



UNITED STATES DEPARTMENT OF STATE  
AND THE BROADCASTING BOARD OF GOVERNORS  
*OFFICE OF INSPECTOR GENERAL*

# SEMIANNUAL REPORT TO THE CONGRESS

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*October 1, 2013 to March 31, 2014*



# SUMMARY OF OIG ACCOMPLISHMENTS

Financial Results	
Questioned costs	
Issued during the reporting period	\$0
Management decision during the reporting period	\$311,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$2,525,000
Management decision during the reporting period	\$17,516,000
<b>Investigative monetary recoveries</b>	<b>\$74,790,829</b>

Investigative Results	
Cases opened	27
Cases closed	14
Judicial actions	0
Administrative actions	7
Contractor/grantee suspension and debarment actions	7
Hotline and complaint activity	550

<b>Reports issued</b>	<b>31</b>
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<http://oig.state.gov>

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# TABLE OF CONTENTS

MESSAGE FROM THE INSPECTOR GENERAL.....	1
EXECUTIVE SUMMARY .....	3

## **DEPARTMENT OF STATE**

OIG MANAGEMENT ALERTS.....	11
OFFICE OF AUDITS .....	13
OFFICE OF INSPECTIONS.....	21
OFFICE OF INVESTIGATIONS.....	26
APPENDIX 1: INVESTIGATIVE ACTIVITIES.....	29
APPENDIX 2: REPORTS ISSUED.....	30
APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES .....	32
APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS.....	37
APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS .....	58
APPENDIX 6: PEER REVIEWS OF OIG OPERATIONS .....	59

## **BROADCASTING BOARD OF GOVERNORS**

OFFICE OF AUDITS .....	63
APPENDIX 1: INVESTIGATIVE ACTIVITIES.....	65
APPENDIX 2: REPORTS ISSUED.....	66
APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES .....	67
APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS.....	70
APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS .....	72

CONGRESSIONAL AND PUBLIC AFFAIRS ACTIVITIES.....	73
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ABBREVIATIONS.....	77
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On Tuesday, October 29, Steve A. Linick was sworn in as Inspector General for the Department of State and the Broadcasting Board of Governors by Secretary of State John F. Kerry.

# MESSAGE FROM THE INSPECTOR GENERAL

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Steve A. Linick

I am pleased to present the *Office of Inspector General Semiannual Report to the Congress* (SAR), which covers the period from October 1, 2013, to March 31, 2014.

This is my first SAR since being confirmed by the Senate and reporting for duty on September 30, 2013. During this reporting period, the Office of Inspector General (OIG) issued a total of 31 reports, including 17 audits and 7 inspection reports, along with 5 classified annexes covering security issues. Soon after joining OIG, I initiated the practice of sending out management alerts to senior Department of State (Department) and Broadcasting Board of Governors (BBG) officials in order to identify high-risk systemic issues requiring

prompt attention and risk mitigation. To date, OIG has issued two management alerts: one addressing significant vulnerabilities in the management of contract files with a combined value of \$6 billion and the other addressing recurring weaknesses in the Department's information-security program.

During this first reporting period, I focused on assessing OIG's strengths, weaknesses, challenges, and opportunities, meeting frequently with staff in OIG and constituencies throughout the Department, in Congress, and in the wider oversight community. OIG has dedicated auditors, inspectors, and investigators charged with oversight of the Department's activities at home and abroad—at more than 270 missions and other facilities worldwide. OIG is an organization with a rich history and a critical mission to provide in-depth oversight coverage and risk management. Our goal is clear—to act as a catalyst for effective management, accountability, and positive change for the Department, BBG, and the foreign affairs community.

During this reporting period, OIG's Office of Audits issued a number of noteworthy products, including:

- an assessment of the Department's process for requesting, prioritizing, and funding physical-security-related activities at overseas posts
- two reports on the Department's information-security program, resulting in issuance of a management alert to highlight the most prominent control weaknesses and underscore the importance of immediate corrective actions

- an assessment of the Department's process for selecting an outside contractor to prepare the Supplemental Environmental Impact Statement for the Keystone XL pipeline project
- an audit of the Department's selection and positioning of contracting officers' representatives and government technical monitors

OIG's Office of Inspections issued reports on two Department bureaus and five U.S. missions located in Bahrain, Bulgaria, El Salvador, Hungary, and Panama. These reports identified both the areas where posts or bureaus were functioning well and the areas for improvement, such as contract and grant management and foreign assistance oversight and coordination. In March 2014, I visited Embassy Kabul and observed the OIG team that was inspecting the Department's operations in Afghanistan. I also met with our audit and investigations staff resident in Kabul. We will publish the results of the Embassy Kabul inspection during the next reporting period.

OIG's Office of Investigations opened 27 cases and conducted 142 investigations of individuals and organizations during this reporting period. Procurement fraud continues to be a significant investigative focus, resulting in nearly \$75 million in ordered fines, restitution, and reimbursement from five individuals and organizations during the reporting period. As Co-Chair of the Suspension and Debarment Working Group for the Council of the Inspectors General on Integrity and Efficiency (CIGIE), I have placed a significant emphasis on suspension and debarment since my arrival at OIG. Most employees in our Office of Audits were recently trained on the latest processes and trends. In addition, OIG's Office of Investigations continued its active role in referring suspension and debarment cases to the Department's Office of the Procurement Executive. During this reporting period, OIG referred 11 cases, resulting in 7 suspensions or debarments.

Over the last six months, I have established sound working relationships with senior management at the Department and BBG. OIG will continue to work closely with the Department, BBG, and Congress to promote economy, efficiency, and effectiveness.

It is an honor to lead this talented OIG team. I thank our dedicated and hardworking professionals for their commitment to serving the public and acting with the highest standards of integrity.



Steve A. Linick  
Inspector General

# EXECUTIVE SUMMARY

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The auditors, inspectors, investigators, and other professionals in OIG promote effective management, accountability, and positive change in the Department, BBG, and the foreign affairs community. During this reporting period, OIG issued 31 reports with recommendations to improve Department and BBG programs and operations, and identified nearly \$78 million in cost efficiencies, including investigative recoveries and funds to be put to better use. For a full list of reports issued during this period, see Appendix 2 of each agency section of this report.

At the close of the reporting period, the Department had not made decisions in more than 6 months on \$391 million in costs that OIG had questioned or identified as funds that could be put to better use.

This *Semiannual Report to the Congress* summarizes OIG's work during the period October 1, 2013, through March 31, 2014. Classified issues are addressed in a classified annex to this report.

## **OIG Recipients of the 2013 Council of the Inspectors General on Integrity and Efficiency Awards for Excellence**

The 2013 CIGIE Awards recognized outstanding achievements by OIG employees in the performance of their official duties. Recipients were selected from nominees across the entire Federal inspector-general community, and OIG employees from audits and investigative teams received the following awards in October:

**Special Act Award for Excellence:** In recognition of exceptional performance in establishing a highly effective Suspension and Debarment Program within OIG and the Department of State, which resulted in successfully safeguarding U.S. Government interests.

**Audit Award for Excellence:** In recognition of exceptional work in conducting an audit of the Worldwide Protective Services Contract for Baghdad Movement Security that contributed to improved efficiency and contract management and identified about \$362 million in cost savings.

## AUDITS

OIG issued numerous audit reports intended to improve the Department's performance in areas of high risk, including the protection of people and facilities, information security and management, and contracts and procurement management. Key findings include:

- **Keystone XL Pipeline.** OIG initiated a follow-up review in September 2013 to determine whether the Department's process used to select a third-party contractor for the Keystone XL supplemental environmental impact statement (SEIS) review followed prescribed guidance and whether the process used to review related organizational conflicts of interest was effective. OIG found that the process that the Department used to select a third-party contractor for the SEIS review substantially followed prescribed guidance and at times was more rigorous than that guidance. However, OIG made four recommendations intended to improve the documentation and public disclosure of the Department's contractor selection and conflict-of-interest review processes.
- **Physical Security.** In the wake of the fatal September 2012 attacks against diplomatic facilities in Benghazi, Libya, and the subsequent compound closures resulting from protest violence and credible threats in North Africa and the Middle East, OIG completed two audits related to security. In an audit of Emergency Action Plans for the U.S. Mission in Pakistan, OIG determined that, although the mission practiced periodic emergency planning, training, and drills, the Emergency Action Committees for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar had not ensured that necessary resources were available to respond to emergency situations, potentially jeopardizing the security of Department personnel and property.

OIG also contracted with an independent external auditor to assess the process to request and prioritize funds to meet the physical-security requirements of overseas activities. OIG reported that the Department lacked standardized and documented policies and procedures for these processes, and that a significant number of post officials had reported dissatisfaction with the timeliness and sufficiency of the Department's responses to physical-security needs. Further, OIG found that the Department had not maintained comprehensive lists of reported physical-security deficiencies or related funding requests, hindering the Department's ability to correct the highest-priority physical-security needs and to adequately mitigate vulnerabilities to threats at overseas posts.

- **Information Security.** As the Department is entrusted to safeguard classified information vital to the preservation of national security in high-risk environments across the globe, OIG completed two assessments of the Department's information-security program. In accordance with the Federal Information Security Management Act of 2002 (FISMA), OIG contracted with an independent external auditor to analyze the Department's compliance with Federal

laws, regulations, and standards related to information security. Although the Department made progress toward strengthening its information-security program, OIG identified several significant and recurring deficiencies in six areas that could negatively impact the Department's ability to protect sensitive and classified information, which OIG considers overall to be a significant deficiency. Because multiple and recurring issues surfaced during OIG's annual reviews of the Department's information-security program since FY 2011, OIG issued a management alert to highlight the most prominent control weaknesses and to underscore the importance of immediate corrective actions.

- **Contract and Grant Management.** The Department is responsible for the proper management, oversight, and accountability of more than \$8 billion in worldwide contracts and procurement activities, including grants and cooperative and interagency agreements. In an audit of the Department's selection and positioning of contracting officers' representatives (CORs) and government technical monitors (GTMs), who are charged with the oversight and administration of acquisition duties, OIG found significant weaknesses in COR-related internal controls as well as COR workforce management, planning, policies, and guidance, which could result in mismanagement of Department contracts and procurement activities.

An audit of the Department's closeout process for contracts supporting the U.S. Mission in Iraq, conducted by an independent external audit firm contracted by OIG, determined that the Department had not established comprehensive procedural guidance or tracking mechanisms for the contract closeout process and had not consistently complied with Federal and Department requirements for 115 Iraq-related contract task orders reviewed. As a result, the risk of financial mismanagement had increased. OIG reported, for example, that \$38.7 million had not been deobligated in a timely manner, and funds expired before they could be reobligated, preventing their use for other purposes.

## INSPECTIONS

OIG issued inspection reports on five overseas posts and two domestic bureaus during this reporting period. OIG also issued five classified annexes covering security issues at the posts inspected. These inspection reports noted areas where posts or bureaus were functioning well, in most cases advancing U.S. policy priorities, and identified four best practices. These are key findings and recommendations aimed at making improvements:

- OIG's inspection of the Bureau of Conflict and Stabilization Operations identified weaknesses in contractor management and found that the bureau's mission was unclear to many in the Department and to interagency partners.

- At Embassy Manama, OIG identified several issues, including a failure to maintain a robust planning process, sparse economic reporting, and deficiencies in management controls, especially in procurement.
- OIG's inspection of Embassy San Salvador identified the need for a comprehensive inventory of foreign assistance programs, which have totaled \$1 billion over the last 5 years. OIG recommended that the embassy review the inventory regularly to ensure proper oversight and policy coordination.
- OIG also identified a number of missions and bureaus that had difficulties cataloging, coordinating, and providing adequate oversight of foreign assistance programs. At one post, a Department review found deficiencies in grant files, including inconsistent plans for monitoring and managing risks.

## INVESTIGATIONS


During this reporting period, OIG conducted numerous investigations involving procurement fraud, which continues to be the Office of Investigation's primary focus. These were the most significant:

- A joint investigation involved allegations of inflated cost and pricing data on a Department task order for a contract executed in Iraq. The investigation determined that the Department significantly overpaid on the task order as a result of overbilling by the contractor. The contractor agreed to reimburse the Department \$64,347,239 for the amount of the overpayment.
- Another joint investigation involved allegations of double billing by a Department grant recipient in Afghanistan. A financial audit determined that \$861,426 in costs between the various grant amendments was deemed unallowable. On November 27, 2013, the Department grants specialist issued a letter to the grantee advising that \$861,426 in costs would be unallowable and that the Department intended to take measures to recover the costs.
- A joint investigation involved a Department-funded contract in Afghanistan. The investigation determined that the owner of the contract company was provided bid information by a government employee. The government terminated the contract for default, thereby incurring a cost savings of \$1,714,269.
- An investigation involving allegations of theft of \$49,130 in grant funds by a grantee in Afghanistan determined that the grantee received the funds but did not produce the product required by the terms of the grant. The case was referred to the local Afghan Attorney General's office. The Department debarred the grantee and her company for a period of 3 years.

