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**Office of Inspector General**

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

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Office of Inspections

August 2018

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**Review of the Bureau of Administration,  
Office of Logistics Management, Critical  
Environment Contract Analysis Staff's  
Counterterrorism Vetting Function  
(Risk Analysis and Management)**

DOMESTIC OPERATIONS AND SPECIAL REPORTS

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## Summary of Review

This review assessed the counterterrorism vetting function called Risk Analysis and Management (RAM), which is a small team located within the Bureau of Administration's Office of Logistics Management (A/LM) Critical Environment Contracting Analytics Staff. RAM conducts vetting for Department of State bureaus, offices, and missions. OIG specifically sought to examine whether the RAM vetting function, including RAM's web-based portal, complied with U.S. Government and Department rules and requirements. OIG also assessed whether RAM was transparent and responsive to user needs and concerns. Although OIG had originally intended also to assess the Department's structure for implementation and accountability for counterterrorism vetting, OIG was unable to do so because of the RAM's limited, nonsubstantive role in this process and the ongoing "pilot" status of the programs at issue.

OIG found that RAM generally complied with applicable rules and requirements and was responsive to user needs. However, OIG also found that the Bureau of Administration did not charge an actual-cost-based vetting fee as required for Working Capital Fund programs<sup>1</sup> and that it did not periodically review that fee. In addition, the RAM vetting service had imprecise performance metrics. Finally, Department bureaus, offices, and missions using RAM counterterrorism vetting services provided mixed reviews of the usefulness of its internal website and the overall quality of service provided. OIG recommended that the Bureau of Administration establish a counterterrorism vetting fee based on actual costs and establish a schedule to periodically review the fee. In its comments on this draft report, the Bureau of Administration disagreed with the recommendation. OIG considers the recommendation unresolved. The bureau's response to the recommendation and OIG's reply can be found in the Recommendation section of this report. The bureau's formal response is reprinted in its entirety in Appendix B.

## BACKGROUND

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Federal law and regulations<sup>2</sup> require the U.S. Government to guard against the risk that taxpayer funds might inadvertently benefit terrorists. One way the Department of State (Department) does this is through counterterrorism vetting to check names and other personally identifiable information of individuals in organizations applying for grants against information about terrorists and their supporters. The Department's first formal guidance on counterterrorism vetting was issued in 2008, when then-Deputy Secretary Negroponte directed Assistant Secretaries and other senior officials to "make every reasonable effort to guard against the risk that U.S. Government activities could inadvertently benefit terrorist groups, their members, [and]

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<sup>1</sup> According to 1 Foreign Affairs Manual 212.1-3, the Working Capital Fund is a chargeback system managed by the Bureau of Administration's Executive Office. It is a revolving fund that is a repository for revenue collected from operating several income-generating activities.

<sup>2</sup> Executive Order 13224; Homeland Security Presidential Directives 6 and 11; and Providing Material Support to Terrorists, 18 U.S.C. § 2339A, B (2001) (codifying the USA PATRIOT Act).

their supporters."<sup>3</sup> This guidance, which became known as the "Negroponte Memo," also provided direction on conducting risk-based assessments and procedural guidelines for name-check vetting.

### ***Congress Prohibited Worldwide Vetting But Authorized A Limited Pilot Vetting Program***

The Department's fledgling counterterrorism vetting efforts were affected by activities of the U.S. Agency for International Development (USAID), which also funds programs and activities that could inadvertently benefit terrorist groups. USAID started its own counterterrorism vetting activities in 2003<sup>4</sup> to vet implementing partners in the West Bank and Gaza. However, when it took steps in 2007 to expand the program worldwide, many of USAID's nongovernmental organization implementing partners publicly asserted that such an expansion was onerous and unnecessary. In the FY 2010 Consolidated Appropriations Act and conference report, Congress prohibited both the Department and USAID from using appropriated funds to implement a worldwide partner vetting system. The same legislation, however, authorized funding for the Department and USAID to conduct a joint pilot program for counterterrorism vetting in no more than five countries overseas that would apply equally to Department and USAID programs and activities. A detailed timeline of the vetting pilot can be found in Appendix C.

### ***After Establishing the Vetting Function, the Department Began A Pilot Vetting Program and Parallel Vetting for Additional Locations***

In January 2011, the Under Secretary for Management decided that the Department's counterterrorism vetting pilot function would be housed in the Bureau of Administration's Office of Logistics Management (A/LM). The function, called Risk Analysis and Management, or RAM, carried out the five-country pilot, which included activities in Guatemala, Kenya, Lebanon, Philippines, and Ukraine.<sup>5</sup> After preparations and planning, including developing a customized and secure web-based portal, RAM vetting for the five identified countries began in October 2012. Subsequently, under the policy laid out in the Negroponte memo, RAM also assumed responsibility for conducting counterterrorism vetting, on a parallel track to the pilot, for awards that would be implemented in high-risk locations such as Afghanistan and Syria and for the Near East Regional Democracy (NERD) program.<sup>6</sup> In December 2013, in response to requirements in the National Defense Authorization Act of 2013,<sup>7</sup> A/LM created a staff unit—the

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<sup>3</sup> Memorandum from Deputy Secretary John D. Negroponte, February 26, 2008, "State and USAID Funding and the Risks of Terrorist Funding."

