analytics has partnered with a range of bureaus to leverage data as a critical instrument of diplomacy, surging analytic resources to top-priority foreign policy and management challenges, and making it easier for Department personnel around the world to obtain the right data at the right time.

A key component of modernization is transforming the Department's culture to manage, rather than avoid, risk. As the Department's Enterprise Risk Management Council, the Executive Governance Board sets the tone and direction for risk management policies, communications, and training throughout the organization, and is considering ways to advance the Department's risk culture through improved policies and procedures and employee engagement. It is the Department's policy that advancement of U.S. foreign policy objectives inherently involves diverse types of risk, and the Department recognizes that taking assessed and measured risks can be essential to creating value for our stakeholders.

The Department promptly takes corrective actions in response to OIG findings and recommendations. Highlights are summarized in the respective sections that follow.

Message From the Senior Official Performing the Duties of the Inspector General



Senior Official Performing
the Duties of the
Inspector General,
Diana R. Shaw

The Department plays a critical role on behalf of the American people. The U.S. government's national security strategy asserts that, "today, more than ever, America's fate is inextricably linked to events beyond our shores."³ In this context, it is of particular importance that the Department succeed in its mission to protect and promote U.S. security, prosperity, and democratic values to shape an international environment in which all Americans can thrive.

If not properly addressed, major management challenges will impede the Department's ability to execute on this critical global mission. That is why we carefully examine the Department's standing in key areas and report on its top management challenges annually. This year, as in recent years, we identified seven major management challenges for the Department. Several of these challenges relate to the execution of core management functions, including financial, facilities, information technology, and workforce, as well as management and oversight of contracts, grants, and foreign assistance. Other challenges involve ensuring accountability, operating in difficult contingency environments, and delivering on basic security and safety expectations for people and facilities.

In addition to highlighting the different dimensions of these major challenge areas for the Department, our work identified tangible action that officials can take to ensure improvement. A few examples from this year's work follow:

- Department information systems are subject to serious threats that can lead to exploited weaknesses and compromised sensitive information. So, when an audit

of the Department information security program identified weaknesses in eight of nine information security domains, we continued to recommend that the Department take steps to ensure that all Department information systems are authorized to operate and that officials establish an effective continuous monitoring program for Department systems.⁴

- Effective management and oversight of grants and contracts is integral to ensuring that the activities meet Department needs and deliver on expectations. Accordingly, when we found significant deficiencies in the Department's domestic guard service contract oversight prompting us to question \$360 million in related expenditures, we recommended key improvements to related invoice review practices that the Department has agreed to implement.⁵
- The integrity of recruitment and hiring decisions is critical to maintaining an effective human capital system. Unfortunately, we found that public members serving on the Department's Foreign Service Selection Boards did not fully meet Department qualifications and that family members and personal friends of Department employees had been selected for these roles. Therefore, we recommended measures for improving management oversight of the public member selection process.⁶

These represent just a few examples of the concrete ways that we have worked with the Department over the past year to strengthen its response to the management challenges it faces.

In addition, in developing our oversight plans, we assess conditions that could lead to new management challenges for the Department and develop audits, inspections, and evaluations to identify opportunities for officials to respond to the new contours of these challenge areas. Accordingly, our current work and future oversight plans are designed to examine how the Department is adapting to some of the greatest foreign policy tests of our time. We are building, for example, a rich body of work on the Department's response to the U.S. government's withdrawal from Afghanistan that speaks to, among other things, the work of its remote mission in Doha, Qatar, as

³ The White House, Interim National Security Guidance, March 2021.

⁴ OIG, *Audit of the Department of State FY 2022 Information Security Program* (AUD-IT-22-45, September 2022).

⁵ OIG, *Audit of the Bureau of Diplomatic Security's Oversight of Contractor Performance and Invoice Processing for the Domestic Guard Services Contract* (AUD-SI-22-37, September 2022).

⁶ OIG, *Review of the Recruitment and Selection Process for Public Members of Foreign Service Selection Boards* (ESP-22-02, May 2022).

well as the emergency action planning that led up to the 2021 withdrawal. Oversight of the Ukraine situation response efforts also represents a major OIG priority, as ongoing work will examine the operations of affected missions, assess the effectiveness of humanitarian response efforts, and examine security and economic coordination through multilateral organizations, among other areas. To help Department officials navigate related challenges, OIG plans to issue a product that shares observations from past work to inform the Department's ongoing response efforts.⁷

We remain committed to thorough and timely oversight of Department programs and operations and look forward to continuing to work with the Department to make progress in these important challenge areas in the year to come.

OIG Identified Major Management and Performance Challenges and Management Responses

1 Protecting People and Facilities

The Department's global presence and the pervading threat of physical violence directed toward U.S. diplomats makes the protection of people and facilities a critical management challenge. Although the Department prioritizes safety and security, all personnel and facilities face some level of risk.

