

# SEMIANNUAL REPORT TO THE CONGRESS

April 1, 2014–September 30, 2014



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



# OIG Office of Inspector General

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

## OUR VISION

To be a world-class organization and a catalyst for effective management, accountability, and positive change in the Department, the Broadcasting Board of Governors, and the foreign affairs community.

## OUR MISSION

To conduct independent audits, inspections, evaluations, and investigations to promote economy and efficiency and to prevent and detect waste, fraud, abuse, and mismanagement in the programs and operations of the Department and the Broadcasting Board of Governors.

## OUR VALUES

### Integrity

We remain independent, striving to maintain the highest level of trust, integrity, and professionalism. Our work is fact-based, objective, and supported by sufficient, appropriate evidence in accordance with professional standards.

### Teamwork

Our success depends on working together and fostering an inclusive and mutually supportive environment. Our work environment encourages collaboration, innovation, flexibility, and integration of OIG resources.

### Accountability

We accept responsibility for our work products and services, upholding the highest professional standards by evaluating and measuring our results against stated performance measures and targets. We strive to ensure that our work is relevant, credible, and timely.

### Communication

We clarify expectations up front and communicate openly, honestly, and accurately with our associates and our stakeholders. We look for ways to improve ourselves and our work products by seeking, giving, and using both praise and constructive feedback.

### Respect

We promote diversity and equal opportunity throughout the organization. We value and respect the views of others.

## OIG Summary of Performance, 4/1/2014–9/30/2014

### Financial Results

Questioned Costs	
Issued during the reporting period	\$527,000
Management decision during the reporting period	\$4,218,000
Recommendations for funds to be put to better use	
Issued during the reporting period	\$43,276,000
Management decision during the reporting period	\$65,309,000
<b>Investigative Monetary Recoveries</b>	<b>\$370,000</b>

### Investigative Activities

Cases Opened	36
Cases Closed	38
Criminal Actions (arrests, indictments, convictions)	15
Administrative Actions	9
Contractor/Grantee Suspension and Debarment Actions	17
Hotline Complaints Received	639

### Reports

Office of Audits	18
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Office of Evaluations	1

**Note:** Figures represent consolidated totals from OIG work conducted from April 1, 2014, to September 30, 2014, that relate to Department of State and Broadcasting Board of Governors programs and operations. Dollar amounts may be affected by rounding.



## MESSAGE FROM THE INSPECTOR GENERAL



Steve A. Linick

I am pleased to present this *Semiannual Report to the Congress (SAR)*, covering the programs and operations of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG) from April 1, 2014, to September 30, 2014. During this reporting period, we issued a total of 46 reports, including audit, inspection, and investigation reports; management assistance reports; and a management alert that underscores the need for immediate corrective actions by the Department. OIG's efforts to fulfill its duty to maximize the efficiency of Federal Government programs and operations is made possible by its ongoing commitment to integrity, efficiency, and accountability.

This is the second SAR issued since I was sworn in. During the 6 months covered in this report, OIG enhanced oversight of both the Department and BBG, focusing on significant management and performance challenges, including the protection of people and facilities, information security, contract and grant management, and leadership.

In the area of security overseas, OIG found that although the Department has made improvements in this area, more work needs to be done. For example, our audit of the Local Guard Program found that security contractors were not fully performing vetting requirements (e.g., background and criminal history checks) for local guards at embassy posts, placing embassies and personnel at risk. We also reviewed the Department's High Threat Programs Directorate and determined that the new directorate has enhanced the focus on security needs of high-threat posts, but its role remains unclear and it suffers from staffing gaps and position shortages.

OIG also initiated oversight projects to assess the Department's cybersecurity programs during this period. For the first time in the past decade, OIG directed penetration testing to assess the security of the Department's unclassified networks. We currently are collaborating with the Department's Chief Information Officer on this effort, which ultimately will better safeguard the networks and the sensitive information they contain.

We issued a management alert highlighting deficiencies in the Department's management of grants, including insufficient oversight caused by too few staff managing too many grants, insufficient training of grant officials, and inadequate documentation and closeout of grant activities. In an audit of BBG's acquisition functions, OIG reviewed BBG contracts and identified noncompliance with Federal contracting regulations, lack of contract oversight, and violations of the Antideficiency Act. Left unchecked, these types of deficiencies threaten to expose the Department and BBG to financial risk, and create conditions conducive to fraud.

We conducted numerous inspections that noted the need for better organizational alignment with priorities. In some cases, our inspections addressed leadership and management concerns, impacting effectiveness and morale.

OIG is committed to continuous improvement within our organization. We have taken additional steps to improve internal operations by encouraging greater collaboration across OIG offices and enhancing employee training in a number of areas. For example, the Office of Audits worked closely with the Office of General Counsel and the Office of Investigations to begin referring suspension and debarment cases to the Department's Office of Procurement Integrity. In FY 2014, OIG's investigations team referred 23 cases to the Department, resulting in the suspension or debarment of 22 contractors and grantees.

We also established a new office—the Office of Evaluations and Special Projects (ESP)—to strengthen OIG's oversight of the Department and BBG, and to improve OIG's capabilities to meet statutory requirements of the Whistleblower Protection Enhancement Act of 2012. ESP also reviews allegations of administrative misconduct by senior officials and issues management alerts to highlight the need for corrective actions and capping reports on thematic areas of concern. Among other things, ESP currently is reviewing allegations of undue influence and favoritism in internal investigations conducted by the Department's Bureau of Diplomatic Security.

During this reporting period, we also initiated a number of partnerships with other OIGs to address significant matters of mutual concern. In May 2014, with the Department of Justice OIG, we publicly announced a joint review of three shooting incidents that took place in Honduras in 2012. In addition, we have been working with the OIGs of the Department of Defense and the U.S. Agency for International Development to conduct joint oversight planning associated with overseas contingency operations.

OIG's work was singled out for special recognition during this period. Notably, the Council of the Inspectors General on Integrity and Efficiency recognized OIG's work with four awards of excellence: for its review of the Department's Accountability Review Board process (the process employed to review the events surrounding the murder of Department personnel in Benghazi, Libya, in September 2012); for its series of reports on the security posture at overseas posts; for its work supporting contingency operations in Southwest Asia; and for its efforts to ensure accountability in the grant reform process.

In sum, OIG's accomplishments during this reporting period are a credit to the talented staff I have the privilege to lead.

A handwritten signature in black ink, appearing to read "Steve A. Linick". The signature is fluid and cursive, with a large initial "S" and "L".

Steve A. Linick  
Inspector General  
September 30, 2014



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Embassy Bujumbura, Burundi (ISP-I-14-20A, 7/2014).  
For highlights of this inspection report, see page 23.

# EXECUTIVE SUMMARY

This *Semiannual Report to the Congress* summarizes the work of the Office of Inspector General (OIG) for the Department of State (Department) and the Broadcasting Board of Governors (BBG) for the reporting period from April 1, 2014, to September 30, 2014. OIG addresses classified issues in the *Classified Annex to the Semiannual Report to the Congress*.

During this reporting period, OIG issued 46 reports with recommendations to improve the programs and operations of the Department and BBG and identified more than \$44 million in investigative recoveries, questioned costs, and funds to be put to better use.

OIG aligned its work with what it considers to be the most serious management and performance challenges facing the Department and BBG, including the protection of people and facilities, information security and management, and contracts and grants management.

