OIG Office of Inspector General
U.S. Department of State • Broadcasting Board of Governors

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**ADVISORY NOTICE FOR**     **THE SECRETARY**
                            **THE DEPUTY SECRETARY**

FROM:        OIG – Steve A. Linick

SUBJECT:     Considerations for the Department of State's Ongoing Reform and Redesign Plans

On April 12, 2017, the Office of Management and Budget (OMB) issued Memorandum M-17-22, "Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce," which provided guidance for agencies to implement the President's March 13, 2017, Reorganization Executive Order. Pursuant to this memorandum, the Department of State (Department) was required to develop a comprehensive reform plan to improve its "efficiency, effectiveness, and accountability." The Department provided an Agency Reform Plan to OMB in September 2017. Along with ongoing work required to implement and refine that plan, the Department is engaged in a broader "redesign" effort.

In the course of oversight work, the Office of Inspector General (OIG) has observed particular, systemic areas where the Department could improve its programs and operations. OIG has identified in this notice five specific topics for the Department to examine as it continues its reform and redesign projects. OIG believes these areas of emphasis, particularly when viewed in conjunction with OIG's recent statement of the Department's most significant management challenges, will complement and enhance the Department's own analyses.

### Improving Internal Coordination and Addressing Instances of Overlapping or Dispersed Authority

Our work has highlighted some of the program management challenges the Department faces as a result of weak coordination and overlapping or dispersed authority. We have noted examples of these challenges across multiple functional areas in the Department.

In particular, the Bureau of Information Resource Management (IRM) and the Bureau of Diplomatic Security (DS) both have statutory responsibilities for information security. These two bureaus, however, report separately to the Under Secretary for Management and are not required to communicate with one another on such issues. As we have reported, this structure leaves the Chief Information Officer (CIO), who is organizationally placed within IRM, ill-

positioned to ensure that the Department's information security program is effective.[1] Additionally, we have highlighted in multiple reports the lack of coordination between the Bureau of Overseas Buildings Operations and DS, both of which have responsibilities regarding the physical security of diplomatic facilities.[2] We also recently pointed out that the respective roles of DS and the Bureau of Human Resources in initiating security clearances are poorly defined, which contributes to significant delays in the clearance process.[3]

Given the challenges in this area, we pose the following questions for the Department to consider:

- o How can the Department best promote communication and collaboration among and between bureaus and offices when addressing these issues?
- o Are there specific Department policies in the Foreign Affairs Manual or elsewhere that could be reconsidered, coordinated, or streamlined to ensure that entities do not work at cross purposes?
- o How can the Department best promote collaboration between posts and bureaus, including their respective regional bureaus, with respect to these issues?
- o How can the CIO be realigned to better ensure its ability to carry out the lead role in managing information security?

## Improving Oversight and Delivery of Foreign Assistance Programs

Many different bureaus and offices play roles in foreign assistance, and some of these roles may be duplicative. In addition, the Department's own work sometimes intersects with that of other agencies, including the Departments of Defense and Justice and the U.S. Agency for International Development (USAID). For example, OIG's work has described the different vetting systems within the Department; some of these vetting systems may also overlap with USAID's systems. Our analysis specifically noted that the Department and USAID were both vetting the same proposed deliverers and recipients of non-humanitarian aid in Syria.[4] Delays in the Department's vetting system impeded the delivery of assistance and, in some cases, led to staffing gaps and the cancellation of planned assistance programs.[5]

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[1] *See, e.g.*, OIG, *Audit of the Department of State's Information Technology Configuration Control Board* (AUD-IT-17-64, September 2017).

[2] *See, e.g.*, OIG, *Management Assistance Report: Improvements Needed to the Security Certification Process To Ensure Compliance With Security Standards at Embassy Kabul, Afghanistan* (AUD-MERO-17-28, March 2017).

[3] OIG, *Evaluation of the Department of State's Security Clearance Process* (ESP-17-02, July 2017).

[4] OIG, *Inspection of Embassy Ankara, Turkey* (ISP-I-16-24A, September 2016).

[5] *Id.*

Our work has also identified instances in which embassies were unable to effectively coordinate foreign assistance programs. For example, our inspections of Embassies Amman, Cairo, and Freetown highlighted assistance programs that had been initiated without the chief of mission's approval or over the chief of mission's objections.[6] In contrast, our inspection of Embassy Rangoon identified as a best practice the embassy's Assistance Working Group, which coordinated with the regional bureau and USAID to vet all proposed assistance programs in Burma.[7]

We propose the Department consider the following questions:

- o Are there assistance programs where the Department's work is unnecessarily duplicative with that of other agencies?
- o Where multiple bureaus administer programs with a similar focus, are there mechanisms in place to ensure efforts are not being unnecessarily duplicated?
- o If duplication does exist, are there statutory or other requirements, or pragmatic reasons, that mandate such a structure?
- o How can the Department encourage a culture of coordination among bureaus with overlapping purviews?
- o How can the Department encourage coordination among posts, regional bureaus, and external entities?
- o Are there programs that could be combined or eliminated without compromising substantive goals?
- o How can the Department ensure that processes associated with or necessary for the delivery of foreign assistance do not unnecessarily duplicate each other? Can vetting, in particular, be streamlined or consolidated?
- o How can the Department best support chief of mission authority in coordinating U.S. Government assistance programs?