The construction and maintenance of safe and secure diplomatic facilities is a component of this challenge, which has serious implications in regions affected by conflict and instability. Our FY 2022 inspection work continued to identify problems related to facilities maintenance at several overseas posts, including pervasive fire safety deficiencies.⁸

Related to the health and safety of its personnel abroad, the recent pandemic presented a new issue for the Department. Maximum telework was encouraged for both domestic and overseas staff members throughout much of the pandemic and the Department regularly provided staff with

information that addressed common concerns and detailed best practices for returning to the office.⁹

Management of embassy residences is another area with implications for health and safety of personnel. OIG notes that in FY 2022, the Department made numerous improvements in response to 19 recommendations from two 2021 reports that assessed management of occupational safety, health, and fire protection programs for overseas operations.¹⁰ The Department improved its compliance with the requirement for Post Occupational Safety and Health Officers (POSHO) to certify that residences meet safety standards. Specifically, at the time of OIG's inspection in October 2020, about 62 percent of residences worldwide had a POSHO certification, but that rate improved to 91 percent by late July 2022. Additionally, the Department now requires chiefs of mission to certify in their annual statement of assurance that the mission has an effective fire protection program. Finally, the Department revised and clarified guidance in certain sections of the Foreign Affairs Manual (FAM) to reduce confusion and increase compliance with occupational safety, health, and fire protection program requirements.¹¹

The operation of official vehicles is a component of this challenge where OIG continues to see deficiencies with health and safety implications. As in previous years, we found instances where drivers either did not receive or were not current with required driver safety training or refresher training in accordance with the FAM.¹² Several embassies also failed to fulfill medical certification requirements for drivers and allowed drivers to exceed limits for driving shifts.¹³ In one example, OIG found several mission drivers exceeded the 10-hour daily duty shift maximum in 20 of the 21 pay periods reviewed.¹⁴

Lastly, we assess emergency action planning as part of this challenge. Department guidelines require U.S. embassies to maintain post-specific emergency action plans to respond to situations such as bombs, fires, civil disorder, or natural disasters. Although we frequently find substantial compliance with these guidelines, we continue to highlight

⁷ OIG Work Plan: Fiscal Years 2023, 2024.

⁸ OIG, *Inspection of Embassy Luxembourg, Luxembourg* (ISP-I-22-09, February 2022).

⁹ OIG, *Inspection of Embassy Budapest, Hungary* (ISP-I-22-12, May 2022).

¹⁰ OIG, *Inspection of the Bureau of Overseas Buildings Operations' Office of Safety, Health, and Environmental Management* (ISP-I-21-21, April 2021) and OIG, *Inspection of the Bureau of Overseas Buildings Operations' Office of Fire Protection* (ISP-I-21-22, May 2021).

¹¹ 15 FAM 900, "Fire Protection Program."

¹² ISP-I-22-12, May 2022.

¹³ OIG, *Inspection of Embassy Tallinn, Estonia* (ISP-I-22-21, August 2022); *Inspection of Embassy Oslo, Norway* (ISP-I-22-23, July 2022); OIG, *Inspection of Embassy Montevideo, Uruguay* (ISP-I-22-11, April 2022); OIG, *Inspection of Santiago, Chile* (ISP-I-22-10, March 2022); OIG, *Inspection of the U.S. Mission to the Dutch Caribbean* (ISP-I-22-04, December 2021); *Inspection of Embassy Reykjavik, Iceland* (ISP-I-22-02, October 2021), ISP-I-22-12, May 2022.

¹⁴ ISP-I-22-10, March 2022.

deficiencies that have significant safety implications. Our overseas inspections noted some deficiencies related to crisis management preparation, particularly within Consular Sections.¹⁵ Additionally, during an audit specifically looking at emergency action planning at domestic facilities,¹⁶ OIG concluded that the Department was principally prepared

to respond to and recover from emergencies at selected domestic facilities, but that 6 percent of domestic facilities used by the Department as of October 2021 did not have a facility emergency action plan.¹⁷ In addition, OIG found that facility emergency action plans were not always complete or accurate.¹⁸

Management Response

The protection of people and facilities remains of utmost importance for the Department as it executes U.S. foreign policy. Below is additional information about specific issues raised by OIG and improvements the Department has made to better protect people and facilities.

Construction and Maintaining Safe and Secure Diplomatic Facilities

The Department continues to prioritize providing safe, secure, functional, and resilient facilities that represent the U.S. Government to the host nation and support the Department's achievement of U.S. foreign policy objectives abroad. In 2022, the Department moved 1,923 people to safer, more secure facilities.

While delays in global construction directly related to COVID-19 have begun to resolve, the Department faces new challenges, such as the loss of \$704 million in purchasing power due to inflation since 2014 and its impact on embassy construction planning. Compounding this loss, due to the pandemic, the construction industry has experienced exceptionally fast-rising costs for a variety of materials, as well as major supply chain disruptions.

Regarding the maintenance of its facilities, the Department is focusing on recruitment to close its facility manager staffing gap, as well as adding full-time equivalent positions to its Overseas Regional Support Centers. The Department plans to open additional Overseas Regional Support Centers in 2023, as they are an effective regional approach to targeting and improving facility maintenance overseas.

Ensuring the Health and Safety of Personnel Abroad

As the OIG noted, the Bureau of Overseas Buildings Operations (OBO) continues to improve its Fire Protection and Safety, Health, and Environmental Management programs through addressing and closing all eight recommendations from the OIG's *Inspection of the Bureau of Overseas Buildings Operations' Office of Fire Protection* (ISP-I-21-22) and eight out of 11 recommendations from the *Inspection of the Bureau of Overseas Buildings Operations' Office of Safety, Health, and Environmental Management* (ISP-I-21-21) as of September 2022. Both programs received additional full-time equivalent positions in 2022 and are working to fill those vacancies and to initiate annual fire and life safety visits overseas instead of the current biennial inspection cycle. These positions will not only increase inspection frequency but also improve training and support in the field for these crucial programs.