## Office of Audits

During this reporting period, the Office of Audits issued 18 reports, including 13 reports and 1 management assistance report on Department programs and operations, and 4 reports on BBG programs and operations. Of the 18 reports, 16 reports were unclassified, and 2 reports were classified. Key findings include the following:

- **Protection of people and facilities.** As part of a series of audits examining the security posture of overseas diplomatic posts, OIG conducted an audit of the Department's management of the Marine Security Guard (MSG) program as related to the Department's compliance with the recommendations from the Beng-

hazi Accountability Review Board report. Although the Department has increased MSG staffing, it has made limited progress in adding MSG detachments to meet the critical need for security at high-threat posts. In another audit focused on security, OIG found that none of the six security contractors selected for review at six overseas posts fully complied with all vetting requirements contained in Local Guard Program contracts. If improperly screened guards are assigned to defend posts, embassies and their personnel may face increased security risk.

- **Information security and management.** Based on OIG's annual mandated audit, the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC), took corrective actions to address information security weaknesses identified in OIG's FY 2013 report.<sup>i</sup> In FY 2014, OIG closed 22 of 27 recommendations from the FY 2013 report in response to USIBWC's significant improvement of information security programs and practices and in compliance with the Federal Information Security Management Act of 2002.
- **Contracts, acquisitions, and grants management.** OIG reviewed high- and medium-risk contracts to determine the adequacy of the contract and grant administration and oversight conducted by the Bureau of African Affairs. OIG iden-

<sup>i</sup> *Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program* (AUD-IT-13-39, September 2013).

tified deficiencies that may have prevented the Department from having reasonable assurance that: (1) the bureau was spending Federal funds in accordance with its contract and grant awards, (2) recipients performed program activities as dictated in the contract and grant awards, and (3) recipients achieved the goals and objectives outlined in their contracts and grants.

## Office of Inspections

During this reporting period, the Office of Inspections (ISP) issued 26 products, including 16 products on Department programs and operations and 1 report on BBG programs and operations. ISP issued 17 unclassified products and 9 classified annexes, which covered security issues at 8 posts and 1 bureau. These reports noted that posts and bureaus faced challenges with strengthening physical security, managing resources, and conducting oversight of programs and management controls. The reports also featured three innovative practices, one of which is highlighted on page 24 of this report and identifies the Department's success in saving employees time and effort. Key findings and recommendations include the following:

- OIG's inspection of the Bureau of Diplomatic Security, High Threat Programs (HTP) Directorate, found that the Bureau of Overseas Buildings Operations (OBO) lacked a formal mechanism to expeditiously address HTP's urgent requests for security upgrades and emergency construction projects at high-threat posts. OIG also noted the directorate's lack of authority to require that its recommendations are implemented.

- OIG identified several missions and bureaus that faced challenges managing resources, including a lack of staff and insufficient management support at missions undergoing rapid growth, and inadequate oversight of foreign assistance programs and funds. OIG also determined that the lack of attention to management and allocation of resources, systematic budgeting, policy planning, and program management also contributed to the problems. At Embassy Kampala, OIG recommended granting more authority to the coordinator of the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) program, who oversees the fourth-largest PEPFAR program in the world, with six agencies and a budget of \$323 million in FY 2013. OIG also made recommendations to improve the management by the Bureau of International Security and Nonproliferation of nearly \$600 million of foreign assistance funds.
- One thematic review and a management assistance report identified areas of vulnerability for the Department, including the lack of adequate controls for the acceptance of gifts and the direct payment of official residence expenses, a prohibited practice that subjects the U.S. Government to liability for nongovernment employees. Another thematic review estimated a potential cost savings of \$4.3 million annually for the high-cost embassies that increased by 50 percent their remote voucher processing through the post support unit.

## Office of Investigations

During this reporting period, investigative work conducted by the Office of Investiga-

tions (INV) resulted in nearly \$370,000 in fines, forfeitures, and other monetary penalties. Most of the 151 ongoing cases involved procurement fraud—a key focus for INV.

During this reporting period, OIG closed 38 cases and issued 1 management assistance report related to Department programs and operations. The most significant investigative accomplishments include the following:

- On July 22, 2014, a subgrantee returned \$148,314 in misappropriated funds to a Department grantee to be used for legitimate program costs.
- On April 29, 2014, a contractor was sentenced to 57 months in prison and ordered to make restitution of \$218,893 to subcontractors who had not been paid for work performed on a Department contract.

### Office of Evaluations and Special Projects

In FY 2014, OIG established the Office of Evaluations and Special Projects (ESP) to strengthen OIG's oversight of the Department, as well as to improve OIG's capabilities to provide whistleblower protections. ESP reviews allegations of administrative misconduct by senior officials and issues management alerts to highlight the urgent need for corrective actions and capping reports on thematic areas of concern. ESP is also responsible for

special evaluations and reviews, including responses to congressional inquiries. The work of this new office complements the work of OIG's offices of audits, investigations, and inspections by developing a capacity to focus on broader systemic issues.

During this reporting period, ESP issued a management alert on the Department's oversight of grants that highlighted several challenges, including insufficient oversight caused by too few staff managing too many grants, insufficient training of grant officials, and inadequate documentation and closeout of grant activities.

### Broadcasting Board of Governors

During this reporting period, OIG conducted three audits, one risk assessment, and one inspection of BBG programs and operations. In an audit of BBG's acquisition functions, OIG reviewed 34 BBG contracts, totaling \$7.8 million, and identified noncompliance with Federal contracting regulations, a lack of contract oversight, and violations of the Antideficiency Act, resulting in \$419,020 in funds that could be put to better use, \$24,325 in questioned costs, and \$475,347 in unauthorized commitments. In an inspection of BBG's Office of Cuba Broadcasting (OCB), OIG identified several administrative weaknesses in OCB's management of contracting, human resources, unliquidated obligations, property management, and travel.

# OVERVIEW

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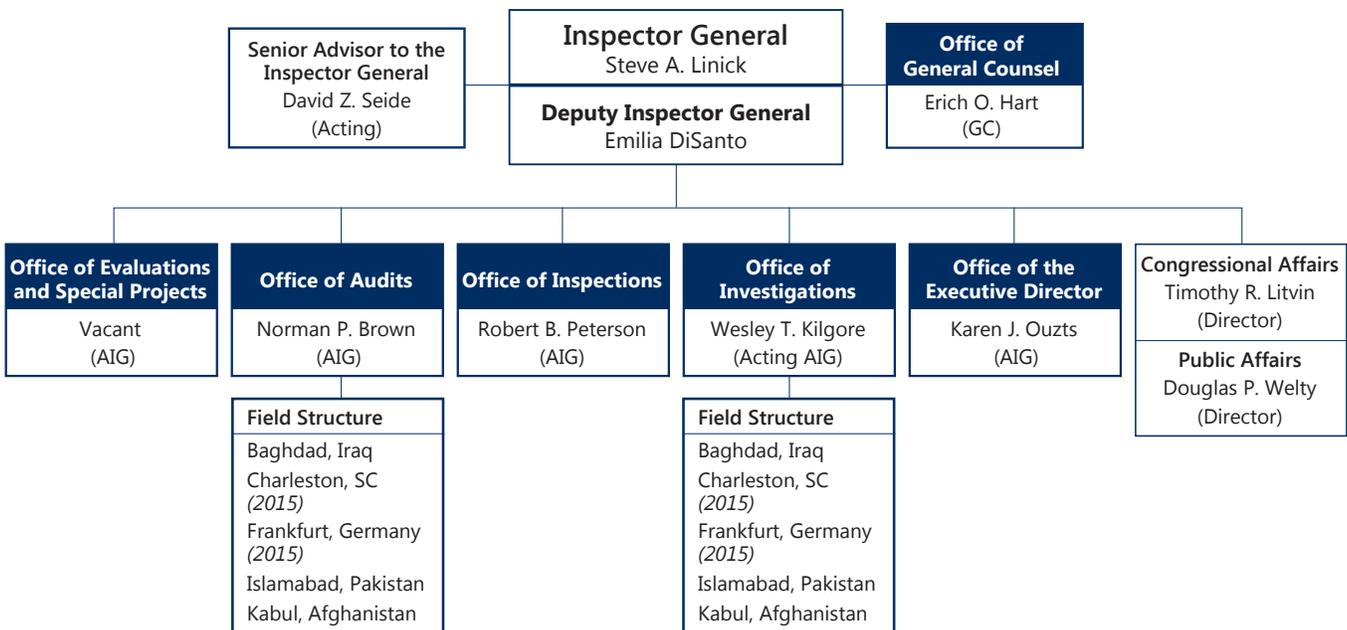
# 1. OVERSIGHT STRATEGY AND ORGANIZATIONAL STRUCTURE

The primary mission of the Office of Inspector General (OIG) for the Department of State (Department) and Broadcasting Board of Governors (BBG) is to conduct independent audits, inspections, investigations, and evaluations to promote economy and efficiency and to prevent and detect fraud, waste, abuse, and mismanagement in the programs and operations of the Department and BBG.