<sup>4</sup> See USAID Office of Inspector General, *Audit of the Adequacy of USAID's Antiterrorism Vetting Procedures*, Audit Report No. 9-000-08-001-P, November 2007.

<sup>5</sup> These countries were selected jointly by the Department and USAID based on geographical and risk diversity and the presence of both Department and USAID programs.

<sup>6</sup> Department officials told OIG that, in regular consultations with Congress about the five-country pilot vetting program, they provided information about planned counterterrorism vetting for other high-risk locations and received approval to proceed, separately from the five-country pilot program.

<sup>7</sup> National Defense Authorization Act for FY2013, Public Law 112-239, Title VIII - Acquisition Policy, Acquisition Management, and Related Matters, Subtitle D - Provisions Relating to Contracts in Support of Contingency Operations, Section 846.

Critical Environment Contracting Analysis Staff (CECAS)—which, in addition to its primary responsibility for certain risk assessments and risk mitigation plans,<sup>8</sup> assumed responsibility for overseeing the RAM function.

### ***Parallel Vetting Activities Continued On a Pilot Basis After Five-Country Pilot Ended***

Although the Department had planned to conclude its pilot vetting activities in 2014, Congress instructed the Department to continue until USAID had completed its own pilot, which USAID did not begin until 2015.<sup>9</sup> As a result, the joint Department-USAID pilot vetting program for the five designated countries did not officially end until February 9, 2017.<sup>10</sup> However, the cable announcing the end of the five-country pilot also explained that the Department would nonetheless continue its parallel vetting activities “on a pilot basis” in Afghanistan and Syria and for the NERD program “using existing authorities until a new Department policy is approved and published in the Foreign Affairs Manual.” The cable also noted that counterterrorism name-check vetting could be approved for additional countries by the responsible assistant secretary or chief of mission, based on a risk assessment.<sup>11</sup> Pursuant to this approach, at the time of OIG’s review, two new countries, Iraq and Pakistan, were in the process of being approved for RAM counterterrorism vetting. However, the 2008 Negroponte memo remained the prevailing policy guidance. Plans to have a more formal counterterrorism vetting policy approved and published in the Foreign Affairs Manual were placed on hold until the Department received feedback from Congress to a joint report on the five-country vetting pilot submitted by the Department and USAID in March 2018. The Department accordingly continues to treat the remaining vetting processes as a “pilot” pending that feedback.

## **Risk Analysis and Management Function and Counterterrorism Vetting**

The RAM function consists of a direct-hire management analyst and three contractors who use a customized and secure web-based portal to conduct counterterrorism name-check vetting. Before bureaus make awards to potential grantees or contractors, RAM receives personal identifying information on the essential personnel, or “key individuals,” responsible for managing the project funds. (The process is described in Figure 1.) If the vetting process finds

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<sup>8</sup> According to 1 FAM 215m, CECAS’ primary responsibility is to develop and prepare comprehensive risk assessments and mitigation plans for risks associated with contractor performance of critical functions in support of overseas contingency operations expected to continue for more than one year and result in contracted support exceeding \$250 million.

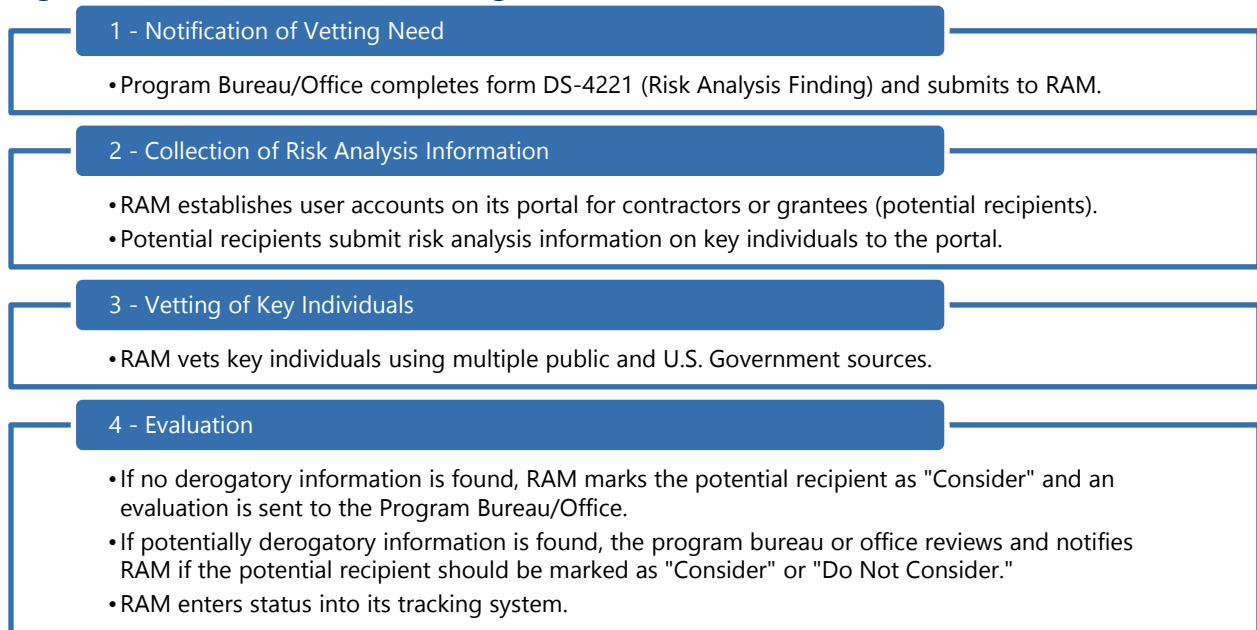
<sup>9</sup> USAID chose to continue rulemaking for a partner vetting system that it had started previously. Because that rulemaking was not complete until 2015, USAID did not start its pilot until that time. Conversely, the Department chose to defer its rulemaking until after the pilot was completed. (Rulemaking is an open public process that U.S. Government agencies must follow when they issue regulations, according to the Administrative Procedures Act. It includes publishing a statement of rulemaking authority in the Federal Register for all proposed and final rules.)