## **INTERNATIONAL BROADCASTING**

During this reporting period, OIG released three reports on BBG operations and programs. OIG contracted an independent auditor to perform an audit of the BBG information-security program's compliance with Federal laws, regulations, and standards. The contractor found that BBG had implemented an information-security program, but it identified control weaknesses that significantly affect the program. In a separate audit of BBG's 2013 financial statements, an independent external auditor found material weaknesses and a significant deficiency in internal control over financial reporting. OIG released a management letter related to the audit of BBG's 2013 financial statements, recommending that BBG take corrective action.





# DEPARTMENT OF STATE



# OIG MANAGEMENT ALERTS

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In November 2013, OIG released its first management alert—a new oversight product meant to promptly inform management officials of systemic risks or deficiencies that require urgent attention. In the first alert, OIG addressed longstanding deficiencies in the Department’s system for managing sensitive information. In a second alert, issued in March 2014, OIG summarized the 6 years of OIG findings identifying failures to maintain contract files for more than \$6 billion in contracts. OIG publishes these alerts on its website at [oig.state.gov](http://oig.state.gov), along with management responses and subsequent actions taken to resolve outstanding issues.

## ***Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program (MA-A-0001)***

OIG issued this management alert in November 2013 to elevate to the Department’s Management Control Steering Committee the significant and recurring weaknesses reported by OIG in its last three annual reports (FY 2011–FY 2013) on the Department’s compliance with the Federal Information Security Management Act (FISMA). Because these recurring weaknesses continue to put at significant risk the integrity of the Department’s overall information-security program, OIG has designated the collective weaknesses as a significant deficiency, requiring immediate corrective action, as defined by Office of Management and Budget. Pursuant to the Federal Managers Financial Integrity Act (FMFIA), OIG recommended that the Department externally report the deficiency as a material weakness and include the finding in the Department’s FMFIA annual statement of assurance. OIG also recommended that the Bureau of Information Resource Management develop a comprehensive corrective action plan, including independent penetration testing to further evaluate the program and outline a range of technical and procedural countermeasures to reduce risk. The Department concurred in part. During its FY 2014 FISMA audit, OIG will be conducting penetration testing of the Department’s IT enterprise systems.

## ***Management Alert: Contract File Management Deficiencies (MA-A-0002)***

As a result of collaborative efforts between the Offices of Audits, Inspections, and Investigations, OIG issued a management alert that identified more than \$6 billion in Department contracts over a 6-year period for which contract files were incomplete or could not be located. OIG determined that this failure to adequately maintain contract files created significant financial risk and demonstrated a lack of internal control over the Department’s contracting actions. OIG recommended that the Department’s Bureau of Administration, Office of the Procurement Executive, develop

and implement a process to randomly sample and verify the completeness of contract files and provide results of its reviews of this new process to pertinent Department officials. OIG also recommended that the Under Secretary for Management ensure that contracting officers, support personnel, and specialists who conduct oversight visits have sufficient resources to maintain contract files in accordance with relevant regulations and policies. The Department agreed to the recommendations.

# OFFICE OF AUDITS

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## AUDIT COMPLIANCE

### ***Compliance Follow-up Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change (AUD-ACF-14-16)***

OIG performed a compliance follow-up audit of its *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change* (AUD/CG-12-40, July 2012) to evaluate the corrective actions taken by the Department in response to its original report. Overall, OIG found that the Department was making progress in addressing the deficiencies identified and in implementing the corrective actions recommended in AUD/CG-12-40. With the issuance of this follow-up report, OIG closed the remaining open recommendations from the original report. This follow-up report contains eight reissued or modified recommendations and one new recommendation for actions necessary to meet the intent of the original report.

## CONTRACTS AND GRANTS

### ***Audit of Department of State Selection and Positioning of Contracting Officer's Representatives (AUD-CG-14-07)***

OIG initiated this audit to determine the extent to which the Department's CORs and GTMs were selected and positioned to successfully perform their assigned contract administration and oversight responsibilities. OIG examined one contract judgmentally selected from each of four bureaus: the Bureau of African Affairs (AF), the Bureau of International Narcotics and Law Enforcement Affairs (INL), the Bureau of Near Eastern Affairs, and the Bureau of Overseas Buildings Operations.

OIG found that COR and GTM experience, positioning, and oversight were adequate for three of the four contracts reviewed. For the fourth contract, however, OIG found inadequate COR experience, positioning, and oversight within AF, which resulted in AF's use of third-party contractors to perform inherently governmental functions. OIG also found significant COR related internal control weaknesses. Specifically, Department-wide COR workforce management and planning needed to be improved, and certain Department COR-related policies required implementation guidance to be effective.

OIG made recommendations to improve contract administration and oversight within AF, such as requiring prior contract oversight experience for individuals who would perform COR related duties and pursuing all opportunities to employ Government employees rather than contractors for COR duties. To improve COR workforce management and policies, OIG recommended specifying the types of information that should be documented in COR nomination memoranda; and to improve acquisition workforce planning efforts, that the Department request input from all bureaus for use in developing the annual Acquisition Human Capital Plan.

## **FINANCIAL MANAGEMENT**

### ***Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management (AUD-FM-14-01)***

Under OIG's direction, an independent external auditor performed agreed-upon procedures as required by an Office of Management and Budget Bulletin criterion. These procedures were performed to assist the Office of Personnel Management in assessing the reasonableness of withholdings and contributions for retirement, health benefits, and life insurance, as well as enrollment information submitted via the Semiannual Headcount Report. The auditor performed additional procedures to assist the Office of Personnel Management in identifying and correcting errors relating to processing and distributing Combined Federal Campaign payroll deductions. In general, the auditor identified no reportable differences as a result of applying the majority of the procedures. However, the auditor reported some differences as a result of applying procedures relating to life-insurance and health-benefit elections, contributions, and withholdings; the Semiannual Headcount Report; and accounting codes and the official duty stations of employees with Combined Federal Campaign deductions.

### ***Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Closing Package Financial Statements (AUD-FM-14-09)***

An independent external auditor reviewed the Department's closing-package financial statements as of the end of fiscal years 2012 and 2013. The auditor found that, in accordance with accounting principles generally accepted in the United States of America, the closing-package financial statements presented fairly, in all material respects, the financial position of the Department, its net costs and changes in net position, as the years ended on September 30. The auditor identified no material weaknesses in internal control over the financial reporting process for the closing-package financial statements, and the auditor's tests for compliance with Department of the Treasury requirements disclosed no instances of noncompliance that were required to be reported.

***Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements (AUD-FM-14-10)***

An independent external auditor reviewed the Department's closing-package financial statements as of the end of fiscal years 2012 and 2013. The auditor found that, in accordance with accounting principles generally accepted in the United States of America, the closing-package financial statements presented fairly, in all material respects, the financial position of the Department, its net costs and changes in net position and budgetary resources, as the years ended on September 30.

The auditor found certain reportable deficiencies in internal control. Specifically, the auditor found significant deficiencies in the internal control over financial reporting, property and equipment, budgetary accounting, unliquidated obligations, Foreign Service Retirement and Disability Fund data, and information technology. The auditor also found instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements, including instances in which the Department's financial management systems did not substantially comply with the requirements of the Federal Financial Management Improvement Act.

***Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2013 and 2012 Financial Statements (AUD-FM-14-12)***

An independent external auditor reviewed the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC) consolidated financial statements as of the end of fiscal years 2012 and 2013. The auditor found that, in accordance with accounting principles generally accepted in the United States of America, the consolidated financial statements presented fairly, in all material respects, the financial position of the Department, its net costs and changes in net position and budgetary resources, as the years ended on September 30.

The auditor found certain reportable deficiencies in internal control over financial reporting. Specifically, the auditor found significant deficiencies in the internal control over information technology and property and equipment.

***Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, FY 2013 Financial Statements (AUD-FM-14-13)***

During the audit of USIBWC's 2013 financial statements, the independent external auditor identified internal control weaknesses relating to obligation validity and environmental liabilities. The external auditor recommended that USIBWC take appropriate action to address these weaknesses.

***Audit of the Process to Request and Prioritize Physical Security-Related Activities at Overseas Posts (AUD-FM-14-17)***

The Secretary of State has responsibility for the protection of more than 86,000 U.S. Government employees from more than 30 agencies who work or live in Government-owned or long-term leased buildings in overseas locations. A fundamental component of protecting these employees is maintaining sufficient physical security at these locations. OIG contracted with an independent external auditor to accomplish the following:

- identify the FY 2012 funding mechanisms and amounts expended for physical-security-related activities
- determine whether the process used to request funds for physical-security needs was easy to use and understood by post security officials
- determine to what extent the Department used physical-security funds for high-priority physical-security needs at overseas posts during FY 2012

The external auditor found that the Department funded FY 2012 activities related to physical security primarily with funds received for Worldwide Security Upgrades, which amounted to \$775 million in FY 2012. The Department also received \$511.4 million from other agencies at overseas posts through cost-sharing agreements. In addition, other appropriated funds were used for physical-security needs, including funds received for Repair and Construction, Overseas Contingency Operations, and Worldwide Security Protection. The auditor identified physical-security-related expenditures amounting to \$76.1 million for Worldwide Security Upgrades and \$48 million for Worldwide Security Protection. However, the auditor could not identify all FY 2012 expenditures because the Department did not, and was not required to, discretely track all physical security expenditures.

The auditor found that the majority of post security officials responding to an OIG questionnaire believed that the processes to request funds for physical security-related needs were clear and easy to use. However, a significant number of the officials believed the processes were unclear and difficult, and they expressed dissatisfaction with the timeliness or sufficiency of the responses received to their formal requests for physical-security funding. The lack of understanding, perceived complexity of the processes, and dissatisfaction with responses to requests occurred because the Department had not developed standardized and documented policies and procedures for requesting funding for most physical-security needs. These shortcomings may prevent the posts from addressing their physical-security needs adequately and promptly.

The auditor could not determine the extent to which the Department used physical-security funds for high-priority physical-security needs during FY 2012 because the Department did not have complete information to prioritize those needs. Specifically, the bureaus responsible for ensuring that the Department's overseas facilities are safe and secure, Diplomatic Security and Overseas Buildings Operations, did not have

a comprehensive list of physical-security deficiencies at all overseas posts or a list of posts' FY 2012 requests for funding and the disposition of those requests. In addition, neither bureau had formal processes to prioritize physical-security needs, sufficient formal processes for coordinating the establishment of standards to help determine priorities and facilitate agreement on funding decisions, or a comprehensive long-range physical-security plan. As a result, the Department could not ensure that the highest priority physical security-related needs at overseas posts were corrected and that posts' vulnerability to threats had been sufficiently reduced.

OIG recommended that the Department develop and implement standard policies and procedures for requesting funds and responding to posts' requests; collect and maintain a comprehensive list of all posts' physical-security deficiencies; develop and implement formal, standardized processes to prioritize physical-security deficiencies; and better define the roles and responsibilities of the bureaus in these processes.

***Independent Review of the U.S. Department of State Accounting of FY 2013 Drug Control Funds and Related Performance Report (AUD-FM-14-19)***

OIG independently reviewed the assertions made in the Department's accounting of FY 2013 drug-control funds and related performance report, which was submitted to the Director of the Office of National Drug Control Policy (ONDCP) in compliance with ONDCP guidance. OIG's review did not identify any evidence to suggest that the management assertions included in the report were not fairly stated, in all material respects, based upon the guidance.

## **INFORMATION TECHNOLOGY**

***Audit of Department of State Information Security Program (AUD-IT-14-03)***

In accordance with FISMA, OIG contracted with Williams, Adley & Company-DC, LLP to perform an independent audit of the Department Information Security Program's compliance with Federal laws, regulations, and standards established by FISMA, the Office of Management and Budget (OMB), and the National Institute of Standards and Technology (NIST).

Overall, Williams, Adley & Company-DC, LLP found that the Department had implemented an information-security program and had made progress during FY 2013, but auditors identified deficiencies that could impact the information-security program and made recommendations to address these deficiencies.

## MIDDLE EAST REGION OPERATIONS

### ***Audit of Department of State and Embassy Kabul Planning for the Transition to a Civilian-Led Mission in Afghanistan (AUD-MERO-14-05)***

The U.S. Mission in Afghanistan is scheduled to transition from a predominantly military-led to a civilian-led mission in December 2014. OIG found that Embassy Kabul had generally engaged in effective planning for the transition by instituting a programmatic approach to the transition and by incorporating lessons learned from the Iraq transition. Specifically, Embassy Kabul had established a transition organization, developed strategic and operational transition plans, established lines of communication with other transition stakeholders, implemented a process for monitoring and reviewing transition tasks, and utilized the expertise of subject matter experts. However, OIG also found that key decisions cannot be timely made until the U.S. military presence post-2014 is clarified. Without timely key decisions, the embassy will potentially be unable to fully prepare for the transition from a military-led to civilian-led mission in Afghanistan. OIG's report did not contain any recommendations.

### ***Audit of the Contract Closeout Process for Contracts Supporting the U.S. Mission in Iraq (AUD-MERO-14-06)***

Since March 2003, the Department has contracted for goods and services to support the U.S. Mission in Iraq. According to USASpending.gov, the Department's contracting activity for Iraq increased from 50 contract actions, totaling approximately \$311 million in FY 2004, to 1,604 contract actions, totaling approximately \$1.3 billion in FY 2012. Contract closeout, the final phase in a contract's lifecycle, is a key step in ensuring that the Department receives the appropriate goods and services at the agreed-upon price.