OIG’s mandate is broad and comprehensive, involving oversight of the full scope of Department and BBG programs, operations, and organizations, including more than 72,000 employees and 280 overseas missions and domestic entities, funded through combined annual appropriations of nearly \$17 billion

and \$3.2 billion in consular fees. OIG also is responsible for full or partial oversight of an additional \$17 billion in Department-managed foreign assistance and for the International Boundary and Water Commission, United States and Mexico, U.S. Section (USIBWC). For the organizational structure of OIG offices, see Figure 1.1.

**Figure 1.1**  
OIG Organizational Chart



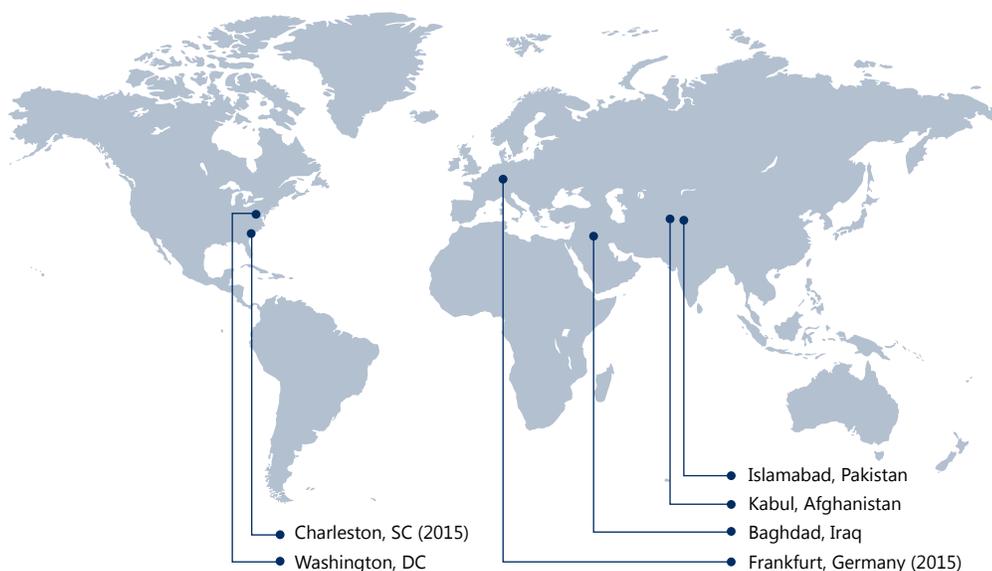
**Note:** In June 2014, OIG temporarily vacated the Baghdad office as a result of security concerns over increased threats in the region.

OIG's mission is global, involving extensive overseas travel and staffing in some of the most distant and challenging posts in the world. To perform its international work more efficiently, OIG operates offices in the front-line states of Afghanistan, Iraq, and Pakistan. As part of its ongoing improvement of oversight capabilities, OIG plans to co-locate audit and investigative staff with the Department's regional financial and procurement centers—such as the Department's Regional Procurement Support Office in Frankfurt, Germany, and the Global Financial Services Center in Charleston, South Carolina—to concentrate resources related to high-cost, high-risk programs and operations where the relevant activities are being conducted.

OIG's new Frankfurt office, which will be staffed with nine auditors and three investigators, will augment OIG's oversight in front-line states and better position OIG to provide oversight of contingency operations throughout Africa, South and Central Asia, and the Middle East. The establishment of this office also complements the Department's decision to transfer from Baghdad to Frankfurt its regional Contract Management Office, which will manage more than \$3.5 billion in contracts for Embassy Baghdad over the next several years. For a map of all OIG office locations, see Figure 1.2.

OIG's aim is to strengthen its audit, inspection, evaluation, and investigative functions

**Figure 1.2**  
**OIG Office Locations**



**Note:** In June 2014, OIG temporarily vacated the Baghdad office as a result of security concerns over increased threats in the region.

to a level commensurate with the substantial resources it oversees and to expand its ability to ensure oversight of the Department's and BBG's global infrastructure, particularly high-cost programs in the front-line states of Afghanistan, Iraq and Pakistan, and in other high-risk environments. Currently, OIG represents only about 0.44 percent of the Department's and BBG's program resources.

During the past year, OIG refocused its annual planning process to align its work priorities with at-risk Department and BBG resources and programs, including protection of people and facilities; information security and management; and contracts, acquisitions, and grants management. OIG's plans emphasize improved integration and coordination of oversight capabilities across the organization to allocate resources toward management challenges in the costliest and highest-risk Department and BBG programs and operations.



Embassy Panama City, Panama (ISP-I-14-04A, 3/2014). For highlights of this inspection report, see page 43.

## 2. COMMUNICATIONS AND OUTREACH

### Communication With Congress

OIG's goal is to be viewed by Congress as a valued partner in performing oversight of Department and BBG programs and operations. OIG understands its statutory requirement to keep Congress fully and currently informed about the Department and BBG.

To foster this relationship, OIG regularly interacts with Members of Congress and their staffs in a variety of ways. During this reporting period, OIG delivered to Congress all of its published reports, responded to requests for information, and provided briefings on OIG work.

On August 5, 2014, the Inspector General joined 46 other Federal Inspectors General in sending a letter to the Chairman and Ranking Members of the Senate Homeland Security and Governmental Affairs and the House Oversight and Government Reform Committees regarding the serious limitations on access to records that impeded the work of Inspectors General at the Peace Corps, the Environmental Protection Agency, and the Department of Justice. This letter expressed the principle that oversight necessarily requires, and the Inspector General Act of 1978 entitles, Inspectors General to complete, timely, and unfiltered access to agency information in order to provide effective oversight.

### Outreach Activities

#### **Education and Training**

On May 22, July 24, and August 21, 2014, staff from the Office of Audits (AUD) presented a 1-hour module for a course offered through the Department's Foreign Service Institute on the responsibilities and duties of a contract-

ing officer's representative. The presentation focused on an OIG management alert on contract file deficiencies issued in March 2014, and on the potential negative consequences of incomplete contracting files.

The Office of Investigations (INV) facilitated an OIG Outreach Program, which provides information to a variety of Department groups to help employees identify indicators of fraud that should be referred to OIG. During this reporting period, INV delivered more than 30 outreach presentations to various groups involving more than 700 Department employees, including new ambassadors.

The Office of Inspections (ISP) participated in a number of outreach activities at the Foreign Service Institute, including presentations to classes for domestic officers, financial management officers, and foreign service specialists, among others. Inspectors also gave presentations for regional security officer training. The deputy assistant inspector general for inspections participated in multiple sessions of the Department's Leadership Roundtable—Building a Culture of Leadership.

#### **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 of law professors from Greece, sponsored by the Duke University School of Law, to discuss government efforts to combat corruption and crime.

Senior OIG staff also met with a delegation of government officials from Turkey, sponsored by the University of Maryland, who work for the Turkish Ministry of Interior as chief civil inspectors. Particular areas of interest were general OIG operations, referrals to INV, and reporting to Congress and the general public.