<sup>10</sup> The formal announcement to end the five-country pilot was made in a cable issued in April 2017. See cable 17 STATE 37016, “Continuation of Counterterrorism Vetting for Contracts and Grants After End of Joint State-USAID Pilot Program,” April 17, 2017.

<sup>11</sup> The Department did not provide any additional guidance or templates to assist assistant secretaries or chiefs of mission in completing a risk assessment.

derogatory information,<sup>12</sup> RAM staff provides that information to the responsible program bureau, which reviews the information and determines whether the grantee or contractor should be withdrawn from consideration. RAM personnel do not analyze the vetting results, and they do not provide recommendations on appropriate treatment of such results. Rather, the responsible program bureau is solely responsible for determining the significance and relevance of the information.<sup>13</sup> After the responsible program bureau has completed its review, it notifies RAM of its final decision. RAM staff enter that information into the RAM tracking system. Vetting results are applicable for one year.

### Figure 1: Overview of RAM Vetting Process



Source: OIG presentation of process information provided by RAM.

## FINDINGS

### Bureau Did Not Establish a Cost-Based Vetting Fee or Fee Review Schedule

Contrary to Department guidance, the Bureau of Administration did not use actual operating costs when it established the counterterrorism vetting fee for the RAM function, and it did not establish a schedule to periodically review the fee.

For the first few years of the pilot program, the bureau did not charge for RAM's counterterrorism vetting services. In February 2015, the Under Secretary for Management approved using the Working Capital Fund as a cost recovery mechanism for the RAM service.

<sup>12</sup> "Derogatory information" is information, such as possible ties to terrorism, indicating an individual or organization may present a threat to national security.

<sup>13</sup> During this review, OIG did not assess how the receiving bureaus analyzed the vetting results or their ultimate decisions. OIG has examined related issues in other reports. See *Audit of the Department of State Vetting Process for Syrian Non-Lethal Assistance* (AUD-MERO-17-01, 11/2016).

Based on this approval, beginning in 2015, the bureau collected a fee of \$375 per RAM vetting action for some high-risk countries and programs outside of the five-country pilot program. However, by using the Working Capital Fund for this purpose, the bureau was required to comply with 4 Foreign Affairs Manual (FAM) 036.2(1), which states that rates for Working Capital Fund services must be established to recover direct and indirect costs of operation. OIG determined that the \$375 fee was not based on actual costs; rather, it was set using a 2014 cost study that relied on projected costs and workloads.

Guidance in 4 FAM 036.2(1) also requires the Department to document the basis for establishing the rates and to set a timetable for periodic review of the appropriateness of the rates. OIG determined that the bureau did not set such a timetable when it began charging the \$375 fee in 2015. Thus, when RAM began charging all users of its vetting services, beginning on October 1, 2017, it used the same \$375 fee that was set based on 2014 projections rather than a more current, cost-based fee. As shown in Table 1, OIG analysis of RAM's actual FY 2016-2017 costs and workload indicated that the \$375 fee may result in the bureau collecting \$463,986 more than its projected FY 2018 operating costs. This, in turn, would result in program bureaus and offices having less funding available for their foreign assistance programs.

**Table 1: Projected FY 2018 Vetting Fee Revenue**

Average # of Actions FY 2016-2017	Estimated FY 2018 Revenue at \$375/action	Average RAM Operating Costs FY 2016-2017	Actual Cost per Action	Potential Excess FY 2018 Revenue Collection
6,078	\$2,279,063	\$1,815,077	\$299	\$463,986

Source: OIG analysis of data provided by the Bureau of Administration's Executive Office Working Capital Fund.

**Recommendation 1:** The Bureau of Administration should establish a counterterrorism vetting fee based on actual costs and establish a schedule for periodic review of the fee, in accordance with Department guidance. (Action: A)

### *Vetting System Support, Not Staffing, Was Primary Cost Driver*

OIG determined that more than half—57 percent—of RAM's reported operating costs were for vetting system support provided by an information technology services company, whereas RAM's own staffing was relatively lean (as previously noted, RAM only has one employee and three contractors). RAM handled a higher vetting workload per full-time equivalent staff than had been projected in the 2014 cost study. According to that study, RAM would need approximately eight full-time equivalent staff to handle an annual vetting load of approximately 6,500 actions. However, during FY 2016 and FY 2017, RAM processed an average of 6,077 vetting actions per year with four full-time equivalent staff.

OIG advised A/LM and CECAS management that, before adding any additional full-time equivalent staff or making significant modifications to the system, RAM should survey its customers about their needs, provide them with a cost-benefit analysis on the requirements to meet those needs, and reach consensus with them on which increased costs will result in enhanced services that benefit all customers. Some system customization requests, for example,

may require a direct charge to the requesting office. Otherwise, all customers would pay a higher vetting fee in subsequent years for system modifications that some may not need.