On the safe operation of motor vehicles, the Department continued to expand its successful DriveCam program by adding three new posts in 2022, bringing the total to 28 posts in the program. DriveCam is proven to reduce the fatalities associated with motor vehicle fleet operations in the highest risk driving environments in the world, reducing fatalities by 82 percent at the posts where the program is installed. Moreover, the lessons learned from the program have been applied worldwide, reducing overall motor vehicle fatalities by 75 percent.

The Bureau of Medical Services is aware of some of the challenges in fulfilling medical certifications requirements for drivers and, as a result, is working on revisions to the Driver Physical Exam policy and associated processes to allow more timely and appropriate medical evaluations. In

¹⁵ OIG, *Inspection of Embassy Athens and Consulate Post, Greece* (ISP-I-22-14, May 2022).

¹⁶ OIG, *Audit of Department of State Emergency Action Plans at Selected Domestic Facilities*, (AUD-SI-22-36, September 2022).

¹⁷ OIG, *Management Assistance Report: Improvements Needed in Procedures for Emergency Action Planning at Selected Department of State Domestic Facilities* (AUD-SI-22-27, April 2022).

¹⁸ AUD-SI-22-36, September 2022.

addition, the Bureau of Medical Services is collaborating with other Bureaus and motor pool supervisors to develop data tracking systems to monitor drivers' compliance with required medical certifications.

Emergency Preparedness

Emergency planning at the Department, both at home and abroad, is a key factor in the success of the Department's ability to prepare for and handle emergencies of all types. All recommendations presented in the OIG's *Management Assistance Report: Improvements Needed in Procedures for Emergency Action Planning at Selected Department of State Domestic Facilities* (AUD-SI-22-27) have been

addressed and closed, ensuring that domestic facilities requiring a facility emergency action plan have one.

The Department's Office of Emergency Management is working with the Bureau of Diplomatic Security (DS) to develop a new domestic emergency planning system, comparable to the Post Emergency Guidance Assistance System used for emergency action planning overseas. This will modernize planning efforts and ensure all domestic facilities have current and appropriate emergency action plans. This also aligns with the Department's IT Strategic goals – Strengthen IT Management and Service Delivery and Mission Effectiveness and Modernization – by using a uniform planning tool and streamlined IT data management.

2 Managing and Overseeing Contracts, Grants, and Foreign Assistance

The oversight of contracts, grants, and foreign assistance continues to be a significant challenge for the Department. Those responsible for award oversight must monitor and document performance, confirm that work has been conducted in accordance with the terms of the award, hold contractors and grantees accountable for nonperformance, and ensure that costs are effectively contained. Domestically and abroad, Department entities did not consistently and adequately monitor and document contractor and grantee performance. Several examples from our FY 2022 work follow.

An audit of security, construction, and facility and household services contracts at overseas posts showed that contractors did not always establish and maintain trafficking in persons (TIP) compliance plans in accordance with Federal Acquisition Regulation requirements, and Department Contracting Officer's Representatives (COR) did not always request and review the TIP compliance plans for the purpose of developing required TIP monitoring strategies. Furthermore, Department contracting personnel did not consistently implement management controls for monitoring contracts to ensure contractors do not engage in unlawful TIP practices.¹⁹

Because of their significant value, typically long periods of performance, and serious implications for security, OIG

applies focused scrutiny to the oversight of construction contracts. In an audit conducted this year, we assessed eight large overseas construction projects and found that neither the Bureau of Overseas Buildings Operations nor the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management fully complied with the acquisition planning and market research requirements in federal and Department guidance. For example, none of the projects reviewed had a formal written acquisition plan. The deficiencies identified during the audit deprive the Department of opportunities for increased competition that could enhance its ability to obtain quality construction services at reasonable prices.²⁰

OIG also audited the Bureau of Diplomatic Security's (DS) administration of the Department's domestic guard services contract and found that DS did not administer the contract in accordance with requirements. For example, OIG found incomplete COR files and inadequate invoice reviews. Additionally, OIG identified numerous deficiencies with the supporting documentation provided for selected invoices, including mathematical errors, lack of overtime approval, and incorrect number of hours worked. The deficiencies occurred for several reasons, including lack of procedures. Until the deficiencies are addressed, DS will not have reasonable assurance that contract administration is performed appropriately. As a result of the audit, OIG identified more than \$360 million in questioned costs.²¹

¹⁹ OIG, *Audit of Department of State Actions to Prevent Unlawful Trafficking in Persons Practices When Executing Security, Construction, and Facility and Household Services Contracts at Overseas Posts* (AUD-MERO-22-28, May 2022).

²⁰ OIG, *Audit of Department of State Efforts To Promote Competition for Overseas Construction Jobs* (AUD-CGI-22-34, August 2022).

²¹ AUD-SI-22-37, September 2022.