Finally, in coordination with the U.S. Agency for International Development (USAID), senior OIG staff met with a delegation of inspectors general and government audit executives

from Indonesia. The meeting covered several topics, including Federal audit standards, investigative procedures, transparency issues, inspection surveys, and operational authorities under the Inspector General Act of 1978 and the U.S. Government Accountability Office's publication *Government Auditing Standards* (commonly referenced as the "Yellow Book").

### ***Plans for Oversight of Overseas Contingency Operations***

On September 4, 2014, the Inspector General and OIG senior leaders participated in a joint summit of Inspectors General, hosted by the Department of Defense (DOD) OIG, to define the duties of the Lead Inspector General for Overseas Contingency Operations, as required

Inspector General Linick addresses a joint summit of Inspectors General on September 4, 2014.



by section 8L of the Inspector General Act. The event marked the formal inauguration of several working groups tasked with addressing these challenges and developing plans and agreements.

Panelists discussed:

- joint oversight planning and operational readiness
- administrative challenges
- challenges for investigative coordination
- outreach and transparency challenges

### **Website**

OIG is in the final stages of revamping its external website to a cleaner, more responsive design. The new site will feature a robust search function, allowing more refined searches throughout the entire unclassified OIG report library; will provide access to report "highlights," as well as full OIG reports; will provide updated Hotline and Freedom of Information Act features, including online submission forms; and will include videos and other features to facilitate information access.

The new site is expected to be available to the general public in fall 2014 at [oig.state.gov](http://oig.state.gov).

### 3. CONSOLIDATED FINANCIAL IMPACT OF OIG WORK

During FY 2014, OIG identified approximately \$119 million in potential monetary benefits to American taxpayers, with more than \$44 million identified during this reporting period.<sup>1</sup> Categories of monetary benefits include questioned costs from audits of Department and BBG contracts, grants, and programs; OIG audit, evaluation, and inspection recommendations that funds be put to better use; and fines and recoveries resulting from OIG investigations.

Because of variations in the value and condition of programs, contracts, grants, and other activities under review or investigation, OIG monetary benefits vary significantly from year to year. Over the past 7 years, annual monetary benefits have ranged from 50 to 900 percent (an average of about 300 percent a year) of OIG's appropriations, and have totaled nearly \$1.3 billion—more than triple every dollar invested in OIG oversight.

During this reporting period, the Department and BBG made management decisions<sup>2</sup> on \$69.5 million in monetary benefits identified

by OIG, agreeing with recommendations that identified more than \$60 million in funds to be put to better use and that called for disallowing more than \$1.2 million in questioned costs. As of the close of the reporting period, the Department and BBG had not yet taken action on \$375 million, including \$354 million pending management decision for more than 6 months. The \$354 million balance from this period compares with a balance of \$401 million<sup>3</sup> pending management decision for more than 6 months at the end of the previous reporting period, representing a reduction of about 12 percent.

<sup>1</sup> Figures represent consolidated totals from OIG work that relate to both Department and BBG programs and operations.

<sup>2</sup> OIG recommendations related to questioned costs and funds put to better use are referred to Department and BBG management for decision and final action.

<sup>3</sup> The final amount reported in OIG's March 2014 *Semiannual Report to the Congress* was adjusted from \$391 million based on updated information and analysis of open recommendations.

## 4. RECOGNITION FROM THE COUNCIL OF THE INSPECTORS GENERAL ON INTEGRITY AND EFFICIENCY

In 2014, the Council of the Inspectors General on Integrity and Efficiency (CIGIE) honored OIG employees who contributed to significant bodies of work that enhanced the Department's protection of people and property, as well as its efforts in fraud prevention and cost savings.

For detailed information on OIG awardees, see Appendix F.

**Audit Award for Excellence:** *in recognition of exceptional performance on the series of audits that advanced the Department of State's efforts to protect personnel, facilities, and national security information.*

Employees of the Office of Audits received the Audit Award for Excellence for a series of reports that advanced the Department's efforts to protect personnel, facilities, and national security information at U.S. missions overseas. Immediately after the Benghazi attacks, OIG staff members worked on a series of audits that addressed the security posture of selected posts, including physical and procedural security measures, emerging-threat information use, emergency-action planning preparation, and processes to request physical-security resources. The Department has already implemented more than 60 percent of the 164 recommendations offered, and OIG continues to aggressively press for actions to address the remaining recommendations through its compliance process.

**Evaluations Award for Excellence:** *in recognition of an exemplary report on the*

*Department of State's Accountability Review Board process that will improve the Department's ability to learn from significant security incidents and provide enhanced security for U.S. diplomatic missions.*

Employees of the Office of Inspections received the Evaluations Award for Excellence for its review of the process by which Accountability Review Boards (ARBs) are established, staffed, and supported. OIG inspectors reviewed all 12 ARBs established from 1998 to 2012 to evaluate the Department's compliance followup process, including the methodology used for tracking and monitoring the implementation of ARB recommendations. The team also reviewed the Department's progress in implementing the 29 recommendations issued in the Benghazi ARB report.

**Investigations Award for Excellence:** *in recognition of exceptional performance in the conduct of investigations supporting contingency operations in Southwest Asia and the protection of high risk Department resources against fraud, waste, and abuse.*

A Special Agent in the Office of Investigations received the individual Investigations

Award for Excellence for his investigative work supporting contingency operations in Southwest Asia. He led two investigations in Kabul, Afghanistan, resulting in significant cost savings while preventing fraudulent contractors from gaining additional work with the U.S. Government. He coordinated closely with the Department of Justice, the Federal Bureau of Investigation (FBI), and the Special Inspector General for Afghanistan Reconstruction.

**Special Act Award for Excellence:** *in recognition of efforts to ensure accountability in the Grant Reform Process.*

Employees from the Office of Audits, Office of General Counsel, and Office of Investigations received awards for their performance as part of the CIGIE Grant Reform Working Group to ensure accountability in the grant reform process. This cross-disciplinary group worked closely with teams from other agencies.

# OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

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## 5. OFFICE OF AUDITS

The Office of Audits (AUD) supports the Department in improving management; strengthening integrity and accountability; and ensuring the most efficient, effective, and economical use of resources.

Audit work focuses on such areas of concern as physical security at overseas posts; financial and information technology security and management; contracts, acquisitions, and grants management; human capital and administrative issues; and high-risk programs and operations in the front-line states of Afghanistan, Iraq, and Pakistan.

From April 1, 2014, to September 30, 2014, AUD issued 18 reports, including 14 reports that reviewed Department operations and programs. Of these 14 reports, 12 reports were unclassified, and 2 reports were classified. For a comprehensive list of OIG reports related to Department programs and operations and issued during this reporting period, see Appendix A.



Embassy Baghdad, Iraq. For highlights of the *Audit of Personal Property Accountability at U.S. Mission Iraq* (AUD-MERO-14-18, 6/2014), see page 18.

## Audit Compliance and Followup

*Compliance Followup Audit of Department of State Actions To Address Weaknesses in the Ownership, Award, Administration, and Transfer of Overseas Construction Funded by the President's Emergency Plan for AIDS Relief* (AUD-ACF-14-32, 8/2014)

OIG evaluated corrective actions the Department took to address recommendations in two prior audit reports.<sup>4</sup> Based on the followup audit, OIG found that the Department had made significant progress in implementing the corrective actions recommended and in addressing the deficiencies identified in the Department's management of the U.S. President's Emergency Plan for AIDS Relief (PEPFAR) construction contracts. The Department's actions were sufficient for OIG to close four of the five open recommendations and verify that Department actions had corrected the original deficiencies for the two selected closed recommendations.