## **Vetting Program Lacked Precise Performance Metrics Regarding Timeliness As Well As Data To Evaluate Compliance with those Metrics**

The RAM function had imprecise performance metrics and insufficient data to assess its performance. In 2013, RAM initially established a vetting timeframe of 5 days, and in 2015 extended the vetting timeframe to “generally 10 days.” The Department’s Program Design and Program Management Toolkit<sup>14</sup> states that performance indicators should unambiguously describe what is being measured, and all potentially subjective terms should be clearly defined so that the indicator is interpreted correctly and consistently. The U.S. Government Accountability Office<sup>15</sup> also has identified that clear, objective, and reliable performance measures can help managers monitor progress toward achieving goals and priorities. OIG determined that RAM’s timeliness metric of “generally 10 days” did not meet these standards and was not clear because “generally” may be open to interpretation.

Even aside from the lack of a clear timeliness metric, RAM did not have reliable data by which to assess compliance with the standard. Since the pilot began in FY 2013, RAM has made various adjustments to its tracking system’s capabilities that have made it impossible to gather consistent performance measurement data. As a result, the RAM function could not evaluate its performance against its vetting metric of “generally 10 days” between FY 2015, when the metric was established, and FY 2017. However, OIG determined that, because RAM did not make any major system changes in FY 2017, data for that year was reliable enough to conduct a high-level review of the vetting timeframes. That review, detailed in Figure 2, showed that 38 percent of key individuals vetted in fact took longer than 14 days—well over the 10 day goal.<sup>16</sup>

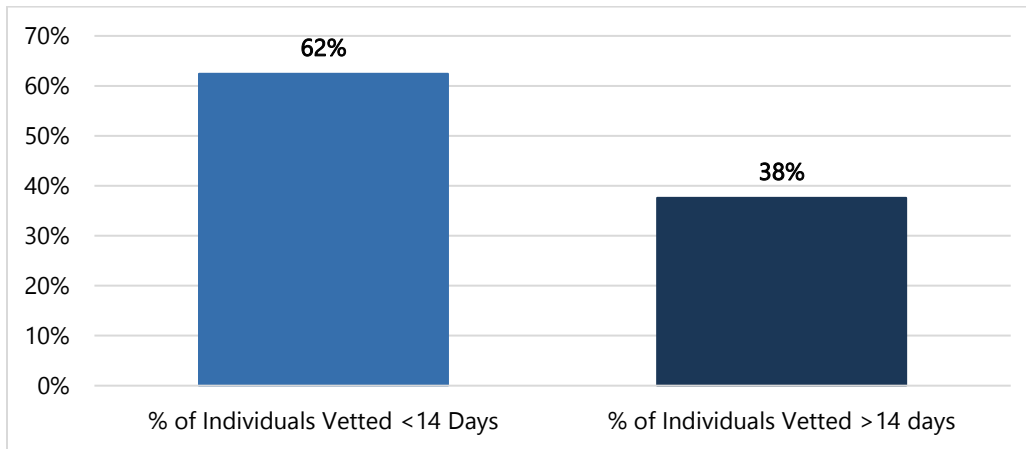
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<sup>14</sup> Department of State, *Program Design and Performance Management Toolkit*, (February 2017).

<sup>15</sup> U.S. Government Accountability Office, *Force Structure: Performance Measures Needed to Better Implement the Recommendations of the National Commission on the Structure of the Air Force*. (GAO-16-405, May 2016).

<sup>16</sup> OIG’s review focused on 14 days because it requested the vetting data from RAM before determining that the RAM performance metric was “generally 10 days.” The information OIG received was not specific enough to determine exactly how many vetting requests took longer than 10 days.



**Figure 2: Total Days for Vetting of Key Individuals, FY 2017**

**Source:** OIG presentation of RAM data.

Note: Based upon the metric used by RAM in its memorandums of understanding with its program bureaus and offices, OIG considered the vetting timeframe to begin once RAM accepts the risk analysis information submitted by the potential recipients and to end when RAM has provided a final vetting result (no derogatory or derogatory information) to the program bureaus and offices. A vetting backlog that began in late 2015 and continued through the first quarter of FY 2017 may have affected the total vetting processing time.

Without clear and unambiguous performance metrics and reliable data, RAM cannot fully assess performance and make informed, data-driven decisions to improve performance. For example, evaluating its vetting processing times regularly may help determine the total number of staff needed to conduct vetting or where bottlenecks in the process exist. OIG did not make a recommendation to address this issue because the Department still considered the RAM function to be in pilot status during the review and so does not intend to formalize and finalize its overall vetting process until Congress has responded to the March 2018 report described earlier. In the interim, however, OIG advised A/LM and CECAS management that the RAM staff should focus on creating clear and unambiguous metrics that provide a better indicator of its performance and ensure that it can collect reliable data to evaluate its performance against those metrics.

### **Staff Complied with Department Requirements for Protecting Personally Identifiable Information**

OIG found that RAM staff had physical security and information security internal controls in place to protect the personally identifiable information collected for the purpose of counterterrorism vetting. Additionally, RAM's current Privacy Impact Assessment, required by 5 FAM 466(d)(3) as part of its triennial security reauthorization, was publicly available on the Department's internet site, as required in 5 FAM 466(c). The Privacy Impact Assessment explained RAM's security controls for protecting the personally identifiable information in its system. For example, RAM user accounts were disabled after three unsuccessful login attempts, and information on the portal was masked once saved.