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[6] OIG, *Inspection of Embassy Amman, Jordan* (ISP-I-15-29A, June 2015); OIG, *Inspection of Embassy Cairo, Egypt* (ISP-I-16-15A, April 2016); OIG, *Inspection of Embassy Freetown, Sierra Leone* (ISP-I-17-16, May 2017).

[7] OIG, *Inspection of Embassy Rangoon, Burma* (ISP-I-17-05A, January 2017).

## Improving the Use and Tracking of Data to Inform Policy Decisions

Our work has highlighted the challenge the Department faces in tracking and using data about its programs and operations to inform policy decisions. Although the Department has made positive changes,[8] OIG continues to view this as an area for improvement.

For example, one of our recent reports reiterated the lack of any Department system that tracks and reports on foreign assistance funds.[9] Without such a system, the Department cannot identify whether programs are achieving their objectives or make data-driven decisions about where to administer assistance. Moreover, without a Department-wide system, individual bureaus must develop their own mechanisms to address this issue, an approach that is potentially costly and inefficient.[10] In addition, a recent report pointed out the Department does not track how much its background investigations cost, which makes it difficult to assess the cost-effectiveness of its processes, as well as to accurately bill other agencies for overseas investigatory work that it performs on their behalf.[11]

Where the Department does track and use data to set fees and make other policy decisions, we have noted concerns with the integrity and accuracy of the data.[12] In a recent report, OIG found serious flaws in the Department's processes used to set certain cost-of-living allowances.[13] OIG's report described a laborious, subjective, and error-prone process for gathering data that has not changed in decades. The weaknesses in gathering data, in turn, lead to substantive errors in the allowances themselves.[14] Additionally, we have identified significant flaws in the processes the Bureau of Consular Affairs has used to set fees for selected consular services.[15] Specifically, we

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[8] For example, the Department has begun to implement an eFiling system intended to improve management of contract-related documents. Aspects of this system are being used now domestically, and the Department anticipates implementing the system on a rolling basis for overseas contracting officers' representatives beginning in FY 2018 and completing the process by the end of FY 2019. Similarly, the Department is in the process of implementing a database to assist in managing all domestic and overseas grants.

[9] OIG, *Compliance Follow-up Review: Department of State is Still Unable to Accurately Track and Report on Foreign Assistance Funds* (ISP-C-17-27, June 2017).

[10] *Id.*

[11] OIG, *Evaluation of the Department of State's Security Clearance Process* (ESP-17-02, July 2017).

[12] *See, e.g.,* OIG, *Audit of the Financial Results of the Telephone, Wireless, and Data Cost Center* (AUD-FM-16-32, March 2016).

[13] OIG, *Audit of Select Cost-of-Living Allowances for American Employees Stationed in Foreign Areas* (AUD-FM-17-51, Aug. 2017).

[14] *Id.*

[15] OIG, *Audit of the Bureau of Consular Affairs Fee-Setting Methodology for Selected Consular Services* (AUD-FM-17-53, September 2017).

reported that the bureau uses a fee-setting methodology that does not rely on adequate historical data or sound quality processes to assess the data that it does use.[16]

Finally, we have reported that there is no fully developed and implemented agency-wide approach to identify, assess, respond to, and monitor IT systems risk. Without identifying and tracking such information, the Department cannot fully understand its current risk profile and identify opportunities to improve risk management.

These points lead us to suggest the following questions for the Department:

- o In what critical substantive areas are the Department's data incomplete or inaccurate?
- o How can the Department most efficiently ensure that data are complete and accurate?
- o How should these data issues be prioritized?
- o Can these issues be addressed internally, or should the Department seek external assistance?
- o What actions does the Department take to validate data regularly to ensure that it is complete and accurate?
- o What controls are in place to ensure that changes to data in systems are only being made by authorized individuals?
- o What cultural changes are needed to promote the evolution to a data-driven organization?
- o How can the Department encourage a culture in which data are appropriately considered in management decisions and with the aim of administering, overseeing, and operating Department activities in a more efficient manner?
- o What resources, infrastructure, and leadership are needed to move forward as a data-driven organization?