However, actions taken in response to one open recommendation exposed a larger problem regarding funds management for nine contracts and task orders and related obligations totaling \$5,213,502. As a result, OIG closed, modified, and then reissued Recommendation 3 in report AUD/IP-12-03 as Recommendation 1 in the followup report to address whether \$5,213,502 identified as unliquidated obligations should be deobligated.

During its physical inspection of 14 PEPFAR-funded facilities, OIG noted that visitors were often unable to determine what role, if any, the U.S. Government played in the financing and construction of these overseas healthcare facilities because signs affixed to the medical facilities were small and contained ambiguous wording. Therefore, OIG recommended that the Office of the U.S. Global AIDS Coordinator create standard signage for all PEPFAR-funded facilities to better highlight and display the American people's contribution toward efforts to combat HIV/AIDS.

## Contracts and Grants

*FY 2013 Risk Assessment of Travel and Purchase Card Programs at the Department of State* (AUD-CG-14-27, 6/2014)

*FY 2013 Risk Assessment of Travel and Purchase Card Programs at the International Boundary and Water Commission* (AUD-CG-14-29, 6/2014)

The Government Charge Card Abuse Prevention Act of 2012 (Public Law 112-194) requires OIG to conduct periodic risk assessments of agency programs for travel cards and purchase cards. The purpose of these assessments is to identify and analyze risks of illegal, improper, or erroneous purchases and payments for use in determining the scope, frequency, and number of periodic audits of these programs. The FY 2013 risk assessments

<sup>4</sup> *Audit of Construction and Transfer of Ownership of the President's Emergency Plan for AIDS Relief (PEPFAR) Overseas Construction Projects* (AUD/IP-11-14, June 2011) and *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)* (AUD/IP-12-03, November 2011).

were the first such reviews conducted of these programs for the Department and USIBWC.<sup>5</sup>

The risk assessments were designed to identify programs on which AUD should focus its limited resources. Based on the results of its reviews, OIG gave each program an overall risk assessment rating ranging from very low to very high. The results of the assessments should not be interpreted to conclude that programs with lower risk are free of illegal, improper, or erroneous use or internal control deficiencies. Conversely, a higher-risk program may not necessarily signify illegal, improper, or erroneous use—only that conditions are conducive to those activities. Regardless of the risk assessment results, if the travel- and purchase-card programs were to be audited, a team may identify such issues through independent testing of travel- and purchase-card data.

The results of OIG's FY 2013 risk assessments showed that the risk of illegal, improper, or erroneous use in the Department's travel-card program was very high, and as a result, an audit of this program was recommended for inclusion in OIG's FY 2015 audit plan. The Department's purchase-card program as well as the travel- and purchase-card programs for USIBWC were rated medium or lower and therefore were not recommended for audit consideration in FY 2015. However, the results do not preclude OIG from reviewing the travel- and purchase-card programs for any entity during FY 2015 or any other time, and OIG suggested that managers for Department and USIBWC travel-card and purchase-card programs take appropriate actions to ensure and improve oversight of the programs.

<sup>5</sup> In June 2014, OIG issued three concurrent reports related to FY 2013 risk assessments of Department, BBG, and USIBWC travel and purchase-card programs. For details on findings specific to BBG, see Section 11.

*Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs*  
(AUD-CG-14-31, 8/2014)

OIG initiated this audit to address concerns raised in prior OIG reports about the adequacy of the contract and grant administration and oversight performed by the Bureau of African Affairs (AF). The primary objective was to determine the extent to which AF's administration and oversight of contracts and grants complied with applicable Federal laws and Department guidance.

OIG identified numerous deficiencies with AF's oversight of its contracts and grants that may have inhibited AF's ability to achieve its mission, including not delegating oversight personnel for the life of some contracts or grants, not developing quality assurance or monitoring plans, and not documenting site visit results. As a result, the Department did not always have reasonable assurance that AF spent Federal funds in accordance with its contract and grant awards, that recipients performed program activities as dictated in the contract and grant awards, and that recipients achieved the goals and objectives outlined in their contracts and grants. Without appropriate oversight, AF could not ensure that it achieved its mission of supporting democracy in Africa, economic growth, conflict prevention, counterterrorism, and improving global health.

OIG made recommendations to AF and to the Bureau of Administration, Office of the Procurement Executive, to improve the administration and oversight of AF contracts and grants.

*Management Assistance Report—  
Termination of Construction Grants to  
Omran Holding Group  
(AUD-CG-14-37, 9/2014)*

OIG audited the Department's selection, positioning, training, and oversight responsibilities of grants officer representatives, identifying areas of concern related to two construction grants being executed by Omran Holding Group (OHG). OHG was awarded two Department construction grants, totaling \$7,265,328, for the construction of a Media Operations Center (MOC) at Balkh University and at Nangarhar University—both in Afghanistan.

The grants required the recipient to develop building designs for the MOCs and to have the Department approve the designs before construction began. In December 2013, however, OHG expedited the construction schedule and began to construct the Balkh University MOC without the Department's approval of the designs, as required. As a result, certain aspects of the newly constructed structure did not comply with the Department's requirements for the building's design. Additionally, OHG began construction for the MOC in the wrong location, based on the direction of a local Afghan government official who did not have the authority to direct the grantee, resulting in the need to demolish the new structure.

Regarding each grant's financial performance, OHG had not provided the following: a complete listing of grant expenditures, sufficient answers to numerous OIG inquiries regarding the use of funds, and an accurate reconciliation of its accounting records. OIG identified \$502,890 in unallowable and unsupported costs, including a loan to an employee and costs incurred prior to the period of perfor-

mance. OHG had more than \$1.2 million in funds on hand, which was in excess of its current needs. Finally, OHG misrepresented its financial position on quarterly reports submitted to the Department.

Because OHG could not account for Federal funds or accurately report expenditures to OIG or the Department, OIG recommended that both grants be terminated immediately and that OHG be required to demolish the incorrectly located MOC. The report also made recommendations pertaining to the disposition of the funds described, including deobligating the remaining balance of \$5,092,874 so those funds could be put to better use.

OIG also noted that the Department had no policies or procedures for awarding or overseeing construction grants, which resulted in ineffective construction grant agreements. Therefore, OIG recommended that the Department no longer issue construction grants until it develops guidance regarding the use of Federal assistance funds for overseas construction, including the use of appropriate procurement vehicles, such as contracts.

## Financial Management

*Management Letter<sup>6</sup> Related to the Audit  
of the Department of State 2013 and 2012  
Financial Statements  
(AUD-FM-14-11, 4/2014)*

During the audit of the Department's 2013 financial statements, an independent external auditor identified weaknesses that it brought to the Department's attention related to financial reporting and compliance

<sup>6</sup> *Independent Auditor's Report on the U.S. Department of State 2013 and 2012 Financial Statements* (AUD-FM-14-10, December 2013).

with provisions of laws and regulations. The external auditor recommended that the Department take appropriate action to address these weaknesses.

*Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation*  
(AUD-FM-14-21, 5/2014)

OIG conducted this audit to determine whether Department bureaus used appropriated funds within the deadlines of the appropriations and whether obligations using expired funds were made in accordance with Federal requirements. Because of budget constraints, the Department must make funding decisions on programs and emphasize financial accountability, responsibility, and efficiency. It must also spend the funds that it receives in accordance with Federal law. Funds, or appropriations, are said to “expire” at the end of the period for which they are appropriated. However, expired funds remain available for certain purposes for 5 years after expiration. At the end of that 5-year period, if the funds have not been expended, they are “cancelled,” and any remaining funds returned to the Department of the Treasury.

OIG found that the Department had expended most of its appropriated funds within their periods of availability. The Department returned \$153 million (1.3 percent) of its FY 2007 appropriations to the Treasury when the funds were cancelled in FY 2012. However, two issues negatively affected fund management: insufficient oversight of unliquidated obligations, and delays in the contract closeout process. As a result, although the Department had used the vast majority of its funding within the approved time periods, it lost the use of

approximately \$153 million. Also, OIG found that two of three selected bureaus had made obligations using expired funds in accordance with Federal requirements.