## **Vetting Function Was Not Sufficiently Transparent or Responsive to Users**

OIG found that RAM was not sufficiently transparent and responsive to user needs and concerns. As discussed below, RAM should update its intranet site, improve communications, and make changes to its guidance for users of its portal. Again, because the Department considered the RAM function still to be in pilot status (pending Congressional feedback on the March 2018 report) during the review, OIG did not make recommendations to address these issues but advised A/LM and CECAS management to take user feedback and needs into account as the function is formalized.

### ***Intranet Site Contained Out-of-Date and Incomplete Information***

OIG found that the information about RAM counterterrorism vetting on the Department's intranet site was out-of-date and incomplete. For example, the site contained instructions for applying a risk assessment tool for the five pilot countries, even though that vetting program ended in February 2017. Also, although the website referenced the 2017 Department cable<sup>17</sup> that discussed adding vetting for activities in other countries, the site did not provide any further guidance on how to proceed or links to other sources of information. Three program offices working with RAM on vetting described the site's "Frequently Asked Questions" section as useful, but others told OIG the site's information was unclear and out-of-date.<sup>18</sup> One program officer did not know the site existed, and another reported not using it. During the review, RAM staff removed out-of-date information from its intranet site. OIG encouraged RAM to continue to update vetting information and guidance pending the formalization of policy and procedural guidance in the FAM, consistent with 5 Foreign Affairs Handbook-8 H-611, which emphasizes the importance of keeping website content current.

### ***Program Bureaus and Offices Had Mixed Reviews of Services Provided***

Program bureaus and offices using RAM told OIG that over the course of the pilot program, the function became more transparent about its operations and communication. However, at the time of the review, program bureaus and offices provided mixed reviews to OIG about RAM's provision of services. Program officers stated that the RAM staff were knowledgeable and collegial, but noted that RAM rarely took steps to offer assistance to its users. Program officers acknowledged that, in response to their requests, RAM began leading a quarterly working group with its users in FY 2017 to improve transparency and communication. However, some continued to have concerns, and they particularly emphasized the need to continue improving transparency and to provide a better understanding of RAM's role and capabilities. For example, the users suggested better communication regarding systems changes or updates and the ability to prioritize some vetting requests.

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<sup>17</sup> Cable 17 STATE 37016, April 17, 2017.

<sup>18</sup> OIG contacted 16 program officers in 8 program offices to receive feedback on the RAM counterterrorism vetting process.

### *Grantees and Contractors Had Mixed Reviews of System's Portal and Instructions*

Grantees and contractors had mixed views of the instructions for using the RAM portal to submit personal data for key individuals.<sup>19</sup> Generally, grantees and contractors expressed satisfaction with the RAM portal and interactions with RAM function staff. Most of the issues they raised with OIG were user-specific rather than systemic. However, there were three areas about which more than half of the grantees and contractors raised concern or were confused: the portal's limits on submission of large groups of key individuals;<sup>20</sup> unclear guidance for and use of recipient codes;<sup>21</sup> and lack of information regarding the vetting progress or status of key individuals.

OIG reviewed RAM's guidance on using the portal and found, in some instances, that it could be improved. For example, OIG found that RAM had not communicated consistently to all program offices that they were responsible for informing potential grantees and contractors that large groups of key individuals had to be entered through one consolidated submission per day and that additions could not be made until the following day. RAM staff told OIG that a detailed explanation of the daily submission limitation will be described in the next version of RAM guidance.

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<sup>19</sup> OIG received feedback from five grant recipients and three contractors who perform work in countries, or for programs, subject to RAM counterterrorism vetting.

<sup>20</sup> At the time of the review, the portal allowed up to 50 key individuals to be submitted on one risk analysis information (RAI) form. To complete the RAI submission, the portal allowed manual entry of information for one key individual at a time for up to 50 key individuals or allowed submission of an Excel document with information for up to 50 different key individuals. However, recipients' feedback reflected either disappointment with or a lack of understanding of the process for submitting large numbers of key individuals to the portal. For example, one recipient voiced frustration that only one Excel document could be uploaded per RAI form, even if the total number of key individuals listed in the Excel document was well below 50. Another recipient was unaware of the portal capability to upload the Excel document and had been manually entering every key individual.

<sup>21</sup> Some program bureaus use, or requested use of, recipient codes during the RAM vetting process. A recipient code is a generic code, such as "KeyIndividual123," used to represent a key individual rather than using the individual's name.

## RECOMMENDATION

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OIG provided a draft of this report to Department stakeholders for their review and comment on the findings and recommendation. OIG issued the following recommendation to the Bureau of Administration. The bureau's complete response can be found in Appendix B. OIG incorporated the technical comments included in the bureau's response into the report as appropriate.

**Recommendation 1:** The Bureau of Administration should establish a counterterrorism vetting fee based on actual costs and establish a schedule for periodic review of the fee, in accordance with Department guidance. (Action: A)

**Management Response:** In its August 16, 2018, response, the Bureau of Administration disagreed with OIG's recommendation to establish a counterterrorism vetting fee based on actual costs and establish a schedule for periodic review of the fee. The bureau stated that a former Assistant Secretary for Administration determined that a review of the vetting fee structure prior to the formal conclusion of the pilot would be premature, and senior management decided it would reassess the fee once the pilot concluded and Congress had officially responded to the joint report.

