



OIG

Office of Inspector General

U.S. Department of State • Broadcasting Board of Governors

INV-17-02

Office of Investigations

September 2017

Management Assistance Report: Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund Invoice Submission Process

MANAGEMENT ASSISTANCE REPORT

~~IMPORTANT NOTICE: This report is intended solely for the official use of the Department of State or the Broadcasting Board of Governors, or any agency or organization receiving a copy directly from the Office of Inspector General. No secondary distribution may be made, in whole or in part, outside the Department of State or the Broadcasting Board of Governors, by them or by other agencies or organizations, without prior authorization by the Inspector General. Public availability of the document will be determined by the Inspector General under the U.S. Code, 5 U.S.C. 552. Improper disclosure of this report may result in criminal, civil, or administrative penalties.~~

Summary of Report

The Office of Inspector General (OIG) initiated an investigation based on information that a U.S. Department of State Contracting Officer's Representative (COR) within the Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund (ISN/NDF) received Department invoices at the COR's personal residence. A preliminary inquiry into the matter revealed that the contractor was directed to mail monthly invoices to the COR's home address to decrease the time from invoice submission to payment. OIG identified this practice, and the absence of policy prohibiting such practice, as a vulnerability.

BACKGROUND

NDF awarded two contracts—SAQMMA09C0194 (equipment) and SAQMMA14C0109 (construction)—to construct and equip numerous buildings at different sites to house vehicle X-ray security scanners.¹

Upon award of the equipment contract, the contractor emailed copies of its invoices to NDF management and followed up by mailing hard copies of its original invoices to the COR at the NDF office. Within 5 months, the contractor stopped mailing its original invoices to NDF management and instead mailed its original invoices to the COR's personal residence. This occurred in response to the COR's request.

FINDINGS

OIG's investigation into NDF's management and oversight of contracts SAQMMA09C0194 and SAQMMA14C0109 identified an area of concern regarding NDF's internal controls and procedures.

OIG's investigation determined that the COR asked to have the physical invoices mailed to the COR's home because the COR believed that the payment of invoices was often delayed because of the time it takes for the Department to internally process and deliver mail. According to witnesses, packages were in fact lost or forgotten on multiple occasions in the mail room, creating delays and confusion for both the contractor and NDF. Numerous NDF staff were included on the email correspondence making this request, but there was no evidence that anyone objected to this procedure.

Although the COR received the invoices at the COR's home residence, the COR brought the sealed invoices to the office, where the COR opened and reviewed them for accuracy. The COR

¹ The scanners varied in size, and each required a building site that provided a solid foundation for the exterior structures that protected the scanners from the elements. The purpose of the equipment contract was to build, ship, install, and provide training for the scanners.

then prepared a memorandum for the NDF Comptroller. The NDF Comptroller reviewed the invoice, or invoices, and the corresponding memorandum, and if the documents were accurate, forwarded the package to the Department's Global Financial Management Services (GFMS) office in Charleston, South Carolina, for payment. After reviewing the submitted invoices and comparing them to GFMS payments, OIG determined there were no missing funds or other indicators of fraud.

OIG found that no Department policy, including 14 Foreign Affairs Manual 730 and 14 Foreign Affairs Handbook-4 H-330, prohibited NDF staff from accepting official documents at a personal address. However, by receiving documents at a personal address, the Department employee bypassed the mail screening (14 Foreign Affairs Handbook-4 H-331.1) and receipt (14 Foreign Affairs Handbook-4 H-332) procedures established by the Department. OIG also determined that, although there were no violations of the Foreign Affairs Manual or the Foreign Affairs Handbook, the COR's direction that the contractor mail invoices to a personal residence created the perception of, and increased the opportunity for, possible fraudulent activity.

RECOMMENDATIONS

OIG makes one recommendation to ISN to help mitigate the risk and the perception of impropriety inherent in employees receiving official correspondence at their private residence:

Recommendation: OIG recommends that ISN coordinate with the Department to create a policy within 14 Foreign Affairs Manual 730 requiring all Department employees to receive official Department business information and correspondence at an official Department mailing address to ensure the proper screening and receipt of official correspondence and to eliminate any perception of inappropriate employee activity.

Management Response: In its August 4, 2017, response, ISN concurred with the recommendation. The bureau noted that its personnel ceased receiving invoices at personal mailing addresses in May 2015. The bureau also stated it would coordinate with the Bureau of Administration (A) to create a new policy within 14 FAM 730 that required all Department employees to receive official Department business information at an official Department mailing address.

ISN amended its August 4, 2017, response on September 11, 2017, noting that ISN has coordinated with the Office of Logistics Management (A/LM), which has requested to lead the Department's effort to include the new policy into 14 FAM 732.1. A/LM is currently reviewing the draft policy created by the Diplomatic Pouch and Mail Division and intends to submit the policy for formal Department clearances by January 1, 2018. Through ISN's amended response, A/LM also requested that the recommendation be assigned to A/LM for future compliance updates.

OIG Reply: OIG considers the recommendation resolved. The recommendation can be closed when OIG receives confirmation that A/LM has updated 14 FAM 732.1 with the new policy.

CONSOLIDATED LIST OF RECOMMENDATIONS

Recommendation 1: OIG recommends that ISN coordinate with the Department to create a policy within 14 Foreign Affairs Manual 730 requiring all Department employees to receive official Department business information and correspondence at an official Department mailing address to ensure the proper screening and receipt of official correspondence and to eliminate any perception of inappropriate employee activity.

APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

This investigation was conducted in accordance with the Quality Standards for Investigation, as issued in 2011 by the Council of the Inspectors General on Integrity and Efficiency, and the Office of Investigations Manual, as issued by OIG for the Department and the Broadcasting Board of Governors.

The Office of Investigations conducts worldwide investigations of criminal, civil, and administrative misconduct related to programs and operations of the Department. The office refers investigative results to the Department of Justice for prosecution and to the Department's Bureau of Human Resources, the Bureau of Diplomatic Security, the Office of the Procurement Executive, and other entities for administrative or other appropriate action.

OIG's investigation was initiated to determine if any violations occurred by having a Department contractor mail official invoices to a Department employee's personal residence.

As part of our investigation, OIG reviewed relevant documentation, including Department contracts, and conducted interviews. OIG also reviewed the Department's Foreign Affairs Manual and Handbook to identify applicable guidance. Finally, OIG used professional judgment, along with documentary, testimonial, and analytical evidence collected or generated, to develop its finding and an actionable recommendation.

APPENDIX B: RESPONSE FROM BUREAU OF INTERNATIONAL SECURITY AND NONPROLIFERATION



United States Department of State


*Bureau of International Security,
and Nonproliferation*

Washington, D.C. 20520

August 4, 2017

MEMORANDUM

TO: OIG/INV – Michael T. Ryan, Assistant Inspector General for Investigations

FROM: ISN – C.S. Eliot Kang, Acting Assistant Secretary 

SUBJECT: Draft Report – Management Assistance Report: Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund (ISN/NDF) Invoice Submission Process (INV-17-02)

The OIG has made one recommendation to ISN to help mitigate the risk and the perception of impropriety inherent in employees receiving official correspondence at their private residence. ISN is in concurrence with this recommendation.

Recommendation 1: OIG recommends that ISN coordinate with the Department to create a policy within 14 Foreign Affairs Manual 730 requiring all Department employees to receive official Department business information and correspondence at an official Department mailing address to ensure the proper screening and receipt of official correspondence, and to eliminate and perception of inappropriate employee activity.

Management Response: ISN is in agreement with this recommendation. The Office of the Nonproliferation and Disarmament Fund (ISN/NDF) discontinued the practice of receiving invoices at personal mailing addresses in May 2015. ISN has already begun coordination with the Administration Bureau (A) and will continue coordination with other relevant Department offices to create a policy within 14 Foreign Affairs Manual 730 to require all Department employees to receive official Department business information and correspondence at an official Department mailing address to ensure the proper screening and receipt of official correspondence, and to eliminate and perception of inappropriate employee activity.

Target date of completion: December 1, 2017.



United States Department of State


*Bureau of International Security,
and Nonproliferation*

Washington, D.C. 20520

September 11, 2017

MEMORANDUM

TO: OIG/INV – Michael T. Ryan, Assistant Inspector General for Investigations

FROM: ISN – C. S. Eliot Kang, Acting Assistant Secretary 

SUBJECT: Draft Report – Management Assistance Report: Bureau of International Security and Nonproliferation, Nonproliferation and Disarmament Fund (ISN/NDF) Invoice Submission Process (INV-17-02)

The OIG has made one recommendation to ISN to help mitigate the risk and the perception of impropriety inherent in employees receiving official correspondence at their private residence. ISN is in concurrence with this recommendation.

Recommendation 1 OIG recommends that ISN coordinate with the Department to create a policy within 14 Foreign Affairs Manual 730 requiring all Department employees to receive official Department business information and correspondence at an official Department mailing address to ensure the proper screening and receipt of official correspondence, and to eliminate and perception of inappropriate employee activity.

ISN sent the following initial response to the OIG on August 4, 2017:

ISN is in agreement with this recommendation. The Office of the Nonproliferation and Disarmament Fund (ISN/NDF) discontinued the practice of receiving invoices at personal mailing addresses in May 2015. ISN has already begun coordination with the Administration Bureau (A) and will continue coordination with other relevant Department offices to create a policy within 14 Foreign Affairs Manual 730 to require all Department employees to receive official Department business information and correspondence at an official Department mailing address to ensure the proper screening and receipt of official correspondence, and to eliminate and perception of inappropriate employee activity.


Since that time, ISN/NDF has further coordinated with A/LM, who would like the recommendation to be reassigned to their office. A/LM has requested submission of the following response:

Management Response: Upon further coordination with the Office of Logistics Management (A/LM), ISN and A/LM request the recommendation be reassigned to A/LM for future compliance updates. A/LM's Diplomatic Pouch and Mail (DPM) Division has initiated edits to 14 FAM 732.1 including retitling the section and adding a paragraph to clarify the requirement for all official mail to be addressed to Department official mail addresses only. The edits are under

review within A/TM and will be submitted for formal Department clearances not later than end of Fiscal Year 2018 Quarter 1.

Target date of completion: January 1, 2018.

Approved:

ISN/FO: P'Dollitt, Acting DAS 
ISN/NDF: Steven Saboc - OK

Drafted: ISN/NDF: Karla Blunt/Emma Grimes, ext. 7-3476

Cleared: T: Isaac Fong - OK
A/FO: Jennifer Rizzoli - OK
A/I.M: Matthew Colantonio - OK



HELP FIGHT

FRAUD. WASTE. ABUSE.

1-800-409-9926

[OIG.state.gov/HOTLINE](https://oig.state.gov/HOTLINE)

If you fear reprisal, contact the
OIG Whistleblower Ombudsman to learn more about your rights:

OIGWPEAOmbuds@state.gov