OIG made recommendations for the Department to improve fund management.

*Audit of Department of State FY 2013 Compliance With Improper Payments Requirements*  
(AUD-FM-14-23, 4/2014)

An independent certified public accounting firm, acting on OIG’s behalf, conducted an audit of the Department’s FY 2013 compliance with improper payments requirements, in compliance with the Improper Payments Information Act (IPIA).

The Department was in substantial compliance with IPIA requirements by defining its programs and conducting systematic improper payments risk assessments of significant programs. The Department also strengthened its audit policies and procedures for improper payments recapture and made the required improper payments disclosures in its FY 2013 Agency Financial Report. However, the Department excluded a significant amount of payments from its recapture audits, and two disclosures relating to the recapture audit process were not complete.

OIG made recommendations for the Department to enhance its recapture audit procedures, to formally document its justifications for the exclusions, and to communicate the exclusions to OIG and the Office of Management and Budget (OMB). OIG also recommended that the Department improve its controls over improper payments reporting.

## Human Capital and Infrastructure

*Audit of Contractor Compliance With and Department of State Oversight of the Process Required for Vetting Local Guards (AUD-HCI-14-24, 6/2014)*

OIG found that none of the six security contractors selected for review at six posts fully performed all vetting requirements contained in the Local Guard Program contracts.

If security contractors do not comply with all vetting requirements, the local-guard vetting process could fail, resulting in increased security risks to embassies and their personnel.

Also, regional security officers at five of the six posts audited did not adequately document their oversight of the local guard vetting process, and no standard procedures were in place to guide the regional security officers' oversight process for vetting and approving local guards for duty.

OIG made recommendations for the Department to develop and issue guidance to promote uniform oversight of the Local Guard Program contracts to ensure compliance with contract requirements and to rectify the deficiencies found at the six posts audited.

## Information Technology

*Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program (AUD-IT-14-33, 9/2014)*

In response to statutory obligations under the Federal Information Security Management Act of 2002 (FISMA), OIG conducted an audit of USIBWC's Information Security Program to evaluate its progress in addressing FISMA information management and information security program requirements.

Overall, OIG found that USIBWC had implemented an information security program. The Information Management Division—led by its Information System Security Manager, with guidance from USIBWC's Chief Administrative Officer and support from USIBWC's Commissioner—made significant progress on previously identified weaknesses. For example, USIBWC established a Continuous Monitoring program for its General Support Systems (GSS), developed authorization packets for its GSS and Supervisory Control and Data Acquisition (SCADA) systems, cleared multiple personnel requiring enhanced background investigations, developed contingency documentation, and implemented a more secure defense against unauthorized system access.

However, OIG made recommendations for USIBWC to address control weaknesses in continuous monitoring for SCADA systems, configuration management for SCADA systems, and contingency plan testing.

## Middle East Region Operations

*Audit of Personal Property Accountability at U.S. Mission Iraq*  
(AUD-MERO-14-18, 6/2014)

OIG initiated this audit to determine the extent to which the Department and U.S. Mission Iraq's policy, procedures, controls, and personnel were in place and operating as intended to ensure that property was recorded, monitored, and disposed of properly. OIG could not verify the existence of 142 of 2,023 (7 percent) of sampled Iraq-specific personal property items, valued at approximately \$2.7 million, that were recorded in the property databases of the Department of State and Department of the Army. Also, OIG could not trace 124 of 969 (12.8 percent) selected property items that should have been recorded in the Department of State's property databases. Inaccurate and incomplete records prevented OIG from projecting the results of these tests beyond the selected samples and from making general statements about all Department property in Iraq.

The Department and U.S. Mission Iraq did not have effective processes for ensuring that inventories were updated and items were tracked. As a result, the Department and U.S. Mission Iraq could not be assured of the integrity of property inventories or the disposition of property, and the potential existed for property to be lost, stolen, or misused.

OIG made recommendations for Embassy Baghdad to enhance its procedures for accounting for property; for the Bureau of Diplomatic Security (DS) to revise its accountability procedures to better record

and report the locations of equipment; and for the Bureau of Administration, Office of Logistics Management, to develop monitoring guidance to ensure that approved foreign excess personal property dispositions include the documentation required in Department guidance.

## Security and Intelligence

*Audit of the Department of State Management of the Marine Security Guard Program and Plans for Program Expansion*  
(AUD-SI-14-30, 9/2014)

OIG initiated this audit to determine whether the Bureau of Diplomatic Security had managed the Marine Security Guard (MSG) program in accordance with program objectives and requirements, and the extent to which DS's ongoing expansion of the MSG program had implemented the recommendations of the Benghazi Accountability Review Board report and effectively used the resources made available. This audit was conducted as part of a series of concurrent audits examining the security posture of overseas diplomatic posts, including physical and procedural security measures, as well as the sharing of threat information.

OIG found that DS could not demonstrate that it had consistently managed key aspects of the MSG program in accordance with program objectives and requirements. Specifically, DS did not have formal, documented procedures to guide: (1) the identification and selection of overseas posts that should be afforded new MSG detachments, and (2) any reconsideration of whether existing MSG detachments should be reallocated among posts.

OIG also found that the Department's ongoing expansion of the MSG program had made modest contributions to strengthening security for personnel at high-risk, high-threat posts. Specifically, although the Department and the U.S. Marine Corps had increased staffing levels at existing MSG detachments and had created Marine Security Augmentation

Units based in Quantico, Virginia, it had made only limited progress adding new MSG detachments to high-threat posts that were most in need of additional security.

OIG made recommendations to DS intended to improve the Department's management of the MSG program.

### Ongoing Audit Work

AUD is working on audits related to the Department's medical services contracts in Iraq, counternarcotics efforts in Afghanistan, and law enforcement in Pakistan, as well as the design and construction of the new embassy compound in London and overseas health units.

## 6. OFFICE OF INSPECTIONS

The Office of Inspections (ISP) provides the Secretary of State and Congress with independent evaluations of the operations of Department offices, posts abroad, and related activities.

OIG inspectors assess mission leadership and focus on three broad areas of concern: policy implementation, resource management, and management controls. ISP also conducts thematic reviews of Department and BBG programs and operations, and compliance followup reviews on some posts, offices, and bureaus inspected to revisit key issues to ensure implementation of recommendations.

From April 1, 2014, to September 30, 2014, OIG issued 16 unclassified reports and 9 classified annexes related to Department programs and operations. For a comprehensive list of OIG reports related to Department programs and operations and issued during this reporting period, see Appendix A.

### Domestic Bureaus

During this reporting period, OIG issued five unclassified inspection reports related to inspections of the Department's domestic bureaus: one compliance followup review and four inspection reports.

#### *Compliance Followup Review of the Bureau of International Information Programs (ISP-C-14-13, 6/2014)*

OIG conducted a review of the Bureau of International Information Programs to follow up on the Department's compliance with recommendations it issued in its 2013 inspection of the bureau. Since OIG's inspection, the bureau's leadership made significant changes

to increase transparency and improve communication among staff, and invested mid-level managers with authority to make more day-to-day program decisions. OIG's 2013 inspection found that the absence of a Department-wide public diplomacy strategy tying resources to priorities directly affected the bureau's work, and OIG recommended a management review of public diplomacy in the Department. To date, the Office of the Under Secretary for Public Diplomacy and Public Affairs has not conducted the review and the recommendation remains unimplemented.

OIG revised and reissued the recommendations in the compliance followup review from the 2013 inspection. The Department reported in its initial response to the compliance followup review that it is in the planning stage to review the structure, resources, and the legal and regulatory framework in which public diplomacy operates.