**OIG Reply:** OIG considers the recommendation unresolved. When the Bureau of Administration began to charge a vetting fee from program bureaus and offices through the Working Capital Fund, the bureau was obliged to comply with the Department's guidance. The recommendation can be closed when OIG receives and accepts documentation that the Bureau of Administration has established a counterterrorism vetting fee based on actual costs and has established a schedule for periodic review of the fee.

## APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

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This review was conducted from January 2 to April 2, 2018, in accordance with the Quality Standards for Inspection and Evaluation, as issued in 2012 by the Council of the Inspectors General on Integrity and Efficiency, and the Inspector's Handbook, as issued by OIG for the Department and the Broadcasting Board of Governors.

The Office of Inspections provides the Secretary of State, the Chairman of the Broadcasting Board of Governors, and the Congress with systematic and independent evaluations of the operations of the Department and the Broadcasting Board of Governors.

### **Objectives and Scope**

OIG's specific review objectives were to determine whether: (1) the RAM vetting program conforms to requirements that Working Capital Fund programs be actual-cost based, and established performance metrics conform to Department guidelines; (2) RAM's portal and related processes comply with U.S. Government and Department rules and requirements on personally identifiable information; and (3) RAM is transparent and responsive to user needs and concerns. OIG had originally intended also to assess the Department's structure for implementation and accountability for counterterrorism vetting, OIG was unable to do so because of RAM's limited, nonsubstantive role in this process and the ongoing "pilot" status of the programs at issue.

### **Methodology**

OIG reviewed official documents related to addressing the risk that U.S. assistance inadvertently benefits terrorists, including Federal regulations, Consolidated Appropriations Acts from 2010 through 2017, and associated conference reports and statements of explanation; Department memos, cables, and notices; Department Procurement Information Bulletins; the 2017 Federal Assistance Directives; and documents generated through the 2016 Vetting Policy Advisory Council.

OIG conducted 36 in-person and telephone interviews. In addition, OIG reviewed RAM vetting data from FY 2013 through FY 2017, and conducted user testing of the RAM vetting portal. OIG used professional judgment, along with documentary, testimonial, and analytical evidence collected or generated, to develop its findings and an actionable recommendation.

Jill Derderian, Jonathan Floss, and Ami Schaefer conducted this review.

## APPENDIX B: MANAGEMENT RESPONSE

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United States Department of State

Washington, D.C. 20520

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August 16, 2018

### MEMORANDUM

TO: OIG/ISP – Sandra Lewis

FROM: A/OPE – Cathy Read 

SUBJECT: Draft OIG Report on *Review of the Bureau of Administration, Office of Logistics Management, Critical Environment Contract Analysis Staff's Counterterrorism Vetting Function (Risk Analysis and Management)* (ISP-I-18-27)

Thank you for the opportunity to provide our comments on the subject draft OIG Inspection Report. The point of contact for this response is Matthew Colantonio at [colantoniomj@state.gov](mailto:colantoniomj@state.gov).

**Recommendation 1:** The Bureau of Administration should establish a counterterrorism vetting fee based on actual costs and establish a schedule for periodic review of the fee, in accordance with Department guidance.

**Management Response to Draft Report (08/16/2018):** The Bureau of Administration, Office of the Procurement Executive, Critical Environment Contract Analysis Staff (CECAS, formerly A/LM/CECAS) does not concur with the recommendation. In 2014, the Under Secretary for Management directed the Risk Analysis and Management (RAM) Team to perform another study at the formal conclusion of the pilot and implement a regular schedule to review the vetting fee, allowing for the collection of enough actual vetting and expense data to accurately review the fee and further periodic reviews would account for changes in programming, staffing, and technology. In 2014, the then-Assistant Secretary for Administration determined that a review of the fee structure prior to the formal conclusion of the pilot would be premature. As a result, senior management determined it would reassess the fee once the pilot concluded and Congress had officially responded to the joint report.

**General Comments:** The Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (A/OPE/AQM) would also like to note the following areas of concern:

- **Pages 1-3**

The Negroponte Memo is also referred to as the Negroponte Guidance

- **Page 4 – Findings**

A/LM established a cost vetting fee and commissioned an independent consulting firm to develop the \$375/vet fee that was established in 2015 for the pilot. That firm produced a 58 page cost analysis study that justified the \$375/vetting fee. This study was based on estimated costs and estimated business volume. CECAS will initiate another study after the pilot concludes and

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the Department has received Congressional comments to the report. While the initial study was based on higher estimated vetting volumes than have materialized, the \$375 rate structure has approximated the break-even price point.

- **Page 5 – Table 1**

Table 1 compares revenue and expenses from different fiscal years. For consistency, CECAS recommends referencing 2017 revenue against 2017 expenses and estimated 2018 revenue (\$2.4 million) against 2018 expenses (\$2.34 million) rather than referencing average expenses for the 2016-2017 period of \$1.81 million against estimated revenue for 2018 of \$2.27 million.

A/OPE/CECAS also recommends the table on page 5 be updated to reflect projected FY18 expenses. Alternatively the retention of the average expenses for 2016 – 2017 while using the 2017 actual revenue of \$1.595 million would more accurately reflect revenue collection.