OIG contracted with an external audit firm to determine whether the Department had effectively and efficiently closed contracts supporting the U.S. Mission in Iraq. The firm, acting under OIG's direction, specifically determined whether the Department had complied with Federal and Department contract closeout requirements and whether the Department had reviewed and identified funds remaining on physically completed contracts that could be deobligated.

The audit firm determined that the contract closeout teams and the contracting officers (COs) had not consistently met Federal and Department contract closeout requirements for the 115 Iraq-related contract task orders included in the review because the Department had not established comprehensive procedural guidance for contract closeout or ensured that existing guidance was accurate. Additionally, the Department did not have a system in place for tracking the contract and task-order periods of performance so that the COs could identify and monitor contracts and

task orders nearing physical completion. As a result, the risk of financial mismanagement was increased, and, as of May 10, 2013, \$38.7 million had not been deobligated in a timely manner and had expired, preventing its use for other purposes.

OIG recommended that the Bureau of Administration revise Department guidance to provide detailed and comprehensive procedures for closing contracts, to require COs to insert applicable Federal requirement information in all cost-reimbursable contracts, and to reflect the proper steps for requesting an audit of incurred costs. OIG also recommended that the Department develop and implement an automated application to track contract status from award through contract closeout, and an e-Filing policy and document management system to provide effective contract file management.

***Audit of Emergency Action Plans for U.S. Mission Pakistan  
(AUD-MERO-14-08)***

OIG conducted an evaluation to determine whether the U.S. Mission in Pakistan had comprehensive, up-to-date, and adequately tested emergency action plans (EAPs).

OIG determined that the Bureau of Diplomatic Security (DS) approved the EAPs for Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar. In addition, the Embassy and Consulates General made personnel aware of their respective EAPs and periodic planning, training, and drills. However, the Emergency Action Committees at each location had not ensured that certain resources were available to respond to some emergencies.

OIG recommended that Embassy Islamabad and Consulates General Karachi, Lahore, and Peshawar ensure that their EAPs are updated and practiced, and that resources, services, and capacities are sufficient to respond to emergencies. OIG also recommended that DS validate the adequacy of EAPs at high-threat posts, such as the U.S. Mission in Pakistan.

## **SECURITY AND INTELLIGENCE**

***Keystone XL Pipeline Project Compliance Follow-up Review: The Department of State's Choice of Environmental Resources Management, Inc., To Assist in Preparing the Supplemental Environmental Impact Statement (AUD-SI-14-20)***

OIG initiated this follow-up review to determine how well the process used to select Environmental Resources Management, Inc. (ERM) followed prescribed guidance and to determine how effective the revised process was in assessing and addressing organizational conflicts of interest for third-party contractors.

OIG found that the process the Department used to select ERM to help prepare the Keystone XL Supplemental Environmental Impact Statement substantially followed its prescribed guidance and, in some cases, was more rigorous than that guidance. Although in two instances the Department made reasonable deviations from its prescribed guidance, OIG found that these deviations did not adversely affect the selection process. OIG also found that the process the Department used to assess organizational conflicts of interest was effective in that (i) a reasonable review was undertaken to independently evaluate ERM's certification that it had no organizational conflict of interest and (ii) the process achieved its intended result.

However, OIG did find that the process for documenting the contractor-selection process, including the conflict-of-interest review, can be improved. For example, the Department did not document its internal substantive analyses of the specific organizational conflict of interest issues it reviewed prior to May 2013. Additional documentation would help ensure effective management and oversight of this process. The Department has acknowledged that its internal formal documentation could be improved and has begun more fully documenting its conflict of interest analysis. OIG also found that the Department's public disclosures concerning its conflict-of-interest review could be improved.

OIG made four recommendations intended to improve the documentation and public disclosure of the contractor selection process and conflict-of-interest review process. The Department concurred with all four:

- Enhance Department guidance to more fully articulate its selection and conflict of interest review processes.
- Explain in greater detail the definition of organizational conflict of interest relied upon by the Department.
- Specify in Department guidance the documentation required in the contractor-selection and conflict-of-interest processes, and establish standard operating procedures to capture and retain this information.
- Enhance Department guidance to integrate a process for public disclosure of appropriate information.

# OFFICE OF INSPECTIONS

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## DOMESTIC OFFICES

### *Inspection of the Bureau of Economic and Business Affairs (ISP-I-14-01)*

The Bureau of Economic and Business Affairs lacked an overall strategic focus. A proliferation of special Department offices whose mandates overlap with the bureau's responsibilities led to confusion and duplication. Bureau structure and staffing reflected outdated missions and priorities, and stronger leadership was required on trade and finance. OIG made recommendations to redeploy resources and streamline bureau operations.

### *Inspection of the Bureau of Conflict and Stabilization Operations (ISP-I-14-06)*

The mission of the Bureau of Conflict and Stabilization Operations was unclear to many in the Department and to interagency partners. The bureau did not follow Department regulations and procedures in several areas, including travel and hiring. The team identified weaknesses in contractor management, including oversight, security-clearance vetting, performance of inherently governmental functions, and contract files. OIG made recommendations to address these deficiencies.

## OVERSEAS MISSIONS

### **Bureau of European and Eurasian Affairs**

#### *Inspection of Embassy Budapest, Hungary (ISP-I-14-03A)*

Embassy Budapest had a good strategic plan with priorities appropriate for the complexities of U.S.-Hungary bilateral relations. The public-affairs section reflected these priorities in its work, but other sections needed to develop reporting, representation, and travel plans in line with priorities established in the strategic plan. The embassy delivered adequate management services but could perform more effectively by improving decision making, simplifying routine processes, and enhancing collaboration. OIG made recommendations to address deficiencies in reporting, representation, and management.

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### **INNOVATIVE PRACTICE: Ambassador’s Public Diplomacy Strategic Plan—Electronic Calendar at Embassy Budapest**

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All U.S. missions are required to draft an Integrated Country Strategy, but public events or projects are sometimes not coordinated across the mission or specifically tied to the Integrated Country Strategy goals. Embassy Budapest created an electronic calendar that tracks the mission’s public events according to Integrated Country Strategy goals, listing planned projects, dates, venues, mission goal and objective, and responsible mission section, with a social-media plan for each item.

***Benefit:*** The strategic calendar is a useful management tool for the embassy front office and members of the country team. Public diplomacy plans are amplified through media outreach, Web site, and social media.

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### **INNOVATIVE PRACTICE: Arrivals and Departures—Collaboration Database at Embassy Budapest**

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Information sharing and data synchronization is critical to the success of an embassy’s mission. However, Personally Identifiable Information issues and other privacy policies often prevent sections from sharing commonly gathered data. At Embassy Budapest, the information systems officer created a list-based system using Microsoft SharePoint that allows various sections to synchronize and share commonly gathered data without violating privacy policies. Users can upload data to a list, and each section’s view is restricted to only the information that they needed to know.

***Benefit:*** The SharePoint-based system provides a simple interface that increases information accuracy and protects Personally Identifiable Information.

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### ***Inspection of Embassy Sofia, Bulgaria (ISP-I-14-02A)***

Embassy Sofia produced generally timely, high-quality analytical reporting on Bulgaria's politics, human rights, legal reform, and the burgeoning bilateral security relationship. However, the mission needed to link travel, reporting and representation plans, and schedules to strategic goals. OIG made recommendations to correct these deficiencies

## **Bureau of Near Eastern Affairs**

### ***Inspection of Embassy Manama, Bahrain (ISP-I-14-07A)***

Embassy Manama and the large U.S. Navy contingent in Bahrain did a good job coordinating their efforts to advance military cooperation and address human rights concerns during a time of political division within the country. However, the team identified several issues, including the Ambassador's leadership style and failure to maintain a robust planning process, sparse economic reporting, and deficiencies in management controls, especially in procurement. OIG recommended that the embassy address management control deficiencies and correct problems in other areas.

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#### **INNOVATIVE PRACTICE: Mobile Internet Routers in Welcome Kits at Embassy Manama**

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In Manama, it often takes up to a month to obtain the necessary local documentation and make arrangements to secure residential Internet connectivity. The lack of connectivity during this waiting period often complicated communications for families, including emergency notifications. In response, Embassy Manama purchased a number of mobile Internet routers and included one in each newcomer's welcome kit. New arrivals can use the mobile router for up to a month, after which, they must return it to the General Services Officer for inclusion in the next welcome kit.

***Benefit:*** New arrivals are able to connect to the Internet upon arrival, which contributes to their smooth transition and increases productivity.

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## Bureau of Western Hemisphere Affairs

### *Inspection of Embassy Panama City, Panama (ISP-I-14-04A)*

Embassy Panama City was working productively with Panama to improve law-enforcement cooperation, consolidate democratic institutions, and expand economic opportunity and transparency. The closure of the U.S. Agency for International Development (USAID) mission after 51 years marked a successful milestone in Panama's economic development, but the embassy needed support from USAID to manage legacy assistance activities that taxed embassy resources. The embassy had successfully accommodated large staffing increases but needed to increase support personnel to continue to deliver adequate services. OIG made recommendations to address these concerns.

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#### **INNOVATIVE PRACTICE: Use of Windows 7 Deployment Tool at Embassy Panama City**

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Embassy Panama City faced a tight deadline to upgrade network computers in time for use by senior-level visitors. Upgrading the mission's 245 computers would normally take a month. The information-management team used remote desktop installation services to perform the upgrade quickly without having to physically access all workstations.

**Benefit:** Embassy Panama City deployed Windows 7 on 245 workstations in 10 business days—about half the time usually required for an upgrade of this type. The Department praised the mission's innovative use of technology to achieve this objective.

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### *Inspection of Embassy San Salvador, El Salvador (ISP-I-14-05A)*

Embassy San Salvador was functioning as a cohesive mission that effectively promotes U.S. interests in El Salvador. However, the embassy needs to create a comprehensive inventory of foreign assistance programs, which totaled \$1 billion over the last 5 years, and should review the inventory regularly to ensure proper oversight and policy coordination. The consular section had outgrown its space because demand for immigrant visa services had doubled over the last 5 years. OIG made recommendations to centralize and designate responsibility for all foreign assistance activities and to address Embassy San Salvador's space needs.

## **Systemic Issues Noted During OIG Inspections**

### **Foreign Assistance Oversight and Coordination**

A number of missions and bureaus have difficulty cataloging, coordinating, and overseeing assistance programs. At Embassy San Salvador, where U.S. Government foreign assistance programs totaled \$1 billion over the last 5 years, OIG found the mission lacked a comprehensive inventory of assistance programs, increasing the chance of duplication. Embassy personnel were not aware of bureau-funded grants totaling \$717,000 and \$250,000, and they had not been briefed on the results of a Department of Labor review of grants totaling \$14 million. In FY 2013, OIG issued recommendations to address deficiencies in foreign assistance oversight during inspections of Embassies Juba, Khartoum, Baghdad, Moscow, Manila, Rabat, Kyiv, and the Offices to Monitor and Combat Trafficking in Persons and the U.S. Global AIDS coordinator. OIG also found deficiencies in foreign assistance coordination during the inspections of Embassies Juba, Kyiv, Rabat, and Baghdad.

OIG found that the Bureau of Conflict and Stabilization Operations (CSO) had to compete with other bureaus and agencies to obtain reprogrammed funds to engage in programs overseas because it did not receive appropriated foreign assistance funds. Many CSO staff members told OIG they engaged in programs overseas to increase their relevance and influence within the Department and interagency community. OIG noted that CSO should only compete for program resources when no other appropriate entity is available to implement a program deemed necessary to avoid or mitigate conflict

### **Grants**

During the inspection of Embassy Panama City, where the Department awarded 177 grants totaling \$7.6 million over 5 years, OIG found that grant management responsibilities were too widely disbursed, making it difficult to ensure consistent oversight. Improvements were particularly important because several of the grantees were considered high-risk and required increased monitoring. A recent OIG review found that grant files did not consistently include plans for managing and monitoring risk and were not properly organized or closed out. OIG also found Department officers assigned to represent USAID at semiannual meetings for three foundations did not have the required legal expertise to do so.

OIG found that Embassy San Salvador lacked trained grants officer representatives to oversee foreign assistance programs, including two Bureau of International Narcotics and Law Enforcement grants totaling more than \$2 million. During the inspection of CSO, OIG found that new program officers and grants officer representatives were confused about their roles, the role of the grants officer, and the role of the grantees.

# OFFICE OF INVESTIGATIONS

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## CONTRACT FRAUD

OIG conducted a joint investigation involving allegations of inflated cost and pricing data on a Department task order for a contract executed in Iraq. The investigation determined that as a result of overbilling by the contractor, the Department significantly overpaid on the task order. On October 9, 2013, the contractor agreed to reimburse the Department \$64,347,239 for the amount of the overpayment.

OIG conducted a separate investigation of a Department-funded contract in Afghanistan with other Federal law-enforcement agencies. The investigation determined that the owner of the contract company was provided bid information by a government employee. The government terminated the contract for default, thereby incurring a cost savings of \$1,714,269. The investigation remains ongoing.

## GRANT FRAUD

OIG conducted an investigation involving allegations of theft of \$49,130 in grant funds by a grantee in Afghanistan. The investigation determined that the grantee received the grant funds but did not produce the product that was required by the terms of the grant. On September 23, 2013, the Department of Justice declined the case for criminal prosecution and deferred such action to the local Afghan Attorney General's office. On October 23, 2013, the Department debarred the grantee and her company for a period of three years.