## Building and Maintaining an Efficient and Effective Workforce

Our work consistently finds that, across functional areas and geographic regions, inexperienced staff, insufficient training, staffing gaps, and frequent turnover contribute to ineffective and inefficient Department programs and operations. One of the most significant examples relates to the management of grants and contracts in conflict zones or extreme hardship environments. In these situations, the Department typically relies on complex financial instruments, but employees responsible for overseeing these instruments frequently rotate in and out of post on one-year or two-year assignments. One of our recent reports described how oversight personnel

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[16] *Id.*

in Iraq who lacked contract experience and technical expertise approved fuel purchases that did not conform to quality standards specified in the relevant contract.[17] The report identified, as a result, millions of dollars in questioned costs. In another example, we highlighted the effects of underqualified and inadequate staff on large and costly construction projects.[18]

Our work has also identified gaps in the Department's efforts to ensure a satisfied, efficient, and effective workforce. In a recent report, we noted that first- and second-tour Foreign Service officers at nearly one-third of inspected posts were dissatisfied with opportunities to improve their professional skills.[19] The Department should consider how it can better build and foster a force of managers, particularly mid-level managers, who prioritize personnel management and who focus on cultivating the professional development of their staff.

We propose the Department consider the following questions:

- o Does the Department place sufficient emphasis on skills related to program management?
- o What steps can the Department take to reward employees who effectively manage programs and to hold accountable those who do not?
- o Does the Department offer and require appropriate training on personnel management for officers who oversee staff?
- o How can the Department most effectively use upward reviews or "360 reviews" to evaluate its leadership and supervisors?
- o How could the employee evaluation report process be modified to encourage mid-level managers to place more focus on personnel development?
- o How can the Department develop the talents of its newest employees and ensure their professional development?
- o What changes are needed in the Department's personnel system to fill positions at hardship posts with personnel who have the proper skills and training?
- o Is the Department using its language training programs efficiently to ensure that employees have the appropriate proficiency for a particular post?

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[17] OIG, *Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq* (AUD-MERO-17-16, December 2016).

[18] OIG, *Management Assistance Report: Building Deficiencies Identified at U.S. Embassy Kabul, Afghanistan Need Prompt Attention* (AUD-MERO-17-44, June 2017).

[19] OIG, *Management Assistance Report: Department Can Take Steps Toward More Effective Executive Direction of Overseas Missions* (ISP-17-38, July 2017).

## Ensuring Continued Leadership and Centralized Decision-making on Issues Fundamental to the Department's Mission

Finally, OIG's work and observations have identified various areas particularly important to the Department's mission that require strong, centralized leadership. For example, in 2014, OIG noted that, at that time, follow-through on long-term security program improvements involving physical security, training, and intelligence sharing lacked sustained oversight by the Department's principals. [20] OIG specifically commented that many recommendations from accountability review boards (ARBs) repeated earlier proposals. We concluded that implementation of such recommendations is most effective when the Secretary of State and other Department principals take full ownership of the implementation process. OIG also recommended that decisions regarding whether to maintain a Department presence in very dangerous areas be made at the highest levels of the Department. The Department agreed and made substantial changes in response.

OIG includes this topic as an area for consideration primarily to ensure that any reorganization or restructuring maintains focus on these important issues. The Department must continually address the question as to where the line should be drawn between acceptable risk and unacceptable inaction, and the need for clear leadership and processes on this subject should be incorporated into any reform or redesign plans.

These issues suggest the following questions for the Department to consider:

- o How can the Department obtain long-term assurance that decisions that potentially place personnel in harm's way are made at an appropriate level?
- o Are processes and guidance surrounding such decisions, as well as their documentation and memorialization, firmly established and institutionalized, such that they will be followed notwithstanding changes in Department personnel, structure, or organization?
- o How can the Department consistently ensure that it implements recommendations from oversight bodies?
- o How can the Department track its compliance processes to minimize the number of repeat recommendations, particularly in the face of personnel, structural, or organizational changes?

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[20] *Reviewing Efforts to Secure U.S. Diplomatic Facilities and Personnel:* Hearing Before the H. Select Committee on Benghazi, 113th Cong. (Dec. 10, 2014) (statement of Steve. A. Linick, Inspector General for the U.S. Department of State and the Broadcasting Board of Governors).

- o What steps can the Department take to ensure that recommendations for improvement are addressed in a timely manner notwithstanding changes in leadership?
- o How can the Department effectively track and address all recommendations from external parties? Would a more centralized or consolidated approach be more effective?

## Conclusion

We believe attention to the issues and questions presented in this notice will enhance the Department's efficiency and effectiveness and, accordingly, its ability to fulfill its mission. We hope that this notice assists the Department in its efforts.

If you would like to discuss this advisory notice, please contact me.