In a review of five cooperative agreements awarded by the Global Engagement Center (GEC) from FY 2018 through FY 2020, OIG found that third-party contractors were assigned to perform inherently governmental functions on four of the awards reviewed. GEC officials did not design and implement internal controls to ensure that only GEC federal employees retained decision-making authority over functions that are intimately related to the public's interest, which posed risks for award management and oversight.²²

In another audit, OIG assessed whether selected grant and cooperative agreement recipients complied with cost-sharing requirements. OIG found that recipients generally complied with requirements. However, OIG identified a lack of supporting documentation for 13 percent of expense transactions selected for testing and issues with how some recipients reported cost-share amounts. The deficiencies occurred due to insufficient internal controls. For example, monitoring plans were not tailored to awards and monitoring controls were not adjusted when the COVID-19 pandemic prevented site visits. Grants Officer Representative (GOR) training did not provide adequate instruction for oversight of cost-share requirements and Grants Officers (GO) and GORs also lacked clarity related to their responsibilities for monitoring financial aspects of awards. Because of the deficiencies identified, the Department did not have assurance that award recipients' cost-sharing requirements are being fulfilled, resulting in OIG identifying questioned costs.²³

An audit of federal assistance awards to for-profit organizations provides another example of issues related to this management challenge. The audit identified that GOs and GORs did not consistently perform and document performance and financial monitoring, complete annual updates to risk assessments and monitoring plans, obtain audit reports, or conduct annual reviews when applicable. In addition, OIG found that oversight personnel were maintaining key documentation in "unofficial" award files that included personal computer drives, shared drives, or bureau-specific systems, which is contrary to Department policy. The primary reason for the deficiencies identified was that the Department had not required the use of key oversight functions within its financial assistance management system.²⁴ Until the deficiencies are corrected, the Department cannot be sure that awards are administered in accordance with requirements.

Several inspections revealed similar grant management issues.²⁵ At one embassy, the Public Diplomacy Section's grant files did not consistently meet the Department's Federal Assistance Directive standards for documentation. OIG found that while all files reviewed contained notice of award and award provisions, and most contained payment documentation, fulfillment of other requirements, such as a monitoring plan and evidence of monitoring, was lacking.²⁶

Management Response

The Department understands the value and importance of proper management of contracts, grants, and foreign assistance programs, which includes monitoring and documenting contractor performance, conducting thorough invoice reviews, and overseeing construction contracts. In 2022, the Bureau of Administration, Office of the Procurement Executive (A/OPE) acknowledged the concerns outlined in the various audit reports cited under this challenge. With respect to TIP compliance

plans, A/OPE has begun revising existing policy, guidance, and training courses to identify the need to request, review, and monitor a contractor's TIP Plan as required under Federal Acquisition Regulation clause 52.222-50. All the contracts identified in the audit have been evaluated and the Contracting Officers are working with the companies to correct deficiencies cited in their TIP Plans. A/OPE is coordinating and collaborating with the Foreign Service Institute and the Office to Monitor

²² OIG, *Management Assistance Report: Internal Controls are Needed to Safeguard Inherently Governmental Functions at the Global Engagement Center* (AUD-MERO-22-19, February 2022).

²³ OIG, *Audit of Compliance with Cost-Sharing Requirements for Selected Department of State Grants and Cooperative Agreements* (AUD-CGI-22-12, November 2021).

²⁴ OIG, *Audit of Department of State Management and Monitoring of Federal Assistance Awards to For-Profit Organizations* (AUD-CGI-22-26, May 2022).

²⁵ OIG, *Inspection of Embassy Sofia, Bulgaria* (ISP-I-22-18, May 2022); OIG, *Inspection of the Bureau of Administration, Office of the Executive Director* (ISP-I-22-07, January 2022); OIG, *Inspection of the Bureau of East Asian and Pacific Affairs* (ISP-I-22-06, December 2021); OIG, *Inspection of Embassy Asuncion, Paraguay* (ISP-I-22-05, December 2021); OIG, *Inspection of the Office to Monitor and Combat Trafficking in Persons* (ISP-I-22-01, October 2021); ISP-I-22-11, August 2022; ISP-I-22-10, March 2022; ISP-I-22-09, February 2022; ISP-I-22-14, May 2022; ISP-I-22-12, May 2022; ISP-I-22-11, April 2022; ISP-I-22-04, December 2021.

²⁶ ISP-I-22-09, February 2022.

security training, information security continuous monitoring, and contingency planning).²⁷

Specific issues related to contingency planning and the performance of Information Systems Security Officer duties were identified in several overseas inspection reports.²⁸ Both issues were also cited in an inspection of the Bureau of Administration, Office of the Executive Director. The report noted that the bureau's Information Technology Services Division had systems with IT contingency plan test due dates that were more than 5 years old and that most of its systems had never been tested.²⁹

Another example of this challenge comes from a recent review of the Bureau of Consular Affairs' ConsularOne Modernization Program. We found that in the 10 years

since the program began in 2011, the responsible office had conducted a very limited pilot of just one component of the program – the customer-facing portion of the electronic Consular Report of Birth Abroad – and had continued to miss deployment dates for other components. Initially launched to modernize and consolidate approximately 90 discrete consular legacy systems into a common technology framework, the program has experienced deficiencies and delays with profound implications for the bureau's three fundamental responsibilities: the issuance of passports and other documentation to citizens and nationals, the protection of U.S. border security and facilitation of legitimate travel to the United States, and ensuring the welfare and protection of U.S. citizens abroad.³⁰