OIG conducted a joint investigation pertaining to possible double billing by a Department grant recipient in Afghanistan. A financial audit undertaken during the course of the investigation determined that \$861,426 in costs between the various grant amendments was deemed unallowable. On November 27, 2013, the Department grants specialist issued a letter to the grantee advising it of the \$861,426 in unallowable costs and the Department's intent to recover those costs.

## VISA FRAUD

OIG conducted an investigation involving allegations of a widespread visa fraud scheme perpetrated by a husband and wife. The investigation confirmed the allegations, and both individuals were indicted and convicted of False Statements, Conspiracy to Commit Immigration Document Fraud, and Passport Forgery. On October 1, 2013, the husband was sentenced to 3 years probation and 60 days of intermittent confinement and the wife was sentenced to 3 years probation.

## **KICKBACKS AND GRATUITIES**

OIG conducted an investigation involving three locally employed (LE) staff members in Iraq who allegedly received payment from a vendor for the authorized removal of recyclable waste. The investigation determined that an American embassy employee was aware of the payments to the LE personnel and he conspired with them to conceal the funds. The American employee was curtailed from post, and on February 25, 2014, the Bureau of Human Resources proposed that he be suspended for 20 days. The three LE staff members were terminated from employment.

## **FOLLOW-UP ACTIONS**

### **Department Contract Employee and Spouse Sentenced in Fraud Case**

OIG conducted a joint investigation involving a contract employee who was alleged to have steered Department contracts and task orders to a company owned by her husband after she had attempted to conceal the marriage from the Department. The investigation determined that the contract employee steered more than \$39 million in Department contracts to a company she and her husband controlled. Both subjects pled guilty to Major Fraud Against the United States and multiple counts of Conspiracy to Commit Illegal Monetary Transactions and Illegal Monetary Transactions.

On December 6, 2013, the contract employee was sentenced to 24 months in prison, and her husband received an 18-month sentence. The subjects were also ordered to forfeit to the U.S. government a total of \$7,864,795 that was determined to have been proceeds of the fraud. For more details, see *OIG's Semiannual Report to the Congress: April 1, 2013 to September 30, 2013*, p. 33.

### **Department Contract Employee Sentenced for Accepting Illegal Gratuity**

OIG conducted an investigation pertaining to allegations that a personal-services contract employee working for the Department in Afghanistan solicited money from contractors in exchange for awarding and/or manipulating the awarding of Department contracts. During the investigation, the contract employee admitted to OIG that he received a \$30,000 cash payment from a Department contractor. On September 19, 2013, the contract employee pled guilty to Receipt of an Illegal Gratuity by a Public Official.

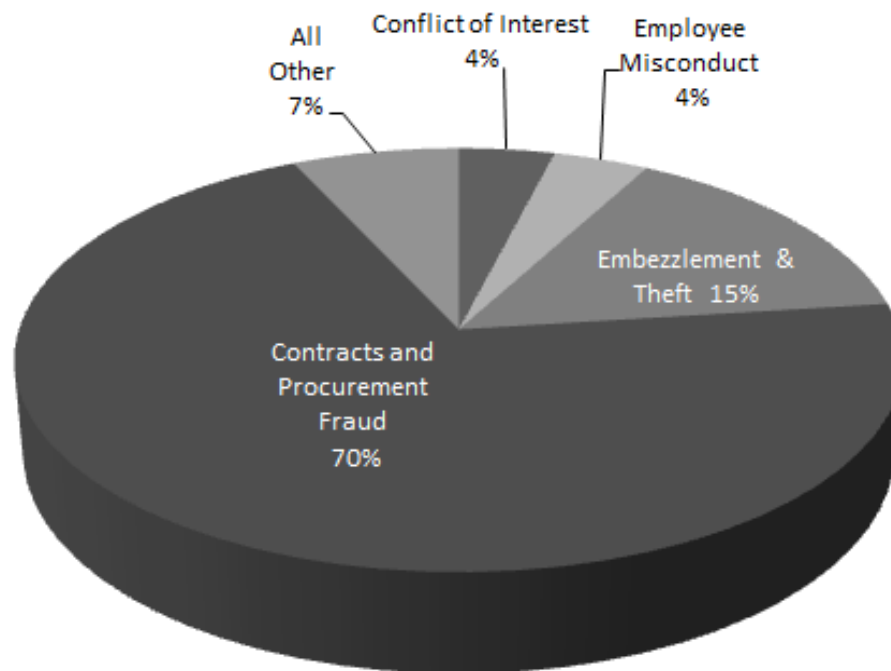
On January 14, 2014, the employee was sentenced to 12 months of probation, a \$3,000 fine and a \$100 Special Assessment. On January 27, 2014, the Department barred him from involvement in future contacting. For more details, see *OIG's Semiannual Report to the Congress, April 1, 2013 to September 30, 2013*, p. 33.

## INVESTIGATIVE DATA

### Hotline

Total Complaints Received	550
Referral to Other Offices for Action	449
Held for Action Within OIG	54
No Action Necessary	47

### Types of Cases



# APPENDIX 1: INVESTIGATIVE ACTIVITIES

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<b>Preliminary Inquiries</b>	
Opened	17
Closed	17
<b>Investigations</b>	
Opened	27
Closed	14
Pending (03/31/14)	138
<b>Criminal Actions</b>	
Referrals for Prosecution	8
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	44
Sentencings (Months Probation)	132
Declinations	14
<b>Civil Actions</b>	
Civil Referrals	3
Civil Judgments	0
Civil Declinations	1
<b>Administrative Referrals</b>	
Referrals for Personnel Action	0
Suitability Referrals to DS	1
Contractor Suspensions/Debarment Referrals to OPE	11
<b>Administrative Actions</b>	
Removals	0
Suspensions	1
Reprimand/Admonishments/Warning Memorandum	1
Contractors/Grantees Suspended	2
Contractors/Grantees Debarred	3
Contractors/Grantees High Risk	0
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$7,867,895
Civil Recoveries	\$0
Administrative Recoveries	\$66,922,934
<b>Total Investigative Recoveries</b>	<b>\$74,790,829</b>

## APPENDIX 2: REPORTS ISSUED

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Report Number	Report Title
MA-A-0001	<i>Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program</i>
MA-A-0002	<i>Management Alert: Contract File Management Deficiencies</i>
AUD-FM-14-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>
AUD-ACF-14-16	<i>Compliance Follow-up Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change</i>
AUD-CG-14-07	<i>Audit of Department of State Selection and Positioning of Contracting Officer's Representatives</i>
AUD-FM-14-09	<i>Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Closing Package Financial Statements</i>
AUD-FM-14-10	<i>Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements</i>
AUD-FM-14-12	<i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2013 and 2012 Financial Statements</i>
AUD-FM-14-13	<i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), FY 2013 Financial Statements</i>
AUD-FM-14-17	<i>Audit of the Process to Request and Prioritize Physical Security-Related Activities at Overseas Posts</i>
AUD-FM-14-19	<i>Independent Review of the U.S. Department of State Accounting of FY2013 Drug Control Funds and Related Performance Report</i>
AUD-IT-14-03	<i>Audit of Department of State Information Security Program</i>
AUD-MERO-14-05	<i>Audit of Department of State and Embassy Kabul Planning for the Transition to a Civilian-Led Mission in Afghanistan</i>
AUD-MERO-14-06	<i>Audit of the Contract Closeout Process for Contracts Supporting the U.S. Mission in Iraq</i>
AUD-SI-14-20	<i>Keystone XL Pipeline Project Compliance Follow-up Review: The Department of State's Choice of Environmental Resources Management, Inc., To Assist in Preparing the Supplemental Environmental Impact Statement</i>

Report Number	Report Title
ISP-I-14-01	<i>Inspection of the Bureau of Economic and Business Affairs</i>
ISP-I-14-02A	<i>Inspection of Embassy Sofia, Bulgaria</i>
ISP-I-14-03A	<i>Inspection of Embassy Budapest, Hungary</i>
ISP-I-14-04A	<i>Inspection of Embassy Panama City, Panama</i>
ISP-I-14-05A	<i>Inspection of Embassy San Salvador, El Salvador</i>
ISP-I-14-06	<i>Inspection of the Bureau of Conflict and Stabilization Operations</i>
ISP-I-14-07A	<i>Inspection of Embassy Manama, Bahrain</i>

\* Sensitive content related to these reports is included in the *Classified Annex to the Semiannual Report to the Congress*.

## CLASSIFIED REPORTS ISSUED

Report Number	Report Title
AUD-MERO-14-08	<i>Audit of Emergency Action Plans for U.S. Mission Pakistan</i>
ISP-S-14-02A	<i>Classified Annex to the Inspection of Embassy Sofia, Bulgaria</i>
ISP-S-14-03A	<i>Classified Annex to the Inspection of Embassy Budapest, Hungary</i>
ISP-S-14-04A	<i>Classified Annex to the Inspection of Embassy Panama City, Panama</i>
ISP-S-14-05A	<i>Classified Annex to the Inspection of Embassy San Salvador, El Salvador</i>
ISP-S-14-07A	<i>Classified Annex to the Inspection of Embassy Manama, Bahrain</i>

# APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

TABLE 1: OIG REPORTS WITH QUESTIONED COSTS

Type of Report	No. of Reports	Questioned Costs (Dollars in Thousands)	Unsupported Costs (Dollars in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	12 <sup>1</sup>	\$132,224 <sup>1</sup>	\$41,633 <sup>1</sup>
B. Which were issued during the reporting period			
<b>Audits</b>	0	\$0	\$0
<b>Inspections</b>		\$0	\$0
<b>Total issued during the reporting period</b>	<b>0</b>	<b>\$0</b>	<b>\$0</b>
<b>Subtotals (A+B)</b>	<b>12</b>	<b>\$132,224</b>	<b>\$41,633</b>
C. For which a management decision was made during the reporting period	4	\$311	\$6
(i) dollar value of disallowed costs	2	\$52	\$6
(ii) dollar value of costs not disallowed	2	\$259	N/A
D. For which no management decision has been made by the end of the reporting period	11	\$131,913	\$41,627
E. Reports for which no management decision was made within six months of issuance	11	\$131,913	\$41,627

<sup>1</sup> Final amounts in the previous *Semiannual Report* were adjusted based on updated information and analysis of open recommendations.

**TABLE 2: OIG REPORTS WITH RECOMMENDATIONS THAT FUNDS BE PUT TO BETTER USE**

<b>Type of Report</b>	<b>No. of Reports</b>	<b>Dollars (in Thousands)</b>
A. For which no management decision had been made by the commencement of the reporting period	25 <sup>1</sup>	\$275,055 <sup>1</sup>
B. Which were issued during the reporting period		
<b>Audits</b>	0	\$0
<b>Inspections</b>		\$0
<i>Inspection of the Bureau of Administration, Global Information Services, Office of Information Programs and Services (ISP-I-12-54)</i>		\$2,500 <sup>2</sup>
<i>Inspection of Embassy of Panama City, Panama (ISP-I-14-04A)</i>		\$25
<b>Subtotals (A+B)</b>	<b>26</b>	<b>\$277,580</b>
C. For which a management decision was made during the reporting period		\$17,516 <sup>2</sup>
(i) dollar value of recommendations that were agreed to by management		\$13,847 <sup>2</sup>
(ii) dollar value of recommendations that were not agreed to by management		\$3,669
D. For which no management decision has been made by the end of the reporting period	23	\$260,044
E. Reports for which no management decision was made within six months of issuance	21	\$259,444

<sup>1</sup> Final amounts in the previous *Semiannual Report to the Congress* were adjusted based on updated information and an analysis of open recommendations. Does not include \$2.5 million in funds included in C(i).

<sup>2</sup> Includes \$2.5 million in funds identified as savings by the Department reported to OIG as a result of OIG's recommendation in a report issued in a prior reporting period (ISP-I-12-54, *Inspection of the Bureau of Administration, Global Information Services, Offices of Information Programs and Services*).

### **TABLE 3: OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133 AUDITS**

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, establishes audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under this circular, covered entities that expend \$500,000 or more a year in Federal funds must obtain an annual organization-wide “single audit” that includes the entity’s financial statements and compliance with Federal award requirements. These audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

OIG reviews selected audit reports for findings and questioned costs related to Department awards and to ensure that the reports comply with the requirements of OMB Circular A-133. OIG’s oversight of non-Federal audit activity informs Federal managers about the soundness of the management of Federal programs and identifies any significant areas of internal control weaknesses, noncompliance, and questioned costs for resolution or follow-up.

During this reporting period, OIG’s Office of Audits reviewed 16 OMB Circular A-133 audit reports covering \$1.3 billion in Federal funds. Of this amount, Department funds totaled \$739 million. Eleven of the 16 reports documented the awardees’ lack of internal controls and noncompliance with Federal requirements, including weaknesses related to segregation of duties, cash management, financial reporting, sub-recipient monitoring, computing cost-share amounts, payroll reporting, timekeeping, and audit report submissions. OIG also referred questioned costs of \$628,469 to Department program officials for resolution or follow-up. Table 3 summarizes OIG’s reviews of non-Federal audits conducted during this reporting period.