- **Page 5 – Timeliness of metrics**

RAM believes that the timeliness metric is clear and does not allow for interpretation. RAM asserts that allowing for potential additional review of derogatory information is a guideline intended to allow RAM to measure the time added to the process to establish clear metrics at the conclusion of the pilot. RAM vetting was measured from the Risk Analysis Information (RAI) acceptance to the conclusion of internal vetting and that RAM returned results within 10 days at a 99.04% of the time.

- **Page 6 – Vetting Program Lacked Precise Performance Metrics Timeliness as Well As Data to Evaluate Complete Compliance with Those Metrics**

In this pilot, RAM took full advantage of its system capabilities and employed an agile 21<sup>st</sup> century approach to gather and review data. RAM has consistently produced vetting metrics for internal performance review, programming, and benchmarking purposes. Since the inception of the program RAM has regularly charted the time it takes RAI acceptance to completion. RAM has also recorded the average amount of time it takes to evaluate derogatory information for a final decision of “consider” or “do not consider” in addition to the time internal RAM vetting takes for a specific country and to trend the work flow during the fiscal year of particular programs. The system provides the RAM team with real-time numbers for each of step of the vetting process, allows the team to see the number of transactions in process, where each transaction sits in the process and the average amount of time each step of the process is taking.

- **Page 7 – Figure 2**

After RAM accepts the completed risk analysis information submitted by the potential recipient and renders a final “consider or do not consider” decision it no longer measures the vetting timeframe. The vetting timeframe is measured once RAM accepts the completed risk analysis information submitted by potential recipients and ends when internal vetting is completed. RAM separately measures the timeframe for additional vetting when derogatory information is identified and the program office reviews and a final decision has been made; however, these steps are not measured in the “Total Days for Vetting of Key Individuals” as RAM has no control over external processes or decision making. Since RAM began vetting in FY 2013, the vetting timeline has been calculated using the same metrics. The information provided to OIG in a revised Figure 2 shows clear and unambiguous metrics of RAM’s performance (see attached).

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After OIG issued the draft report, RAM provided the original data to OIG with clarifications to allow for re-examination of the data.

- **Page 8 – “Vetting Function Was Not Sufficiently Transparent or Responsive to Users” - “Program Bureaus and Offices Had Mixed Reviews of Services Provided”.**

Beginning in 2017, RAM has conducted a quarterly vetting user group as part of an overall outreach program. This review has allowed customers to provide concerns and for RAM to continue to educate and inform users about its processes.

- **Page 9 – “Grantees and Contractors Had Mixed Reviews of the System’s Portal Instructions.**

Two issues raised to the RAM staff were about the various technical skill levels of the grantees and contractors in using the RAM portal and the unclear guidance for and use of recipient codes.

The RAM staff has made every effort to make the directions for using the portal as simple and straightforward as possible, including posting instructions in five languages.

The use of “recipient codes” was an internal tracking tool implemented by a few contractors and grantees. It was never designed to be a part of the RAM system. However, RAM has attempted to capture and share the information as a courtesy to its customers. The lack of consistency and uniformity in “recipient codes” by our customers has made finding an overarching solution difficult. RAM continues to work with its customers in achieving a solution.

**Attachments:**

Figure 2, Total Days for Vetting of Key Individuals in FY 2017.

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## APPENDIX C: FIVE-COUNTRY VETTING PILOT TIMELINE

Fiscal Year	Key Developments
2010	<ul style="list-style-type: none"> <li>FY2010 Consolidated Appropriations Act (P.L. 111-117) Section 7034(o) authorized funding for a pilot vetting program to apply equally to the Department and USAID, in up to five countries overseas.<sup>a</sup> A Department-USAID best practices working group described considerations for a pilot partner vetting system in a detailed information memo to then-Deputy Secretary Lew.</li> </ul>
2011	<ul style="list-style-type: none"> <li>In January 2011 then-Under Secretary for Management Kennedy approved a pilot vetting program and establishment of a Bureau of Administration "cell" to oversee the process. The Risk Analysis and Management (RAM) function was established.</li> </ul>
2013	<ul style="list-style-type: none"> <li>The Department began its five-country pilot vetting program on October 1, 2012. Around the same time, RAM began parallel namecheck vetting for Afghanistan, based on requests from U.S. Embassy Kabul.</li> <li>Around November 2012, RAM took on namecheck vetting for Syria assistance involving key individuals who were American citizens on behalf of the Bureau of Conflict and Stabilization Operations (CSO) and the Bureau of Near Eastern Affairs (NEA).</li> <li>Cable 13 STATE 118348 provided an "Update on Risk-based Vetting," reporting initial results of the pilot vetting program.</li> </ul>
2014	<ul style="list-style-type: none"> <li>Cable 14 STATE 10992, "Continuation of Pilot Vetting Program for Contracts and Grants," extended the pilot vetting program until September 30, 2014.</li> <li>RAM assumed responsibility for all Syria-related namecheck vetting, previously handled by CSO and NEA.</li> </ul>
2015	<ul style="list-style-type: none"> <li>RAM assumed responsibility for namecheck vetting for the Near East Regional Democracy (NERD) program, previously handled by NEA.</li> <li>USAID began its pilot vetting program, following the completion of rulemaking. Congress directed the Department to continue its pilot vetting program and both the Department and USAID to prepare a joint report after the pilot concluded.</li> <li>Cable 15 STATE 126710, "Continuation of Pilot Vetting Program for Contracts and Grants," further extended the pilot vetting program to September 30, 2016.</li> </ul>
2017	<ul style="list-style-type: none"> <li>The five-country vetting pilot ended February 9, 2017. Under Secretary for Political Affairs Shannon approved the five-country pilot's conclusion as well as continuation of vetting for Afghanistan, Syria, and NERD "on a pilot basis."</li> <li>Cable 2017 STATE 37016, "Continuation of Counterterrorism Vetting for Contracts and Grants After End of Joint State-USAID Pilot Program," announced the five-country pilot program's end and noted that the responsible assistant secretary or chief of mission could authorize vetting for a new country based on a risk assessment, with Congressional notification.</li> <li>The FY2017 Consolidated Appropriation Act directed the Department and USAID to jointly submit a report on the evaluation of the Partner Vetting System pilot program and recommendations for any new program, to consult with representatives of implementing organizations prior to submitting the report, and to consult with the Committees on Appropriations prior to initiating a new partner vetting program or significantly changing the existing program. The Department and USAID held sessions with implementing partners in May and July 2017.</li> </ul>
2018	<ul style="list-style-type: none"> <li>At the time the review started, the required joint Department-USAID report on the vetting pilot was in the clearance process. It was sent to Congress on March 6, 2018.</li> </ul>