Management Response

Countering adversaries in the cyber realm is one of the Department's highest priorities. The OIG's 2022 audit of the Department's information security program identified security weaknesses that affected program effectiveness and increased the Department's vulnerability to malicious cyber activity and threats. The Bureau of Information Resource Management (IRM) has made progress in improving its cybersecurity posture and meeting regulatory requirements. The number of new Federal Information Security Modernization Act recommendations from OIG has fallen from 25 new recommendations in 2020, to 18 in 2021 and eight in 2022. The Department continues to implement cybersecurity standards set by the Executive Office of the President (Executive Order 14028, National Security Memorandum 08), Office of Management and Budget (M-22-09), and the Cybersecurity and Infrastructure Security Agency to implement zero trust architecture, cyber supply chain risk management, and data encryption protocols across the Department. These efforts also included formation of intra-Department working groups, an enterprise cyber strategy, and a Department-wide cyber governance body.

The OIG also noted continued deficiencies in the performance of Information Systems Security Officer duties. In 2022, IRM collaborated with the Bureau of

Global Talent Management (GTM) to complete an organizational assessment of the Information Systems Security Officer program; IRM is now working to implement that assessment's recommendations.

The Bureau of Consular Affairs (CA) acknowledges prior challenges in fielding modernized capabilities. However, in the intervening time, CA has established, and is now sustaining, new momentum on its modernization program. CA completed the fully paperless implementation of its electronic Consular Report of Birth Abroad system, building on prior customer-experience successes by enabling online adjudication and issuance of Consular Report of Birth Abroad certificates. Following a very successful pilot initiated in July 2022, CA expects to deploy this solution worldwide in early calendar year 2023. In 2022, CA also launched a new consular crisis management capability, revamping the bureau's ability to engage with and assist U.S. citizens in harm's way overseas; CA subsequently decommissioned two aging legacy systems. CA established new analytics and fraud modeling services, is piloting new online appointment scheduling services, and launched a new pilot system enabling U.S. citizens to renew their passports online and CA to adjudicate and issue passports in a paperless manner.

²⁷ AUD-IT-22-45, September 2022.

²⁸ OIG, *Inspection of Embassy Pristina, Kosovo* (ISP-I-22-17, June 2022); ISP-I-22-18, May 2022; ISP-I-22-21, August 2022; ISP-I-22-14, May 2022; ISP-I-22-11, April 2022; ISP-I-22-10, March 2022; ISP-I-22-04, December 2021.

²⁹ ISP-I-22-07, January 2022.

³⁰ OIG, *Review of the Bureau of Consular Affairs' ConsularOne Modernization Program—Significant Deployment Delays Continue* (ISP-I-22-03, November 2021).

4 Managing Finances and Property

Financial management has historically been a challenge for the Department, and, as described below, OIG continued to identify concerns related to this issue in FY 2022. OIG also notes several continued difficulties on the related issue of property management.

Financial Management

In one audit, we reported that selected Department bureaus did not consistently use the general budget object code designations in accordance with requirements when recording expense transactions.³¹ Recording expense data to the appropriate code is essential for management officials to have complete and accurate data for assessing spending patterns. Until deficiencies in the use of the codes are addressed, the Department will not have a full understanding of the specific purpose of its expenses or a method to easily identify how billions of dollars of funds were used.

We also reported deficiencies with the completeness, accuracy, and timeliness of some accounting data that the Department submitted for display on *USASpending.gov*.³² In addition, the auditor could not assess the quality of the data that the Department submitted related to overseas transactions because the Department did not certify those transactions. One reason for the deficiencies identified was a lack of quality assurance.³³

Another report showed that an embassy had \$1.7 million in cancelled foreign assistance funds to the Department of the Treasury from FY 2019 to FY 2021. Of the \$1.7 million, \$788,065 was eligible for reclassification under the International Narcotics and Law Enforcement Affairs (INL) Section's statutory reclassification authority, which would extend the time these funds would be available. Funds eligible for reclassification were returned primarily because the embassy lacked procedures to systematically identify and reclassify INL funds allocated to interagency agreements with the Department of Justice.³⁴

Finally, in an audit of the process to prepare residences for new tenants (i.e., make-ready) at U.S. Embassy Cairo, Egypt, OIG found the embassy was not accounting for costs in accordance with Department requirements. For example, officials incorrectly attributed time for locally employed staff such as welders, truck drivers, and carpenters to post's make-ready costs even though their work does not directly relate to make-ready efforts. In addition, Embassy Cairo did not record the supplies, tools, and equipment used for make-ready projects as part of the post's total make-ready costs. As a result, the reported costs for the embassy are not representative of its actual make-ready costs. Inaccurate budget information will make it challenging for Embassy Cairo officials to meet their daily operational needs because they do not have an accurate picture of the embassy's spending patterns.³⁵

Management Response

The Department continues to review the OIG's recommendations to enhance and improve the Department's financial systems. To address issues identified by the OIG, the Bureau of the Comptroller and Global Financial Services (CGFS) continues to meet with internal and external stakeholders to implement financial system changes. These requirements are analyzed, reviewed, tested, and put into production once it is determined they are compliant with financial management policies. With these improvements, the Department must ensure changes are communicated to financial personnel in

all bureaus and missions, which is being accomplished through targeted training to the field when new systems go live. CGFS understands the need for continual training of our global financial management workforce and has transitioned most of its regular courses to a remote, instructor-led format. After the pause during the COVID-19 pandemic, CGFS will be adding back in-person training in calendar year 2023. Most recent CGFS-led sessions include training on understanding fiscal data, obligations, and risk management, as well as courses related to accounting, vouchering, overseas payroll, cashiering, and travel.