**Table 3: Inspector-General-Referred A-133 Audit Reports With  
Questioned Costs**

		<b>No. of Reports</b>	<b>Questioned Costs (Dollars in Thousands)</b>
A.	For which no management decision had been made by the commencement of the reporting period	0	\$0
B.	Issued during the reporting period	11	\$628,469
	<b>Subtotal Questioned Costs (A+B)</b>	<b>11</b>	<b>\$628,469</b>
C.	For which a management decision was made during the reporting period		
	(i) dollar value of disallowed costs		\$0
	(ii) dollar value of costs not disallowed		\$0
	Total Management Decisions		\$0
D.	<b>For which no management decision had been made by the end of the reporting period</b>	<b>11</b>	<b>\$628,469</b>

**TABLE 4: DEFENSE CONTRACT AUDIT AGENCY AUDITS**

The Department's Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) provided information that pertains to audits of contracts awarded by the Department. AQM's Business Operations Division, Quality Assurance Branch, in collaboration with the Office of Inspector General, is responsible for initiating and coordinating audits with the Defense Contract Audit Agency (DCAA) in support of the contracting officers. OIG did not verify, or otherwise audit, the values shown in Table 4 for the information A/LM/AQM provided.

### DCAA Audit Reports With Questioned Costs

	Number of Reports	Questioned Costs (Dollars in Thousands)
A. For which no management decision had been made by the commencement of the reporting period	15	\$142,891,763
B. Issued during the reporting period		
<i>Independent Audit of Triple Canopy, Inc. (TCI) Request for Equitable Adjustment (REA) for Contract No. SAQMMA-10-D0104, Task Order No. 2011-0005 dated April 3, 2013 (DCAA Report No. 2013T1720001, February 12, 2014 Audits</i>		\$1,347,883
<i>Independent Audit of Triple Canopy, Inc. (TCI) Partial Termination Proposal for Contract No. SAQMMA-10-D0104, Task Order 0005 dated April 3, 2013 (DCAA Report No. 2013T17100001, February 19, 2014)</i>		\$5,012,691
<b>Total Issued During the Reporting Period</b>	<b>2</b>	<b>\$6,360,574</b>
<b>Subtotal Questioned Costs (A+B)</b>	<b>17</b>	<b>\$149,252,337</b>
C. For which a management decision was made during the reporting period		
(i) dollar value of disallowed costs	7	\$82,312,854
(ii) dollar value of costs not disallowed	6	\$57,508,234
<b>Total Management Decisions</b>	<b>11</b>	<b>\$139,821,088</b>
D. For which no management decision had been made by the end of the reporting period		\$9,431,249

# APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

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## SIGNIFICANT OFFICE OF AUDITS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD-IQO-07-20		<i>Review of DynCorp International, LLC, Contract Number S-LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support (Joint audit with the Special Inspector General for Iraq Reconstruction)</i>	1/07
	2	OIG recommended the Office of Acquisitions Management seek reimbursement from DynCorp for the improperly authorized payment of \$4.2 million that represents contractually unauthorized work directed by the Iraqi Ministry of Interior. This work included the relocation of the residential camp, the manufacture of additional VIP trailers, and the construction of an Olympic-size swimming pool.	
AUD-IQO-09-25		<i>Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq</i>	10/09
	1	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting for the infrastructure contract to make the necessary corrections to the safe areas in the New Embassy Compound.	
	2	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$14 million for the housing, infrastructure, support facilities, and the chancery contracts from First Kuwaiti Trading and Contracting to perform the necessary design and retrofit of seismic bracing in the New Embassy Compound.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	4	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$1.7 million for contracts from First Kuwaiti Trading and Contracting for the housing, infrastructure, support facilities, and the chancery contracts so that the necessary repairs to the exterior walls and walkway and road surfaces can be made.	
	6	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract to increase the penthouse size and air flow through the louvers of the Utility Building.	
	7	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$11 million from First Kuwaiti Trading and Contracting for the infrastructure contract to compensate the Department of State for additional operating costs that will be incurred because the configuration of the Utility Building/Generator Plant was changed from the 10 2-megawatt configuration to 18 1-megawatt generators.	
	8	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover between \$4.2 million and \$4.4 million from First Kuwaiti Trading and Contracting for the infrastructure contract to correct all deficiencies to the electrical wiring, control, and distribution systems at the New Embassy Compound.	
	9	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover an estimated \$500,000 from First Kuwaiti Trading and Contracting for the infrastructure contract so that the necessary functions can be added to the building automation system at the New Embassy Compound.	
	10	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover \$4.6 million from First Kuwaiti Trading and Contracting to correct fire system deficiencies for the staff diplomatic apartments (\$3.5 million for the housing contract) and repair the water main distribution system joints (\$1.1 million for the infrastructure contract).	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	11	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$1.5 million from First Kuwaiti Trading and Contracting for the infrastructure and housing contracts to correct deficiencies in the plumbing traps at the New Embassy Compound.	
	12	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$33 million that was paid to First Kuwaiti Trading and Contracting to perform and document the required design work for the New Embassy Compound Baghdad contracts.	
	13	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$38 million for the housing, infrastructure, support facilities, chancery, and pre-engineered buildings to compensate the U.S. Government for the higher future maintenance costs and negotiate a settlement with First Kuwaiti Trading and Contracting to fund the additional long-term maintenance costs.	
	14	OIG recommended that the Contracting Officer, Bureau of Administration, Office of Logistics Management, attempt to recover approximately \$3.8 million for the housing, infrastructure, site facilities, and chancery contracts that First Kuwaiti Trading and Contracting did not perform or that it performed incorrectly related to commissioning activities.	
MERO-I-11-05		<i>Performance Evaluation of PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan</i>	1/11
	2	OIG recommended that the Bureau of Administration seek reimbursement of \$193,600 from PAE for award fees paid for all four quarters of the base year of the contract (September 2005–September 2006), since performance criteria had not yet been established or authorized for that year.	
	3	OIG recommended that the Bureau of Administration seek reimbursement of \$41,730 from PAE for award fees granted based on points earned for training in option years 1–3 (September 2006–September 2009), since all training-related work was completed at the end of the base year (September 2005–September 2006).	
	12	OIG recommended that the Bureau of Administration seek reimbursement of \$248,820 from PAE for escort services invoiced and paid for, but not rendered, from March 2009 through June 2010.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	16	OIG recommended that the Bureau of Administration modify the PAE contract to include Federal Acquisition Regulation clause 52.222-50 (Combating Trafficking in Persons).	
MERO-I-11-02		<i>Performance Evaluation of PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan</i>	2/11
	6	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs, in coordination with Embassy Kabul and in consultation with the Drug Enforcement Administration, evaluate the physical security requirements at the Kabul counternarcotics compound.	
	7	OIG recommended that the Office of Acquisitions Management require PAE to incorporate engineering data into the maintenance and operations support plan for the counternarcotics compound in Kunduz, resolve construction deficiencies in the laundry facility and kitchen, and assess the electric power needs of the compound before purchasing new diesel generators.	
	9	OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs ensure all guards at the counternarcotics compound in Kunduz are familiar with standard operating procedures for security and that guards are getting sufficient rest and days off.	
AUD-CG-11-30		<i>DOD and DOS Need Better Procedures To Monitor and Expend DOD Funds for the Afghan National Police Training Program</i>	7/11
	A.1	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Chief Financial Officer, Bureau of Resource Management, return DOD funds of \$15.56 million that were outside the scope of the reimbursable agreement by August 31, 2011. Specifically, return and document the following amounts:  a. \$2.59 million potentially moved to Department of State administrative costs.  b. \$1.15 million obligated for the Department of Justice Federal Prosecutors Program.  d. \$11.81 million obligated for a DynCorp equitable adjustment for contract task order S-AQMPD-04F-0460, awarded in 2004 before the 2006 agreement.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	A.2	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Contracting Officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management:</p> <p>a. Determine how much of the \$68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated. As part of the review, include the DoD obligation amount that DynCorp certified as available for deobligation, as well as an analysis on the remaining unexpended obligation amounts. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$68.21 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.</p> <p>b. Determine how much of the \$23.04 million of DOD unexpended obligations remaining on the in-country air support contract (S-AQMPD-05-C-1103) can be deobligated. In addition, provide the Department of State, Office of Inspector General, supporting documentation for the remaining amount of the \$23.04 million that the Bureau of International Narcotics and Law Enforcement Affairs identifies as still valid.</p>	
	A.3	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs, provide supporting documentation to the Department of State Inspector General by July 29, 2011, for the \$2.25 million of unsupported obligations identified in this report or return the \$2.25 million to DOD by August 30, 2011. Specifically, the Executive Director should review and, if necessary, deobligate the following amount:</p> <p>a. \$1.65 million obligated for Department of State salaries using DOD funds provided in the 2006 reimbursable agreement.</p>	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	A.5	<p>OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs:</p> <p>a. Return to DOD and properly record the \$3.99 million of unobligated DOD funds by August 31, 2011, unless INL provides documentation to the Under Secretary of Defense for Policy and the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD, and DOD officials agree that the obligations were within the scope of the reimbursable agreements.</p> <p>b. Develop, implement, and document adequate controls to ensure that the Bureau of International Narcotics and Law Enforcement Affairs uses DOD funds for specific purposes in accordance with laws and documents the appropriate use. Specifically, officials should:</p> <ol style="list-style-type: none"> <li>1. Designate the appropriate offices responsible for ensuring that the obligation directly relates to the requirements in the reimbursable agreements.</li> <li>2. Retain documentation supporting that the obligation is in compliance with the reimbursable agreement requirements.</li> </ol>	
	A.6	OIG recommended that the Director, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, require all contracting officers and supporting staff to take an appropriations law training class.	
	A.9	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs; Under Secretary of Defense for Policy; and Under Secretary of Defense (Comptroller)/Chief Financial Officer, DOD, reach an agreement as to whether the \$9.50 million obligation for a United Nations Law and Order Trust Fund–Afghanistan contribution was appropriately obligated. If officials do not reach an agreement, the Bureau of International Narcotics and Law Enforcement Affairs should return the \$9.50 million of DOD funds obligated for a United Nations Law and Order Trust Fund–Afghanistan contribution.	
	C.2.b	OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the contracting officer, Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, for the Civilian Police (CIVPOL) contract, review the approximately \$9.4 million in questioned costs identified by the Defense Contract Audit Agency (DCAA) and take action to recover those costs.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD-CG-11-44		<i>Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements</i>	8/11
	1	<p>OIG recommended that the Assistant Secretary of State, Bureau of International Narcotics and Law Enforcement Affairs, in coordination with the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer:</p> <p>a. Identify and return to DOD the amount of Afghanistan Security Forces Fund appropriations that were improperly obligated and spent on the Justice Sector Support Program, Corrections System Support Program, and Counter Narcotics Advisory Teams. These costs would include, but not be limited to, life support, salaries, vehicles, fuel, maintenance, personal protective equipment, uniforms, immunizations, and travel.</p> <p>b. Review all available supporting documentation related to the Corrections System Support Program (CSSP) security salaries and recover any overpayments related to the \$0.37 million paid to DynCorp for CSSP security salaries and identify and recover any additional payments made for CSSP security salaries on task orders 4305 and 5375.</p> <p>c. Determine whether the Bureau of International Narcotics and Law Enforcement Affairs improperly obligated DOD-provided Afghanistan Security Forces Fund appropriations for any other INL programs that were receiving support on the DOD-funded task orders. If so, identify and return to DOD the applicable Afghanistan Security Forces Fund appropriations by September 30, 2011.</p>	
	3	OIG recommended that the Assistant Secretary of State, Bureau of Resource Management and Chief Financial Officer, and the Director, Defense Security Cooperation Agency, perform a joint investigation of the potential Antideficiency Act violations for the \$1.05 million of funds obligated for Personal Services Contracts and the estimated \$75.60 million of funds obligated without considering Economy Act and reimbursable agreement limitations.	
AUD-IP-12-02		<i>Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements</i>	10/11
	1	OIG recommended that the Office to Monitor and Combat Trafficking in Persons include, in the Foreign Affairs Manual, the U.S. Government policy regarding trafficking in persons (TIP) to include the definition of TIP activity and information on the prohibition against involvement in acts of TIP for Department of State personnel and contractors, the associated penalties for violations, and the mechanism to report such violations.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	2	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Office of the Legal Advisor and the Director General of Human Resources, develop and include a trafficking in persons policy in the Department of State Standards of Conduct.	
	4	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Foreign Service Institute and the Director General of Human Resources, expand TIP training to all Department of State employees, to include increasing awareness of the U.S. Government's zero tolerance policy towards TIP and reducing the incidence of TIP activity involving contractor personnel and employees who represent the United States abroad.	
AUD-IP-12-03		<i>Improved Contract Documentation and Monitoring by the Regional Procurement Support Office Are Needed for Construction Projects Associated With the President's Emergency Plan for AIDS Relief (PEPFAR)</i>	11/11
	3	OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, review existing PEPFAR construction contracts and reclaim any contingency costs inappropriately included in contracts as practicable.	
	5	OIG recommended that the Regional Procurement Support Office in Frankfurt, Germany, require posts with substantial planned costs for PEPFAR construction projects to obtain a technical advisor with construction expertise for monitoring construction contracts.	
AUD-HCI-12-30		<i>Audit of Department of State Drug-Free Workplace Program Plan</i>	2/12
	1	OIG recommended that the Bureau of Human Resources develop and implement drug testing procedures for Department employees serving in sensitive positions overseas.	
	2	OIG recommended that the Bureau of Human Resources, in coordination with the Office of Medical Services and the Office of the Legal Adviser, develop a random sampling methodology, obtain approval from the Interagency Coordinating Group Executive Committee to employ the methodology, and implement random drug testing as prescribed by the Department Drug-Free Workplace Program Plan.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
AUD-MERO-12-29		<i>Evaluation of the Antiterrorism Assistance Program for Countries Under the Bureaus of Near Eastern Affairs and South and Central Asian Affairs</i>	4/12
	1	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Counterterrorism, establish a monitoring and evaluation system that includes clearly defined and measurable outcome-oriented strategic goals and program objectives; measurable performance indicators that clearly link to strategic goals and program objectives; baseline data and annual performance targets for each indicator; and descriptions of how, when, and by whom performance data will be collected, analyzed, and reported.	
	2	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Counterterrorism, develop a definition for what constitutes a developmental Anti-Terrorism Assistance (ATA) program, consistently apply that definition to country programs, and ensure that partner country sustainability timelines are established for developmental ATA programs.	
AUD-MERO-12-43		<i>Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract</i>	8/12
	3	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, direct the contracting officer to conduct a comprehensive review of all contractor invoices before the Embassy Baghdad operations and maintenance contract is closed to determine whether the contractor submitted adequate supporting documentation for all reimbursable costs, to include the \$1.7 million identified in this report. If not, the contracting officer should request supporting documentation from the contractor and determine whether the costs were allowable under the contract terms. If the reimbursable costs cannot be supported or are not allowable under the terms of the contract, the costs should be recovered from the contractor.	
AUD-SI-12-49		<i>Outline for Action: Physical Security Concerns at Embassy Quito</i>	9/12
	4	OIG recommended that Embassy Quito consider options to mitigate the setback deficiency.	
AUD-HCI-13-02		<i>Audit of U.S. Department of State Use of Short-Term Leases Overseas</i>	12/12
	1	OIG recommended that the Bureau of Overseas Buildings Operations revise volumes 15 of the Foreign Affairs Manual and Foreign Affairs Handbook to designate all noncapital leases as operating leases, regardless of lease duration, in accordance with Statements of Federal Financial Accounting Standards.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	2	OIG recommended that the Bureau of Overseas Buildings Operations revise volumes 15 of the <i>Foreign Affairs Manual</i> and the <i>Foreign Affairs Handbook</i> to apply current funding and cost sharing requirements associated with short-term leases to all operating leases.	
	4	OIG recommended that the Bureau of the Comptroller and Global Financial Services, Office of International Cooperative Administrative Support Services, in coordination with the Bureau of Overseas Buildings Operations, revise volume 6 of the <i>Foreign Affairs Handbook</i> to account for the revisions in volume 15 of the <i>Foreign Affairs Manual</i> regarding leases.	
	5	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Overseas Buildings Operations, revise volumes 12 of the <i>Foreign Affairs Manual</i> and the <i>Foreign Affairs Handbook</i> to account for the revisions in volume 15 of the <i>Foreign Affairs Manual</i> regarding leases.	
	6	OIG recommended the Bureau of Overseas Buildings Operations establish guidelines and procedures that require posts to track and report on make-ready funds expended for individual properties to help ensure funds are expended for authorized purposes and do not exceed the Department of State limitation.	
AUD-MERO-13-18		<i>Compliance Follow-up Review of Department of State Internal Controls Over the J. William Fulbright Scholarship Fund in Pakistan</i>	12/12
	1	OIG recommended that the Bureau of Educational and Cultural Affairs, in coordination with Embassy Islamabad, develop a process to ensure that the United States Educational Foundation in Pakistan complies with the internal control requirements of Finance and Accounting Manual Section 4.2 to include ensuring segregation of duties, restricting administrator-level access, and establishing comprehensive audit trails.	
AUD-MERO-13-25		<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract – Task Order 5 for Baghdad Movement Security</i>	3/13
	1	OIG recommended that the Bureau of Diplomatic Security and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, institute procedures to ensure that a needs-based analysis is conducted and documented prior to establishing all Worldwide Protective Services task order staffing requirements and prior to exercising task order options.	