#### *Inspection of the Bureau of Arms Control, Verification, and Compliance (ISP-I-14-14A, 6/2014)*

In its inspection of the Bureau of Arms Control, Verification, and Compliance (AVC), OIG found that the bureau worked productively with its counterparts, but its structure, stovepiping, and lack of appropriate staffing made it difficult to lead engagement on arms control, strategic stability, extended deterrence, and compliance measures in East and South Asia. The Nuclear Risk Reduction

Center lacked essential information management support systems, a functioning off-site backup location, and a network contingency plan that could affect its ability to complete timely notifications required under National Security Decision Directive 301. In the past

15 years, the bureau had not completed the annual report of other countries' compliance with arms control agreements by its statutory deadline. OIG made recommendations to formalize the bureau's strategic planning process and address its deficiencies.

### Planning for Succession

The Department's bureaus need to focus on succession planning because many of their highly skilled staff will be eligible to retire soon.

In the next 5 years, 48 percent of the Civil Service employees of the Bureau of Arms Control, Verification, and Compliance will be eligible to retire—the second-highest percentage in the Department. The bureau's staff includes nationally prominent scientists; arms control negotiators; and nuclear, chemical, and biological weapons systems experts with highly specialized experience found in few other places in the Federal Government. It can take years to develop the combination of skills and technical expertise necessary to prepare professionals for arms control and verification and compliance responsibilities, according to observers outside the bureau.

Although AVC has taken steps to address the issue, these steps are not sufficient to build the next generation of arms control and verification experts and leaders.

Similarly, AVC's sister agency, the Bureau of International Security and Non-Proliferation (ISN), employs experts in nonproliferation, negotiation, science and technology, and other areas. Approximately 90 percent of ISN's workforce are Civil Service employees, and 21 percent of these employees are eligible to retire now. Within the next 5 years, 34 percent of these employees will be eligible to retire, creating a skills gap that could jeopardize the bureau's ability to carry out its functions.

*Inspection of the Bureau of International Security and Nonproliferation (ISP-I-14-19, 7/2014)*

In its inspection of the Bureau of International Security and Nonproliferation (ISN), OIG found that staff members were mission-oriented and proud of their work. Colleagues in the Department and the interagency community acknowledged ISN's expertise, effectiveness, and flexibility in the foreign policy arena, as demonstrated in the international campaign to remove Syria's chemical weapons. ISN's legacy responsibilities included a variety of treaties, regimes, and agreements, and tasks driven by current events. This posed a challenge for the small ISN leadership team. OIG found that the team did not pay sufficient attention to managing bureau resources or policy planning and resource management, and that ISN leadership did not sufficiently prioritize workforce planning, professional development, and training. OIG also found that ISN's limited upward mobility led to high employee turnover and a dependence on contractors, which represented a potential control risk. ISN had nearly \$600 million of foreign assistance funds under active management. OIG found that the bureau needed a comptroller's office, better program and financial information management tools, and qualified program officers.

OIG made recommendations to address these deficiencies. ISN also requested a followup to the 2012 OIG audit of the controls of funds handled by the Nonproliferation and Disarmament Fund, as well as audits of funds for programs in other offices that have not undergone this process.

*Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate (ISP-I-14-23, 9/2014)*

In its inspection of the Bureau of Diplomatic Security's High Threat Programs Directorate (HTP), OIG found that in 2013, HTP enabled the Bureau of Diplomatic Security to enhance its focus on the security needs of overseas posts most susceptible to risk and threat. With an annual operating budget of \$72 million in FY 2014, HTP serves as an advocate for high-threat posts in the Department and in the interagency setting; however, it does not have the authority to require peer bureaus to implement its recommendations. OIG found that HTP suffered from significant staffing gaps and position shortages. OIG also found that the Bureau of Overseas Buildings Operations (OBO) did not have a mechanism for addressing urgent security needs of overseas posts, affecting HTP's ability to secure consistent and expeditious action by OBO.

To address HTP's staffing gaps and position shortages, OIG recommended that the Department review HTP's structure, management, and manpower to adequately staff the directorate. To better facilitate HTP's response to requests from high-threat posts, OIG recommended that OBO implement an expedited process for urgent requests.

*Inspection of the Bureau of International Narcotics and Law Enforcement Affairs (ISP-I-14-24, 9/2014)*

OIG conducted an inspection of the Bureau of International Narcotics and Law Enforcement Affairs (INL) and found that INL and its programs received broad support from U.S. chiefs of mission in the field, and that the bureau made progress in

managing programs, but that it still needed to execute standard budgeting, program planning, monitoring, and performance management procedures. OIG also found that INL senior leadership focused on broad issues of programs and policy, but did not regularly engage as an active participant in the planning, allocation of resources, and management of foreign assistance programs. OIG found INL's structure to be inconsistent with the Department's organizational principles, and not optimally suited to support its operations. OIG noted that program management was segregated by region and function and was removed from resource management, contributing to the bureau's challenges in program management.

To address these issues, OIG recommended that: (1) INL record and disseminate policy and program decisions and taskings; (2) INL develop sustainability guidance, including best practices and standardized metrics for performance management plans; and (3) the Office of Management Policy, Rightsizing, and Innovation, in coordination with the Office of U.S. Foreign Assistance Resources, the Bureau of the Comptroller and Global Financial Services, and the Bureau of Information Resource Management, convene a working group to adapt existing Department systems or develop an alternative system to provide timely, accurate information needed to manage foreign assistance.

## Overseas Missions

During this reporting period, OIG issued eight inspection reports of Department posts overseas.

### **Bureau of African Affairs**

#### *Inspection of Embassy Bujumbura, Burundi (ISP-I-14-20A, 7/2014)*

OIG inspected Embassy Bujumbura and found that it did not prioritize its personnel and resources, especially in the area of public diplomacy, and that its workload level was not sustainable given the ambassador's high operational tempo. American staff morale was low, in part a result of work pressure and travel restrictions. In the embassy's Integrated Country Strategy and Mission Resource Request, the ambassador made clear her ambitions to grow the size of the embassy by increasing personnel resources. However, OIG found no evidence of the Department's willingness to fund the embassy's projected growth, and the embassy's rightsizing review did not reflect realistic goals and objectives.

OIG also found that the embassy was not reimbursed for all the costs of supporting military personnel assigned to the embassy by the regional combatant command. Political and economic reporting lacked classified analysis, and the volume was limited. OIG made recommendations to address these issues and recommended that the embassy delegate authority over internal mission management to the deputy chief of mission and publicize it to all mission elements.

#### *Inspection of Embassy Kampala, Uganda (ISP-I-14-18A, 7/2014)*

In its inspection of Embassy Kampala, OIG found that its staffing had more than doubled since OIG's 2007 inspection, reflecting expanded U.S. bilateral and regional engagement. Implementation of high-level Washington initiatives required more staffing, but the

embassy lacked sufficient secure office space, and the projection of 128 new desk positions by FY 2018 depended on construction of a new office building, which was not likely to begin until FY 2015. The OIG team recommended that the embassy cap U.S. direct-hire positions and avoid a net increase in staffing levels until it could provide suitable and secure workspace.

### **Bureau of Near Eastern Affairs**

*Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates*  
(ISP-I-14-11A, 5/2014)

OIG inspected Embassy Abu Dhabi and Consulate General Dubai and found they successfully focused on commercial promotion and maintaining strong military ties with the United Arab Emirates, but that some finance and law enforcement issues lacked sufficient attention. OIG found that the mission had grown significantly in the last decade and hosted more than 30 Federal offices and agencies at the time of the inspection. Management support had not kept pace with this growth, leading to serious management control weaknesses and poor customer service. OIG made recommendations to correct these deficiencies and also recommended that the rest-and-recuperation travel benefit for mission employees be eliminated because it was not justified.