³¹ OIG, *Audit of the Department of State's Use of "Not Otherwise Classified" Budget Object Codes* (AUD-FM-22-21, February 2022).

³² *USASpending.gov* is a publicly accessible website that provides data on federal awards, including contracts and grants.

³³ OIG, *Audit of the Department of State's Implementation of the Digital Accountability and Transparency Act of 2014* (AUD-FM-22-08, November 2021).

³⁴ ISP-I-22-17, June 2022.

³⁵ OIG, *Audit of the Process to Prepare Residences for New Tenants at U.S. Embassy Cairo, Egypt* (AUD-MERO-22-23, March 2022).

Property Management

The audit of the Department's FY 2021 financial statements continued to identify property management as a significant deficiency. Specifically, the audit identified significant issues with overseas real property, domestic construction projects, leases, personal property, and software. For example, although the Department implemented certain controls to identify acquisitions and disposals related to overseas real property, the controls did not always ensure that all real property transactions were recorded in the proper fiscal year. The untimely processing of property acquisitions and disposals resulted in misstatements in the Department's asset and expense balances.³⁶

The financial statement audit also identified a significant number of personal property transactions from prior years that were not recorded in the correct fiscal year. In addition, the acquisition value for numerous tested items could not be supported or was incorrect and the gains or losses for some personal property disposals were not recorded properly. The Department's internal control structure did not ensure that personal property acquisitions and disposals were recorded in a complete, timely, and accurate manner and monitoring activities were not effective to ensure proper financial reporting for personal property. The errors

resulted in misstatements to the Department's financial statements. The lack of effective control may result in the loss of accountability for asset custodianship, which could lead to undetected theft or waste.³⁷

Another report showed lapses in recordkeeping and appropriate physical security controls contributed to the loss of gifts at the Department. OIG received a referral that the Office of the Chief of Protocol was missing items of a significant value from its gift vault. The missing items were either gifts from, or were to be given as gifts to, foreign governments and dignitaries.³⁸

Lastly, the Department has historically faced issues with properly managing bulk fuel. An information report released this year noted that, from FY 2016 through FY 2020, OIG issued 43 unclassified reports that identified deficiencies in managing the acquisition, storage, distribution, and monitoring of fuel at overseas missions. On a positive note, as of September 2021, OIG found that 147 of 156 recommendations offered had been implemented and closed, and the posts involved had begun corrective actions to address each of the identified deficiencies in the nine remaining open recommendations. In response to a draft of the report, the Under Secretary of State for Management stated the findings and results would be used in applicable training.³⁹

Management Response

The Department appreciates the OIG's careful review of property management financial statements. Regarding the recording of acquisition and disposal of overseas property, OBO continues to work with CGFS and the Department's financial statement auditors to identify gaps and improve the process of recording complex real estate transactions in international markets over multiple fiscal years.

The Department's supply chain is complex and its operating environment expansive. Time lags between a domestic purchase and a date put in service overseas can contribute to the recording delays and errors cited by auditors. In recent years, the Department has made significant strides in addressing the timely reporting of personal property and will continue to implement both process and systems improvements to increase the accuracy of its personal property accounting.

³⁶ OIG, *Independent Auditor's Report on the U.S. Department of State FY 2021 and FY 2020 Financial Statements* (AUD-FM-22-10, November 2021).

³⁷ Ibid.

³⁸ OIG, *Management Assistance Report: Office of the Chief of Protocol Gift Vault Access Controls* (ESP-22-01, November 2021).

³⁹ OIG, *Information Report: Systemic Deficiencies Related to the Department of State's Fuel Management from FY 2016 Through FY 2020* (AUD-MERO-22-20, March 2022).

5 Operating in Contingency and Critical Environments

Programs and posts operating in contingency and critical environments must adapt to constant change, pervasive security concerns, dramatic swings in personnel and funding, and widespread reliance on contractors and grantees.

An audit found that from FY 2019 to FY 2022, U.S. Embassy Baghdad, Iraq, encountered unique staffing challenges that affected the embassy's ability to properly manage nonexpendable personal property. Specifically, staffing reductions, security and COVID-19 threats, and multiple ordered departures reduced the number of staff available to complete required annual inventories and conduct inventory spot check. This also had an impact on complete property receipt and disposal procedures and the prompt updating of property records. As a result, Embassy Baghdad cannot have reasonable assurance that nonexpendable property is managed in accordance with federal and Department requirements and is not misplaced, lost, misused, or stolen.⁴⁰

In another audit, OIG identified numerous examples of missing or incomplete documentation for noncompetitive contracts in support of contingency operations in Afghanistan and Iraq. We concluded the Department did not fully adhere to required steps intended to ensure that fair and reasonable prices were paid on noncompetitive contract awards.⁴¹

Finally, given the scope of U.S. government Ukraine response efforts, their strategic significance, and attendant risks, OIG anticipates Department programs and operations in Ukraine will present new challenges. OIG has several ongoing and planned oversight projects related to the Ukraine response that will speak to the operations of affected missions, the effectiveness of humanitarian response efforts, and the quality and extent of security and economic coordination through multilateral organizations, among other areas. In addition, in early FY 2023, OIG plans to share observations from its past work that the Department can apply to its Ukraine response.