Report Number	Rec. No.	Report Title Recommendation Summary	First Reported
	2	OIG recommended that the Bureau of Diplomatic Security and the Regional Security Office in Baghdad establish a process to ensure that the contractor's daily movement detail reports and muster sheets are reviewed by the onsite contracting officer's representative to monitor actual staff usage against the number of staff paid.	
	3	OIG recommended that the Bureau of Diplomatic Security, in coordination with the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, establish a process to ensure that Worldwide Protective Services contract staffing requirements are adjusted when needs change during the contract performance period.	
	4	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, direct the contracting officer to ensure that invoices are sent to contracting officer's representatives or government technical monitors at Embassy Baghdad for review to verify that the contractor is invoicing only for goods received and services delivered.	
	6	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, recover the \$133,190 paid to the contractor for unallowable and erroneously approved costs.	
	7	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, direct the contracting officer to conduct a comprehensive review of all contractor invoices and supporting documentation to determine whether the contractor submitted adequate supporting documentation for all reimbursable costs, including the \$1,642,537 identified in this report. If the documentation was not submitted, the contracting officer should request supporting documentation from the contractor and determine whether the costs were allowable under the contract terms. If the reimbursable costs cannot be supported or are not allowable under the terms of the contract, the Department of State should recover these funds from the contractor.	

## SUMMARY OF OFFICE OF AUDIT REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

**Report Number:** AUD-CG-11-30

**Subject:** *Department of Defense Funds Provided to Department of State for the Afghan National Police*

**Date Issued:** July 11, 2011.

**Reason for not being resolved:** OIG recommended that the Department perform a joint investigation with the Defense Security Cooperation Agency of potential Antideficiency Act violations of funds obligated outside the scope of the reimbursable agreements. The Bureau of Comptroller and Global Financial Services was requested to respond to recommendations by February 6, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, six recommendations (Nos. A.8.a, b, c, d, e, and f) remain unresolved.

**Projected date of resolution:** Unknown.

**Report Number:** AUD/CG-11-44

**Subject:** *Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements*

**Date Issued:** August 25, 2011.

**Reason for not being resolved:** OIG recommended that the Department of State develop and implement policies and procedures to ensure that any appropriation limitations on funds transferred to other U.S. Government agencies were taken into account before obligating funds for personal services contracts and develop policies and procedures to ensure that, before obligating funds under an Economy Act order, the Department validated that the ordering agency had the necessary authority to obligate funds for those purposes. The Bureau of International Narcotics and Law Enforcement Affairs was requested to respond to the recommendations by January 9, 2012. However, OIG had not received a response as of the end of this reporting period. Therefore, two recommendations (Nos. 1.d and e) remain unresolved.

**Projected date of resolution:** Unknown.

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**Report Number:** AUD-SI-12-36

**Subject:** *Limited-Scope Audit of Department of State Management of the Afghanistan Civilian Uplift*

**Date Issued:** May 31, 2012.

**Reason for not being resolved:** OIG recommended that the Department of State codify, in the *Foreign Affairs Manual*, the practice of updating the Global Employment Management System for all Department personnel by changing the organization code to the code for the newly assigned posts effective on the date that the personnel leave post. OIG also recommended that the Department direct overseas posts and domestic offices that have civilian personnel being assigned to Afghanistan (or to another post where restricted funds are being used) to immediately update the Global Employment Management System by changing the organization code to the code of the newly assigned posts for incoming and departing Afghanistan civilian uplift personnel. The Bureau of Human Resources was requested to respond to the recommendation by July 8, 2013. However, OIG had not received a formal response as of the end of this reporting period. Therefore, two recommendations (Nos. 1 and 3) remain unresolved.

**Projected date of resolution:** Unknown.

**Report Number:** AUD-MERO-13-20

**Subject:** *Evaluation of Emergency Action Plans for U.S. Mission Afghanistan*

**Date Issued:** March 21, 2013

**Reason for not being resolved:** OIG recommended that Embassy Kabul establish formal agreements on the roles and responsibilities of non-Department of State law-enforcement agencies during events requiring implementation of the Emergency Action Plan. On March 10, 2014, Embassy Kabul responded that an informal information memorandum and Post Agreement had been completed, considering it to be sufficient action. OIG does not agree that these documents constitute acceptable alternative actions that are sufficient to address OIG's concerns. OIG holds the position that other law-enforcement entities that wish to participate in responding to events requiring implementation of the Emergency Action Plan should state so in advance of an actual emergency and should establish formal agreements with the Embassy that address their specific roles and responsibilities when responding to an emergency. OIG also recommended that the Bureau of Diplomatic Security establish a process to validate the adequacy of Emergency Action Plans at high-threat posts, such as Embassy Kabul, by reviewing and assessing the resources listed in the plans for addressing each type of Emergency Action Plan emergency. As of September 10, 2013, the Bureau of Diplomatic Security had not developed a corrective action plan but had only provided copies of processes that OIG found insufficient at the time of the audit. Therefore, two recommendations (Nos. 6 and 8) remain unresolved.

**Projected date of resolution:** June 2014.

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**Report Number:** AUD-FM-13-29

**Subject:** *Audit of Department of State Application of the Procurement Fee To Accomplish Key Goals of Procurement Services of the Bureau of International Narcotics and Law Enforcement Affairs Corrections Systems Support Program in Afghanistan*

**Date Issued:** May 4, 2013.

**Reason for not being resolved:** OIG recommended that the Bureau of Administration, in coordination with the Bureau of Budget and Planning, create a separate point limitation within the Working Capital Fund for the Procurement Shared Services (PPS) service center. Both the Bureau of Administration and the Bureau of Budget and Planning disagreed with this recommendation, stating the Bureau of Administration had “its own unique allotment code” that would allow the Bureau of Administration to “track all revenue, obligations, liquidations, and carry forward” amounts. OIG’s intent was to ensure that funds collected by the PSS service center were used for acquisition-related needs, which is a high priority within the Department. OIG has requested that the Department propose an alternative methodology that fulfills the intent of the recommendation. OIG also recommended that the Bureau of Administration identify significant procurement processes to map and develop standard operating procedures that currently are not included in available procedures. Although the Bureau of Administration stated agreement with OIG’s recommendation, it did not propose any additional corrective actions in response. Therefore, two recommendations (Nos. 1 and 18) remain unresolved.

**Projected date of resolution:** August 2014.

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**Report Number:** AUD-MERO-13-37

**Subject:** *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Corrections Systems Support Program in Afghanistan*

**Date Issued:** September 19, 2013.

**Reason for not being resolved:** OIG recommended that the Bureau of International Narcotics and Law Enforcement Affairs determine the costs and then develop and implement a sustainability strategy in partnership with the Government of the Islamic Republic of Afghanistan to ensure the sustainability of the Afghan General Directorate of Prisons and Detention Centers (GDPDC) and the Afghan corrections system once international funding is removed, as required by the “Administrator’s Sustainability Guidance for USAID in Afghanistan” and the Consolidated Appropriations Act of 2012. In its response to the draft report, the Bureau stated that it partially concurred with the recommendation and that it was working with civil-society partners to engage in long-term planning and was actively working to have the Afghan government assume more responsibility for many of its programs. However, the Bureau did not address the need to determine

the costs to operate the GDPDC and to build a sustainability strategy with respect to those costs. The Bureau of International Narcotics and Law Enforcement Affairs was requested to respond to the recommendation by October 18, 2013. However, OIG had not received a response as of the end of this reporting period. Therefore, Recommendation 2 remains unresolved.

**Projected date of resolution:** July 2014.

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

### ***Audit of Grant Closeout Processes for Selected Department of State Bureaus (AUD-CG-13-31)***

In June 2013, OIG made two recommendations to the Bureau of Educational and Cultural Affairs (ECA) that it should review expired grants in the Payment Management System (PMS) as of March 1, 2012, to determine whether the funds associated with those grants could be deobligated in the Global Financial Management System and used for other purposes and to subsequently close those grants in PMS to avoid unnecessary administrative fees. In response to the recommendations, ECA provided evidence that it had closed 513 awards and deobligated \$14,249,136, with an additional 254 awards still pending final adjustment action that could result in additional funds being deobligated. Furthermore, ECA informed OIG that it is now considering this matter one of its highest priorities and, as such, has (a) tasked a special closeout team within the Grants Division with oversight of research and ensuring closeout procedures are performed and has (b) identified the timely closeout of grant awards as a performance standard included and tracked in the performance plans of all ECA Grants Officers and support staff.