<sup>a</sup> The instruction regarding five countries was contained in the accompanying conference report.

## APPENDIX D: RISK ANALYSIS AND MANAGEMENT VETTING DATA AND RESULTS

Although the Department initially developed the RAM function for the five-country pilot program (Guatemala, Kenya, Lebanon, Philippines, and Ukraine), most of RAM's vetting workload came from other countries and programs. Between FY 2013 and FY 2017, vetting for Syria and the Near East Regional Democracy (NERD) program accounted for 89 percent of RAM's workload, as shown in Table D1. In contrast, Afghanistan represented 10 percent of the total key individuals vetted between FY 2013 and FY 2017, while the five-country pilot program represented just one percent of RAM's total workload over the same period.<sup>22</sup>

**Table D1: Total Key Individuals Vetted by Country/Program in FY 2013-FY 2017**

Country/Program	Key Individuals with No Derogatory Information	Key Individuals with Derogatory Information	Total Key Individuals Vetted
Syria <sup>a</sup>	13,364	1,208	14,572
Near East Regional Democracy Program <sup>a</sup>	4,017	236	4,253
Afghanistan	2,046	26	2,072
Lebanon	179	2	181
Kenya	55	0	55
Guatemala	17	0	17
Philippines	4	0	4
Ukraine	3	0	3
<b>Total</b>	<b>19,685</b>	<b>1,472</b>	<b>21,157</b>
Total 5 Country Pilot <sup>b</sup>	258	2	260

**Source:** RAM data.

<sup>a</sup> Syria and the NERD program also included recipient-level vetting—vetting of each individual recipient rather than only key recipients—which resulted in higher totals than the other countries.

<sup>b</sup> RAM vetting for the five-country pilot program (Guatemala, Kenya, Lebanon, Philippines, and Ukraine) ended on February 9, 2017. The above data includes vetting actions for those countries completed between October 1, 2012, and February 9, 2017.

RAM vetting found derogatory information for 7 percent of the 21,157 individuals submitted between FY 2013 and FY 2017. After their evaluation of the information provided by RAM, program bureaus and offices listed approximately 1 percent of all individuals vetted as “do not consider.”

The Bureau of Near Eastern Affairs (NEA) is the largest user of the RAM vetting function, with Syria and the NERD program falling within its purview. The Bureau of Democracy, Human Rights and Labor is the second largest user, while the Bureau of South and Central Asian Affairs (SCA) is the third largest RAM user, with vetting for Afghanistan falling within its purview. Table D2

<sup>22</sup> Lebanon was the only pilot country as to which vetting of grants recipients occurred in FY 2017.

shows the total number of key individuals vetted by program bureaus and offices during FY 2016 and FY 2017.

**Table D2: Total Key Individuals Vetted by Program Bureaus, Offices in FYs 2016-2017**

<b>Program Bureau/Office</b>	<b>Key Individuals with No Derogatory Information</b>	<b>Key Individuals with Derogatory Information</b>	<b>Total Key Individuals Vetted</b>
Bureau of Near Eastern Affairs <sup>a</sup>	8,884	665	9,549
Bureau of Democracy, Human Rights and Labor	988	72	1,060
Bureau of South and Central Asian Affairs <sup>a</sup>	595	9	604
Bureau of Political-Military Affairs	471	6	477
Bureau of Conflict and Stabilization Operations	194	35	229
Bureau of Population, Refugees, and Migration	150	2	152
Bureau of International Narcotics and Law Enforcement Affairs	70	1	71
Bureau of Oceans and International Environmental and Scientific Affairs	6	0	6
Bureau of European and Eurasian Affairs <sup>a</sup>	3	0	3
Office of Global Women's Issues	2	0	2
<b>Total</b>	<b>11,363</b>	<b>790</b>	<b>12,153</b>

**Source:** RAM data.

<sup>a</sup> These totals include vetting requests submitted by overseas missions within the regional bureau's purview.

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