Management Response

In some cases, the Department must operate in critical environments, or areas that experience various challenges in the form of conflict, instability, disease, or natural disasters. These pose their own set of problems and contribute to existing challenges. As in previous years, the Department faced significant challenges operating in contingency and critical environments in 2022.

Managing property is complicated in the best of times and more so in contingency environments and with reduced personnel. U.S. Embassy Baghdad, Iraq accepted the OIG's recommendations in response to the September 2022 audit on nonexpendable personal property. They are seeking to close five of the 12 recommendations for which it is responsible in large part by providing updated standard operating procedures to address topics such as the following: conducting spot checks, general property management operations, and expendables order management.

Contracts in contingency and critical environments are also difficult. In response to the October 2021 review of Noncompetitive Contracts in Support of Overseas Contingency Operations in Afghanistan and Iraq where the OIG identified examples of missing or incomplete documentation for noncompetitive contracts in support of contingency operations, A/OPE has developed and implemented an action plan that ensures compliance with the Federal Acquisition Regulation and Department policy. Further, the action plan will drive better outcomes and improvement across the Department's procurement portfolio, to include contracts in support of overseas contingency operations. A/OPE also committed to designing and implementing solutions to better standardize and streamline contract administration activities including the justifications and approvals process. A/OPE actions will further address oversight issues by executing a feasibility analysis, creating an online application for justifications and approvals, and rolling out an initiative to standardize the

⁴⁰ OIG, *Audit of Nonexpendable Personal Property at U.S. Embassy Baghdad, Iraq* (AUD-MERO-22-44, September 2022).

⁴¹ OIG, *Audit of Noncompetitive Contracts in Support of Overseas Contingency Operations in Afghanistan and Iraq* (AUD-MERO-22-03, October 2021).

formats for price negotiation memorandum and e-file contract checklists. Lastly, A/OPE released Senior Procurement Executive Memorandum 22-11 *Document Review and Approval Requirements* to provide an updated internal document review and approval thresholds that are multi-layered, holding

leadership accountable for executing quality contract documents, including price negotiation memoranda, and ensuring those documents are placed in the contract file. The Department looks forward to receiving the OIG's recommendations for programs and operations in Ukraine.

6 Managing the Workforce

The Department expends substantial resources on recruiting, training, and retaining a diverse, talented workforce capable of carrying out the Department's foreign policy mission and priorities. However, OIG's work finds that staffing gaps, frequent turnover, poor oversight, and inexperienced and undertrained staff frequently contribute to the Department's other management challenges.

For example, managers in the Bureau of East Asian and Pacific Affairs told OIG that the following issues hindered some office operations: U.S. direct-hire staffing constraints, a large number of temporary staff and the associated turnover of these staff after 1-year assignments, and an increasing workload. Managers told OIG these issues led to a lack of institutional memory and subject matter expertise, reactive operations, an inability to properly monitor foreign assistance, and difficulty managing the workload while maintaining a work-life balance.⁴²

The lack of appropriate training was another aspect of this challenge, detailed in multiple reports.⁴³ For example, one embassy did not conduct required safety, health, and environmental management training.⁴⁴

Another embassy failed to provide a locally employed staff training program⁴⁵ and two posts failed to provide training related to the operation and maintenance of heavy machinery.⁴⁶ This issue of training often underlies the contract and grant oversight deficiencies highlighted previously. For example, one inspection found that the embassy's COR program did not comply with Department standards in that, at the time of the inspection, the embassy had five CORs who oversaw six contracts worth approximately \$6 million and none of them had completed mandatory training.⁴⁷

In response to a whistleblower complaint, we reviewed allegations of nepotism and favoritism in the contract award process for public member positions on Department Foreign Service Selection Boards. We found that less than half of the public members who served on boards from 2019 through 2021 were fully qualified per Department policy and that family members and personal friends of Department employees received public member contracts to serve on the boards. Among other causes, we concluded that the public member recruitment and selection process lacked adequate management oversight to minimize the risk of favoritism.⁴⁸

⁴² ISP-I-22-06, December 2021.

⁴³ OIG, *Audit of Internal Controls Managing the Procurement of Goods at U.S. Embassy Freetown, Sierra Leone* (AUD-MERO-22-31, July 2022); ISP-I-22-23, July 2022; ISP-I-22-14, May 2022; ISP-I-22-10, March 2022; ISP-I-22-09, February 2022; ISP-I-22-04, December 2021; ISP-I-22-02, October 2022.

⁴⁴ ISP-I-22-02, October 2021.

⁴⁵ ISP-I-22-09, February 2022.

⁴⁶ ISP-I-22-23, July 2022; ISP-I-22-14, May 2022.

⁴⁷ ISP-I-22-10, March 2022.

⁴⁸ ESP-22-02, May 2022.