### ***Compliance Follow-up Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated to Address Global Climate Change (AUD-ACF-14-16)***

In this December 2013 compliance follow-up audit, OIG modified portions of recommendations contained in OIG's July 2012 report *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated To Address Global Climate Change* (AUD-CG-12-40) and combined these portions into one recommendation. In its response to the modified recommendation contained in the compliance follow-up report, the Department's

Procurement Executive issued Procurement Information Bulletin (PIB) 2014-5, “Non-Acquisition Interagency Agreements,” on January 23, 2014. This PIB provides Department managers with long-awaited standardized policies and procedures for the review and approval of nonacquisition interagency agreements. It also institutes a requirement that program offices should make a determination that an interagency transfer of money is the best approach to program implementation prior to executing a nonacquisition interagency agreement

## **SUMMARY OF INSPECTION REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN 6 MONTHS**

**Report Number:** ISP-I-13-44

**Subject:** *Special Review of the Accountability Review Process*

**Date Issued:** September 20, 2013.

**Reason for not being resolved:** OIG recommended that the Department implement the following recommendations in the Special Review of the Accountability Review Board (ARB) Process Report:

1. Establish guidelines that broaden the committee’s ability to task alternative reviews.
2. Revise regulatory guidance stated in 12 FAM 030, 12 FAM 032, and 1 FAM 30 to codify a transparent and fully documented review process and institutionalize the Deputy Secretary for Management and Resources’ responsibility for oversight and implementation of ARB recommendations.
3. Annually task the Under Secretaries and Assistant Secretaries in the Department to provide potential nominees to serve on the Accountability Review Board.
4. Create a baseline list of congressional recipients to whom a copy of the Secretary’s Report to Congress is delivered.
5. Develop minimum security standards that must be met prior to occupying facilities located in Department-designated high-risk, high-threat environments.
6. Prepare clear guidelines for Accountability Review Boards pertaining to the drafting and handling of recommendations dealing with issues of poor performance of Department personnel.

7. Develop an annual report to the Deputy Secretary outlining implementation of Accountability Review Board recommendations, with an emphasis on identifying problems, the way forward, and the impact of the Department's global security program.

OIG is working to seek consensus and effect implementation of the stated recommendations with the Office of Management Policy, Rightsizing and Innovation, and the Bureaus of Administration and Diplomatic Security.

**Projected date of resolution:** June 2014.

## REVISED MANAGEMENT DECISIONS

None.

## MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS

### *Inspection of Department-Required and Congressionally Mandated Reports: Assessment of Resource Implications (ISP-I-11-11)*

In the October 2010 inspection of Department-Required and Congressionally Mandated Reports, OIG recommended that the Office of Management Policy, Rightsizing, and Innovation (M/PRI) direct all missions to document the approximate cost (to reflect time and pay scales of personnel involved) devoted to preparation of congressionally mandated and Department-required reports, and to include this data in the annual budget requests. In response to OIG's recommendation, M/PRI surveyed select posts to determine how much time was spent preparing data and report narratives for five congressionally mandated reports (Trafficking in Persons, Human Rights Report, International Religious Freedom, Annual Country Report on Terrorism, and International Narcotics Control Strategy Report) and four Department-required reports (Global Economic Statecraft, Post Profile Reports, Residential Property Reports, and Mission Resource Requests). Based on the data collected, the Trafficking in Persons, the International Religious Freedom, and the Human Rights Reports were found to be the most redundant. Following consultations with both the Office to Monitor and Combat Trafficking in Persons and the Bureau of Democracy, Human Rights, and Labor, additional actions were taken to further reduce the reporting burden on overseas posts, including reduction of the time to obtain clearances, linking of the data used in the three reports, and limitation of the number of questions that must be researched and answered by posts for the three reports.

***Inspection of the Bureau of Administration, Global Information Services, Office of Information Programs and Services (ISP-I-12-54)***

In the September 2012 inspection of the Office of Information Programs and Services, OIG recommended that the Bureau of Administration postpone the consolidation of information technology support services for the entire Office of Global Information Services until the bureau has completed an analysis of the benefits of such consolidation from cost, resources, funding, and customer-service perspectives. In response to OIG's recommendation, the Department surveyed all client end users for feedback, completed an impact assessment on the proposed IT consolidation, and conducted a review of cost savings. As a result of IT consolidation, cost savings in the amount of \$2.5 million was realized based on the elimination of redundant contractor support and development costs.

***Inspection of Embassy Lisbon, Portugal and Constituent Posts (ISP-I-12-53A)***

In the September 2012 inspection of Embassy Lisbon, OIG recommended the elimination of several locally employed staff positions and the closure of Consular Agency Funchal, Madeira. Consular Agency Funchal closed on June 7, 2013, resulting in annual cost savings in the amount of \$75,000. The abolishment of four locally employed staff positions resulted in funds put to better use in the amount of \$182,298.

***Inspection of Embassy Rabat, Morocco (ISP-I-13-30)***

In the June 2013 inspection report of Embassy Rabat, OIG recommended that Embassy Rabat abolish the manager-assistant position in the public affairs section of the eligible-family-member program. In response to OIG's recommendation, the Department abolished the local employed staff position, resulting in \$53,750 in funds put to better use.

## SIGNIFICANT INSPECTIONS RECOMMENDATIONS PENDING FINAL ACTION

Report Number	Rec No.	Report Title Recommendation Summary	First Reported
ISP-I-11-55A		<i>Inspection of Embassy Seoul, Korea</i>	08/2011
	12	OIG recommended that the Bureau of Overseas Buildings Operations should identify and evaluate the costs associated with the United States Forces Korea's departure from the Yongsan Garrison and accelerate the construction of Embassy Seoul's new embassy compound project on the Capital Security Construction Program schedule.	
ISP-I-11-23		<i>Review of Department of State Implementation of Jeddah ARB</i>	09/2013
	1	OIG recommended that the Bureau of Overseas Buildings Operations provide compound emergency sanctuaries for employees who work in buildings that do not have an approved safe haven or safe area.	
	2	OIG recommended that the Bureau of Overseas Buildings Operations request an increase in funding for the Compound Security Upgrade Program to reflect the additional requirement for compound emergency sanctuaries.	
ISP-I-13-24		<i>Review of the Process for Establishing Language Designated Positions</i>	09/2013
	1	OIG recommended that the Bureau of Human Resources require every embassy to provide narrative explaining the rationale behind its recommendations for language designated positions. The narrative should address major factors driving the essential designations such as those outlined in the Bureau of Human Resources' guidance on English language penetration and the local culture and language, and demonstrate why incumbents have found language skills to be essential to the performance of their duties. It should also identify any new language designation positions that are needed.	
	2	OIG recommended that the Bureau of Human Resources prepare a report for the Under Secretary for Political Affairs and the Deputy Secretary for Management and Resources that lists recommended language designated positions by mission; assesses the extent to which the distribution is consistent with U.S. interests; highlights the cost implications of the recommendations; and requests input on the distribution of language designated positions across mission and bureaus.	

Report Number	Rec No.	Report Title Recommendation Summary	First Reported
	3	OIG recommended that the Bureau of Budget and Planning determine training costs by language and level and make those costs available to missions, bureaus, Under Secretaries, and deputy secretaries that recommend and approve language requirements.	
	4	OIG recommended that the Bureau of Budget and Planning determine the best means for holding bureaus accountable for the training costs associated with their language designated positions.	
	5	OIG recommended that the Bureau of Human Resources convene a multibureau working group to review the promotion and tenure policies related to language skills, the best way to develop cadres of language-qualified officers in key languages, and the existing <i>Foreign Affairs Manual</i> criteria on language designation.	
ISP-I-13-44A		<i>Special Review of the Accountability Review Process</i>	09/2013
	2	OIG recommended that the Office of Management Policy, Rightsizing and Innovation should coordinate with the Permanent Coordinating Committee members to establish guidelines that broaden the committee's ability to task alternative reviews.	
	4	OIG recommended that the Office of the Under Secretary of State for Management, in coordination with the Office of the Legal Adviser, should amend 12 FAM 030 to codify a transparent and fully documented process for vetting security-related incidents to identify those that do not warrant convening the Permanent Coordinating Committee and ensuring that this information is communicated to the Secretary.	
	10	OIG recommended that the Bureau of Administration should amend 1 FAM 30 to institutionalize the Deputy Secretary for Management and Resources' responsibility for oversight of implementation of the Accountability Review Board recommendations.	
	11	OIG recommended that the Bureau of Diplomatic Security should amend 12 FAM 032 to reflect the Deputy Secretary for Management and Resources' oversight responsibility of the Office of Management Policy, Rightsizing and Innovation for implementation of Accountability Review Board recommendations.	
	17	OIG recommended that the Office of the Under Secretary of State for Management, in coordination with the Bureau of Diplomatic Security and Bureau of Overseas Buildings Operations, should develop minimum security standards that must be met prior to occupying facilities located in Department of State-designated high-risk, high-threat environments and include new minimum security standards of occupancy in the <i>Foreign Affairs Handbook</i> as appropriate.	

<b>Report Number</b>	<b>Rec No.</b>	<b><i>Report Title</i> Recommendation Summary</b>	<b>First Reported</b>
	19	OIG recommended that the Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Human Resources and the Office of the Legal Adviser, should prepare clear guidelines for Accountability Review Boards pertaining to the drafting and handling of recommendations dealing with issues of poor performance of Department of State personnel.	
	20	OIG recommended that the Office of Management Policy, Rightsizing and Innovation, in coordination with the Bureau of Diplomatic Security and the Bureau of Intelligence and Research, should develop an annual report to the Deputy Secretary outlining implementation of Accountability Review Board recommendations, with an emphasis on identifying problems, the way forward, and the impact of the Department of State's global security program.	

## APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

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Report Number	Report Title	Contractor	Type of Engagement
AUD-FM-14-01	<i>Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management</i>	Kearney & Company P.C.	Performance Audit
AUD-IT-14-03	<i>Audit of Department of State Information Security Program</i>	Williams, Adley & Company-DC, LLP	Performance Audit
AUD-CG-14-09	<i>Independent Auditor's Report on the Department of State 2013 and 2012 Special-Purpose Financial Statements</i>	Kearney & Company, P.C.	Financial Statement
AUD-FM-14-10	<i>Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements</i>	Kearney & Company P.C.	Financial Statements
AUD-FM-14-12	<i>Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2013 and 2012 Financial Statements</i>	Kearney & Company P.C.	Financial Statements
AUD-FM-14-13	<i>Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2013 and 2012 Financial Statements</i>	Kearney & Company P.C.	Financial Statements

# APPENDIX 6: PEER REVIEWS OF OIG OPERATIONS

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Peer reviews are conducted of an OIG audit organization's system of quality control on a 3-year cycle in accordance with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) *Guide for Conducting External Peer Reviews of the Audit Organizations of Federal Offices of Inspector General*, based on requirements in the Government Auditing Standards. Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

The Office of Audits did not undergo a peer review during this reporting period. The last Office of Audits peer review was conducted by the Department of the Interior (DOI) OIG for the reporting period October 1, 2012, to March 31, 2013. The Office of Audits received a peer review rating of pass. The letter of comment accompanying DOI's report contained one recommendation, and the Department of State OIG completed all actions for the recommendation as of September 3, 2013.

During a prior reporting period (April 1, 2013, to September 30, 2013), the Department of State OIG conducted a peer review of the system of quality control of the Federal Deposit Insurance Corporation (FDIC) OIG. FDIC OIG received a peer review rating of pass. The letter of comment accompanying the system review report contained six recommendations. Two recommendations are closed, but four recommendations remain outstanding or have not been fully implemented as of March 31, 2014.

The OIG Office of Investigations (INV) did not have an external peer review of its investigative operations during this reporting period. The review conducted in September 2011 by the Railroad Retirement Board OIG found the Office of Investigations to be in compliance with the CIGIE standards for internal safeguards and management procedures. The Railroad Retirement Board OIG did not make any formal recommendations in its report. INV's next peer review will be conducted by the Tennessee Valley Authority during the next reporting period.





# **BROADCASTING BOARD OF GOVERNORS**



# OFFICE OF AUDITS

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## ***Audit of the Broadcasting Board of Governors Information Security Program (AUD-IT-IB-14-02)***

In accordance with the Federal Information Security Management Act of 2002 (FISMA), the Office of Inspector General (OIG) contracted with Williams, Adley & Company-DC, LLP to perform an independent audit of the Broadcasting Board of Governors (BBG) Information Security Program's compliance with Federal laws, regulations, and standards established by FISMA, the Office of Management and Budget (OMB), and the National Institute of Standards and Technology (NIST).

Overall, the contractor found that BBG had implemented an information-security program and had made progress during FY 2013, but the audit identified control weaknesses that, if exploited, could cause security security breaches.

Collectively, the control weaknesses identified in this audit represented a significant deficiency, as defined by OMB Memorandum M-12-20, to enterprise-wide security. The weakened security controls could adversely affect the confidentiality, integrity, and availability of information and information systems. A further compounding factor is that BBG had not fully taken corrective action to remediate all of the control weaknesses identified in the FY 2012 FISMA report. The report contained 13 recommendations to address security deficiencies identified in eleven reportable areas, the most significant of which were related to risk- management framework, continuous monitoring program, enterprise-wide and system-specific contingency plan, incident response and reporting program, and the Plans of Action and Milestones (POA&M) process.

## ***Independent Auditor's Report on the Broadcasting Board of Governors 2013 Financial Statements (AUD-FM-IB-14-14)***

An independent external auditor audited the BBG's annual consolidated financial statements as of, and for the year ended, September 30, 2013. The auditor found the consolidated financial statements present fairly, in all material respects, the financial position of BBG as of September 30, 2013, and its net cost of operations, changes in net position, and budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

The auditor found certain material weaknesses and a significant deficiency in internal control over financial reporting. Specifically, the auditor found material weaknesses in grantee monitoring and accounting for grant advance; property, plant, and equipment; and budgetary accounting; as well as a significant deficiency in information technology. The auditor also found instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements, including Federal grant regulations, the Prompt Pay Act, the Antideficiency Act, Federal Acquisition Regulations, the Internal Revenue Service Code, and the Federal Managers' Financial Integrity Act.