Management Response

The Department values its employees and understands they are its greatest asset. GTM conducts numerous organizational assessments each year which address many of the management challenges the OIG identifies in this report. Some of these organizational assessments are OIG-mandated, while others are initiated by bureaus. The findings and recommendations that GTM's organizational assessment reports provide to bureaus are designed to reduce staffing gaps, frequent turnover, poor oversight, and inexperienced and undertrained staff. Despite these efforts, frequent staffing gaps due to the lack of a Foreign Service "training float," the length of time to hire Civil Service staff, resource prioritization, and caps on Civil and Foreign Service hiring all contribute to the management challenges identified by the OIG. GTM is working to find solutions to increase retention, employee development, and upward mobility, including through the organizational assessment process. GTM recently completed an organizational redesign within the Bureau of East Asian and Pacific Affairs to support the proposed China House initiative.

The Department constantly seeks to improve its training and requirements, particularly as it relates to the safety and health of its staff. As the OIG recommended in its report, *Inspection of the Bureau of Overseas Buildings Operations (OBO) Office of Safety, Health, and Environmental Management*, OBO strengthened its safety and health training requirements and policy in the Department's Foreign Affairs Manual. OBO also increased outreach

by developing and implementing a formalized training program clearly incorporating objectives and materials for safety orientation and job-specific training for employees at overseas posts. In addition, in May 2022, OBO launched its Safety and Health Training Matrix, a website for all Department staff that lists required training for jobs and tasks with a link to the actual training program, allowing employees worldwide to understand training compliance with a few simple clicks.

In response to a May 2022 OIG review of the recruitment and selection of public members, GTM's Office of Performance Evaluation immediately closed all but two of the OIG recommendations and is in the process of closing the remaining two by the end of calendar year 2022. Additionally, GTM's Office of Performance Evaluation has put in place stronger internal controls and completely revamped the public member hiring process for the 2022 selection boards. GTM has updated the FAM and standard operating procedures and put in place a stronger recusal policy to ensure due diligence and provide fulsome oversight. The A/OPE worked with GTM to redefine acquisition strategies for the solicitation and award of future Foreign Service Selection Board requirements. The acquisition strategy outlined in response to the audit ensures compliance with the Federal Acquisition Regulation.

7 Promoting Accountability Through Internal Coordination and Clear Lines of Authority

Ineffective patterns of communication and coordination between divisions and branches was a problem that was first identified in a 2016 inspection of the Bureau of Consular Affairs' ConsularOne Modernization Program. While the Department acknowledges that clear lines of authority are necessary for ensuring that decision-makers are held accountable and foreign policy goals are met, OIG identified this problem again this year. Challenges in this area led to misunderstandings among staff and contractors concerning office priorities, eroded trust between divisions, and reduced operational effectiveness. In our review this year, leadership responsible for the program was unable to provide a clear,

uniform definition of the ConsularOne program, what components it included, and which contracts supported the program, creating confusion for stakeholders. The lack of clarity on what constitutes the ConsularOne program hindered leadership's oversight of the modernization effort and the ability to hold staff accountable for their performance.⁴⁹

In a similar example of this challenge, OIG inspected the operations of the Diplomatic Courier Service in DS and reviewed its information management operations, which predominantly centered on the Classified Pouch Modernization Effort (CPME), a multi-year, multimillion-dollar project to modernize business processes with new technology to increase efficiency and accountability. OIG determined that information systems security was not fully integrated into the CPME initiative because the Bureau of

⁴⁹ ISP-I-22-03, November 2021.

Administration and DS did not agree on which bureau should be responsible for information systems security of CPME applications.⁵⁰

Lastly, we found the delineation of authorities between the Chief of Mission to the Dutch Caribbean and the Chief of

Mission to the Netherlands was not clear and could impede their ability to meet Chief of Mission responsibilities. A lack of clarity between the authorities of the chiefs of mission in such situations could delay a U.S. government response to a crisis in the region and presents a potential risk to U.S. citizens and interests.⁵¹

Management Response

The Department acknowledges that clear lines of authority are necessary to accomplish our foreign policy goals. A large organization with diverse missions requires a great deal of coordination. CA has instituted several changes to implement leadership and staff accountability improvements in support of its system modernization efforts, enabling OIG to close a specific recommendation relevant to accountability improvements. CA acknowledges a need to define the scope of consular systems modernization more clearly, and to consistently and repeatably identify modernization work efforts and associated costs to assess value and return on investment more readily. CA has established a new definition and revised guidance for identifying modernized components, which is currently in clearance and anticipated to be provided to OIG in CA's next quarterly update.

On the Inspection of the Diplomatic Courier Service, DS created a CPME SharePoint site to act as a central repository for project documentation on the Department network. The transfer of CPME project documentation has been uploaded to the central repository and is complete. The appropriate individuals including Bureau of Administration staff and contract company personnel have access.

On the question of coordination between posts in the Dutch Caribbean and the Netherlands, the Bureau of Western Hemisphere Affairs and the Bureau of European and Eurasian Affairs are working through the issues identified by the OIG and will provide formal guidance to posts once completed.



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⁵⁰ OIG, *Inspection of the Bureau of Diplomatic Security's Diplomatic Courier Service* (ISP-I-22-13, May 2022).

⁵¹ ISP-I-22-04, December 2021.



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