***Management Letter Related to the Audit of the Broadcasting Board of Governors  
2013 Financial Statements (AUD-FM-IB-14-15)***

During the audit of BBG's 2013 financial statements, the independent external auditor identified internal control weaknesses or instances of noncompliance with selected provisions of applicable laws and regulations relating to reconciliation of transactions recorded in suspense accounts, maintenance of time and attendance documentation, oversight of after-employment benefits for foreign-service nationals, accounting for contingent liabilities, presentation of the Statement of Net Cost, preparation of the Statement of Budgetary Resources, and requirement for financial disclosure reports. The external auditor recommended that BBG take appropriate action to address these weaknesses.

# APPENDIX 1: INVESTIGATIVE ACTIVITIES

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<b>Preliminary Inquiries</b>	
Opened	0
Closed	0
<b>Investigations</b>	
Opened	0
Closed	0
Pending (9/30/13)	4
<b>Criminal Actions</b>	
Referrals for Prosecution	11
Indictments/Informations	0
Convictions	0
Sentencings (Months Imprisonment)	0
Sentencings (Months Probation)	0
Declinations	11
<b>Civil Actions</b>	
Civil Referrals	0
Civil Judgments	0
Civil Declinations	0
<b>Administrative Referrals</b>	
Referrals for Personnel Action	0
Suitability Referrals to DS	0
Contractor Suspensions/Debarment Referrals to OPE	0
<b>Administrative Actions</b>	
Removals	0
Suspensions	0
Reprimand/Admonishments/Warning Memorandum	0
Contractors/Grantees Suspended	0
Contractors/Grantees Debarred	0
Contractors/Grantees High Risk	0
<b>Monetary Recoveries</b>	
Criminal Fines/Recoveries	\$0
Civil Recoveries	\$0
Administrative Recoveries	\$0
<b>Total Investigative Recoveries</b>	<b>\$0</b>

## APPENDIX 2: REPORTS ISSUED

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Report Number	Report Title
AUD-IT-IB-14-02	<i>Audit of the Broadcasting Board of Governors Information Security Program</i>
AUD-FM-IB-14-14	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2013 Financial Statements</i>
AUD-FM-IB-14-15	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2013 Financial Statements</i>

## APPENDIX 3: SAVINGS AND MORE EFFECTIVE USE OF RESOURCES

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**TABLE 1: OIG REPORTS WITH QUESTIONED COSTS**

**None.**

**TABLE 2: OIG REPORTS WITH RECOMMENDATIONS THAT  
FUNDS BE PUT TO BETTER USE**

**None.**

### **TABLE 3: OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-133 AUDITS**

Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, establishes audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving Federal awards. Under this circular, covered entities that expend \$500,000 or more a year in Federal funds must obtain an annual organization-wide “single audit” that includes the entity’s financial statements and compliance with Federal award requirements. These audits are conducted by non-Federal auditors, such as public accounting firms and state auditors.

OIG reviews selected audit reports for findings and questioned costs related to BBG awards and to ensure that the reports comply with the requirements of OMB Circular A-133. OIG’s oversight of non-Federal audit activity informs Federal managers about the soundness of management of Federal programs and identifies any significant areas of internal control weaknesses, noncompliance, and questioned costs for resolution or follow-up.

During this reporting period, OIG’s Office of Audits reviewed two OMB Circular A-133 audit reports covering \$201 million in Federal funds, all of which were BBG funds. One of the two reports documented the awardee’s lack of internal controls and noncompliance with Federal requirements, to include weaknesses related to severance payments, travel expense reports and receipts, travel costs, use of business-class travel, and relocation expenditures. OIG also referred questioned costs of \$84,786 to BBG program officials for resolution or follow-up. The following table summarizes OIG’s reviews of non-Federal audits conducted during this reporting period.

## Inspector General-Referred A-133 Audit Reports With Questioned Costs

		Number of Reports	Questioned Costs (Dollars in Thousands)
A.	For which no management decision had been made by the commencement of the reporting period	0	\$0
B.	Issued during the reporting period	1	\$84,786
	<b>Subtotal Questioned Costs (A+B)</b>		<b>\$84,786</b>
C.	For which a management decision was made during the reporting period		
	(i) dollar value of disallowed costs		\$0
	(ii) dollar value of costs not disallowed		\$0
	<b>Total Management Decisions</b>	<b>11</b>	<b>\$84,786</b>
D.	For which no management decision had been made by the end of the reporting period		\$9,431,249

# APPENDIX 4: RESOLUTION OF REPORTS AND RECOMMENDATIONS

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## SIGNIFICANT OFFICE OF AUDITS RECOMMENDATIONS PENDING FINAL ACTION

None.

## SUMMARY OF OFFICE OF AUDITS REPORTS WITHOUT MANAGEMENT DECISION FOR MORE THAN SIX MONTHS

**Report Number:** AUD-CG-IB-13-43

**Subject:** *Outline for Action: Management Attention Needed To Improve Broadcasting Board of Governors Acquisition Functions*

**Date Issued:** September 26, 2013.

**Reason for not being resolved:** OIG recommended that the Director of the International Broadcasting Bureau immediately cease the use of personal services contracts and pre-approval for contracts that violate the Anti-Deficiency Act; take administrative disciplinary action as deemed appropriate; and report immediately to the President, Congress, and Comptroller General all relevant facts and a statement of actions taken, as required by 31 U.S.C. §1351, "Reports on violations." OIG also recommended that the Director of the International Broadcasting Bureau obtain the assistance of outside experts in Federal acquisition and contracting to conduct an acquisition assessment within the Office of Contracts. In its formal response to the draft report, BBG did not agree with Recommendations 1 and 2. Therefore, Recommendations 1 and 2 remain unresolved.

**Projected date of resolution:** August 2014.

## REVISED MANAGEMENT DECISIONS

None.

### **REVISED MANAGEMENT DECISION**

None.

### **MANAGEMENT SUCCESS IN RESOLVING AND IMPLEMENTING RECOMMENDATIONS**

None

## APPENDIX 5: AUDITS PERFORMED BY CONTRACTORS

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Report Number	Report Title	Contractor	Type of Engagement
AUD-IT-IB-14-02	<i>Audit of the Board of Broadcasting Governors Information Security Program</i>	Williams, Adley & Company-DC, LLP	Performance Audit
AUD-FM-IB-14-14	<i>Independent Auditor's Report on the Broadcasting Board of Governors 2013 Financial Statements</i>	Kearney & Company, P.C.	Financial Statement
AUD-FM-IB-14-15	<i>Management Letter Related to the Audit of the Broadcasting Board of Governors 2013 and 2012 Financial Statements</i>	Kearney & Company, P.C.	Financial Statement

# CONGRESSIONAL AND PUBLIC AFFAIRS ACTIVITIES

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## BRIEFINGS

OIG meets regularly with members of Congress and their staffs to inform them of its activities and findings. OIG also responds to congressional inquiries on a range of matters. During this reporting period, OIG met with members or staff of most of the committees overseeing the office, as well as several other staffs. Additionally, OIG began publishing and distributing to Congress a monthly update that summarizes key OIG achievements.

Of particular note, on February 26, in advance of public release of its report, *Keystone XL Pipeline Project Compliance Follow-up Review*, OIG provided a briefing for the staffs of several congressional members. Audit team members provided background information on the report and its findings and responded to questions.

## CONGRESSIONAL MANDATES AND REQUESTS

The following OIG products were generated in direct response to statutory requirements:

In compliance with the Chief Financial Officers Act of 1990 (Public Law 101-576, as amended), OIG directed and monitored the following financial statement audits:

- *Independent Accountant's Report on the Application of Agreed-Upon Procedures: Employee Benefits, Withholdings, Contributions, and Supplemental Semiannual Headcount Reporting Submitted to the Office of Personnel Management* (AUD-FM-14-01)
- *Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Special-Purpose Financial Statements* (AUD-FM-14-09)
- *Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements* (AUD-FM-14-10)
- *Management Letter Related to the Audit of the Department of State 2013 and 2012 Financial Statements* (AUD-FM-14-11)

- *Independent Auditor's Report on the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2013 and 2012 Financial Statements* (AUD-FM-14-12)
- *Management Letter Related to the Audit of the International Boundary and Water Commission, United States and Mexico, U.S. Section, 2013 Financial Statements* (AUD-FM-14-13)
- *Independent Auditor's Report on the Broadcasting Board of Governors 2013 Financial Statements* (AUD-FM-IB-14-14)
- *Management Letter Related to the Audit of the Broadcasting Board of Governors 2013 and 2012 Financial Statements* (AUD-FM-IB-14-15)

In compliance with the Federal Information Security Management Act of 2002 (FISMA) (44 U.S.C. § 3545), OIG issued the following reports:

- *Audit of Department of State Information Security Program* (AUD-IT-14-03)
- *Audit of the Broadcasting Board of Governors Information Security Program* (AUD-IT-IB-14-02)

## MEDIA RELATIONS AND OUTREACH

During this reporting period, OIG made its reports available to the media and other interested parties both directly and online through regular postings on its public Web site ([oig.state.gov](http://oig.state.gov)) and via Twitter.

OIG continues to improve its Web sites. Work is underway to update the external site's style and format as it migrates to a more dynamic, open-source content-management system. New features include the addition of a live Twitter feed on the homepage, as well as a "New at OIG" page highlighting the office's latest published work.

These OIG reports drew the greatest number of media inquiries and subsequent articles or postings during the reporting period:

- *Keystone XL Pipeline Project Compliance Follow-up Review: The Department of State's Choice of ERM, Inc., To Assist in Preparing the Supplemental Environmental Impact Statement* (AUD-SI-14-20)
- *Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program* (MA-A-0001)

- *Inspection of the Bureau of Economic and Business Affairs* (ISP-I-14-01)
- *Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements* (AUD-FM-14-10)

## **Foreign Delegations**

OIG regularly meets with officials from around the world to discuss a range of issues related to government oversight. During the reporting period, senior OIG staff met with a delegation from Cameroon's State Audits team. The visitors were on a multi-country tour to learn ways to prevent fraud and misuse of public funds. The discussion focused on workplace ethics and ideas for training, as well as OIG's legal framework for oversight.



# ABBREVIATIONS

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Abbreviation	Full Name
A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
AF	Bureau of African Affairs
ATA	Antiterrorism Assistance
BBG	Broadcasting Board of Governors
CIGIE	Council of the Inspectors General on Integrity and Efficiency
CIVPOL	civilian police
CO	contracting officer
COR	contracting officer's representative
CSO	Bureau of Conflict and Stabilization Operations
CSSP	Corrections System Support Program
DCAA	Defense Contract Audit Agency
Department	U.S. Department of State
DOI	Department of the Interior
DS	Bureau of Diplomatic Security
EAP	emergency action plan
ECA	Bureau of Educational and Cultural Affairs
ERM	Environmental Resources Management, Inc.
FISMA	Federal Information Security Management Act of 2002
FMFIA	Federal Managers Financial Integrity Act
GDPDC	General Directorate of Prisons and Detention Centers
GTM	government technical monitor
INL	Bureau of International Narcotics and Law Enforcement Affairs
INV	Office of Investigations
ISP	Office of Inspections

Abbreviation	Full Name
M/PRI	Office of Management Policy, Rightsizing, and Innovation
NIST	National Institute of Standards and Technology
OIG	Office of Inspector General
OMB	Office of Management and Budget
ONDCP	Office of National Drug Control Policy
PEPFAR	President's Emergency Plan for AIDS Relief
PIB	Procurement Information Bulletin
PMS	Payment Management System
PSS	Procurement Shared Services
REA	Request for Equitable Adjustment
SAR	<i>Semiannual Report to the Congress</i>
TCI	Triple Canopy, Inc.
TIP	trafficking in persons
USAID	U.S. Agency for International Development
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section

## Index of Reporting Requirements

### Inspector General Act of 1978, as Amended

Requirement	Subject	Page Number(s)
Section 4(a)(2)	Review of legislation and regulations	none
Section 5(a)(1)	Summary of significant problems, abuses, and deficiencies	3-7
Section 5(a)(2)	Significant recommendations for corrective action	37-56, 57
Section 5(a)(3)	Prior significant recommendations unimplemented	37-47, 54-56, 68
Section 5(a)(4)	Matters referred to prosecutive authorities	26-27
Section 5(a)(5)	Information or assistance refused	none
Section 5(a)(6)	List of reports issued	30-31, 64
Section 5(a)(7)	Summaries of significant reports	11-21, 61-62
Section 5(a)(8)	Reports – questioned costs	32, 65
Section 5(a)(9)	Reports – funds to be put to better use	33, 65
Section 5(a)(10)	Prior reports unresolved	48-51, 68
Section 5(a)(11)	Significant revised management decisions	none
Section 5(a)(12)	Significant management decisions with which OIG disagreed	none
Section 5(a)(14)	Peer review results	59
Section 5(a)(15)(16)	Status of peer review recommendations	59



UNITED STATES DEPARTMENT OF STATE  
AND THE BROADCASTING BOARD OF GOVERNORS  
*OFFICE OF INSPECTOR GENERAL*