### **Bureau of South and Central Asian Affairs**

*Inspection of Embassy Kabul, Afghanistan*  
(ISP-I-14-22A, 8/2014)

OIG conducted an inspection of Embassy

#### **Innovative Practice:**

### **Abu Dhabi Online Financial Management Center**

#### **Issue/Challenge:**

Online services are recognized as beneficial, but are often unwieldy or poorly organized. Financial forms and policies are frequently scattered among different SharePoint sites or are available only in hard copy.

#### **Response:**

Embassy Abu Dhabi created the first SharePoint-based financial management center. Its design is similar to those used by major financial services companies.

#### **Result:**

The site gives customers instant access to all of the financial data and services the financial center provides, saving mission employees time and effort. The site includes accounts and budgets, International Cooperative Administrative Support Services, cashier information, payroll, reimbursements, and travel.

Kabul and found that it was generally performing well despite significant challenges, including an extremely difficult security environment and high annual turnover in U.S. staff. The chief of mission maintained constructive contacts with senior Afghan officials and a close relationship with the leadership of U.S. and international military forces in Afghanistan, and played an influential role in the Washington policy process. OIG found that the embassy conducted an ambitious interagency rightsizing process.

After decisions were made on the level of remaining U.S. and international forces, OIG determined the embassy needed to undertake a fundamental assessment of the size

and nature of assistance programs, as well as the level of embassy staff needed to manage them. The President's announcement that all military forces could be withdrawn by the end of 2014 if the Bilateral Security Agreement was not signed enabled the embassy and Washington agencies to plan for that contingency, including an accelerated schedule for replacing the logistical support now provided by the Department of Defense. OIG recommended that the Department review the cost-recovery imperatives of Embassy Air—the embassy's aviation air wing and potential replacement for military logistical support—in light of the heightened security concerns and the embassy's diminished field presence.

OIG found that Embassy Kabul's oversight of tens of millions of dollars' worth of expendable supplies stored in 180 containers spread over 4 locations was inefficient and dangerous. OIG recommended that the embassy dispose of unneeded property and consolidate storage sites to address the risks. Inspectors supported embassy efforts to expand offshoring and outsourcing functions and to use more long-term temporary duty staff in response to the critical staff turnover of most Americans within 1 year of arrival and locally employed staff members in less than 2 years under the special immigrant visa program.

### **Bureau of Western Hemisphere Affairs**

#### *Inspection of Embassy Bridgetown, Barbados, and Embassy St. George's, Grenada (ISP-I-14-09A, 4/2014)*

OIG inspected Embassy Bridgetown and found that the ambassador and deputy chief of mission were advancing U.S. objectives with the host country, but that significant leader-

ship shortcomings required the ambassador's attention. The management section delivered good customer service, but needed to address several management control issues. OIG made recommendations to address these deficiencies, including a recommendation that the Department evaluate the leadership shortcomings OIG identified.

#### *Inspection of U.S. Interests Section Havana, Cuba (ISP-I-14-10A, 5/2014)*

In its inspection of the U.S. Interests Section in Havana, OIG found that it was operating well despite bureaucratic hurdles and other challenges imposed by the host government. The consular section was providing services to a growing number of Americans visiting Cuba—an estimated 550,000 in 2012—and to a growing number of Cubans visiting the United States. OIG recommended that the consular facilities be upgraded to address structural and safety deficiencies. OIG also recommended the creation of an interagency working group in Washington to address a range of issues, including staffing and public diplomacy.

#### *Inspection of Embassy Lima, Peru (ISP-I-14-12A, 6/2014)*

OIG found that in the past 3 years, Embassy Lima had registered many successes in building a strategic U.S.-Peru partnership, particularly in counternarcotics, trade promotion, security, law enforcement, good governance, and development. OIG also found that political and economic reporting was instrumental to Washington policymaking, but that embassy leadership needed to attend to mission morale and productivity issues. The embassy's international narcotics

and law enforcement affairs section played a critical coordinating and implementing role, but needed to provide clear and consistent guidance in some areas. OIG made recommendations to address these issues.

*Inspection of Embassy La Paz, Bolivia  
(ISP-I-14-16A, 7/2014)*

OIG inspected Embassy La Paz and found that during 2013, it registered impressive accomplishments, despite a drastic reduction in programs and workforce in response to the Bolivian Government's expulsion of USAID and the Department's decision to end all U.S. counternarcotics programs. However, OIG found that the embassy lacked strong,

consistent leadership, a clearly defined mission strategy, and sustained attention from Washington to manage a complicated bilateral relationship. OIG also found the location of the consular agency in Santa Cruz to be unsuitable. OIG made recommendations to address these issues, including recommending to embassy leaders the use of theme-based working groups to enhance cooperation among embassy offices.

**Programmatic Reviews**

During the reporting period, OIG issued three unclassified report products, including one management assistance report and two thematic reviews, which focused on Department-wide areas of concern.



Embassy Lima, Peru (ISP-I-14-12A, 6/2014). For highlights of this inspection report, see page 25.

*Management Assistance Report—Direct Payment of Official Residence Expenses Staff Salaries*  
(ISP-I-14-08, 4/2014)

OIG identified a practice, prohibited by Department regulations, that subjects the U.S. Government to liability for nongovernment employees. During four inspections in fall 2013, OIG found that Official Residence Expenses (ORE) staffs were paid directly by the Department rather than the principal representative (the chief of mission, deputy chief of mission, or principal officer). In accordance with Volume 3, Section 3257 of the *Foreign Affairs Manual* (FAM), “Permanent and part-time staff employed under ORE are employees of the principal representative, not of the U.S. Government. Thus, the principal representative (or household manager) will disburse the pay to these employees.” OIG recommended that the Department publish a directive prohibiting the direct payment by cashiers and by electronic funds transfer to ORE staff and clarify regulations with periodic reminders.

*Review of Gifts to Embassy Employees*  
(ISP-I-14-17, 7/2014)

OIG reviewed instances in which foreign governments and sources offer gifts to the

Department or its employees, and found in 2012, gifts from foreign governments valued at more than \$646,000 became the property of the Department. OIG found that the Department lacked adequate guidance and controls to ensure that employees do not violate laws and regulations covering gift acceptance. OIG made recommendations for the Department to update guidance in the FAM establishing limits and controls for gift acceptance.

*Review of Remote Voucher Processing*  
(ISP-I-14-21, 7/2014)

In its review of remote voucher processing, OIG found that the Department could save millions in annual funding dollars if it processed vouchers remotely from low-cost locations, rather than from embassies in higher-cost locations. In FY 2013, vouchering costs at large- and medium-sized embassies totaled \$32 million. Only 13 percent of embassy-funded vouchers were processed remotely in 2013. Remote voucher processing can also improve internal controls through consistency. OIG recommended that the Under Secretary for Management mandate that the 20 embassies with the highest potential cost savings increase the percentage of vouchers they process remotely to 50 percent by the end of 2016. This is expected to save \$4.3 million annually.

## Ongoing Inspection Work

The Office of Inspections is currently finalizing reports on subject areas related to Department programs and operations, including consular affairs, information resource management, and the disciplinary process. In addition, the Office of Inspections plans to issue upcoming reports on inspections of Embassies Asmara, Baku, Niamey, Yerevan, Tbilisi, Bamako, and Abidjan. OIG inspection teams are currently on site conducting work at the following posts: Mexico City, Astana, Dushanbe, Riga, Tallinn, Antananarivo, and Port Louis.

## 7. OFFICE OF INVESTIGATIONS

The Office of Investigations (INV) conducts worldwide investigations of criminal, civil, and administrative misconduct related to programs and operations of the Department, with a focus on procurement fraud and public corruption.

INV refers investigative results to the Department of Justice for prosecution and to the Bureau of Human Resources, the Bureau of Diplomatic Security, the Office of the Procurement Executive, and other entities for administrative or other appropriate action.

OIG's growing involvement in investigations

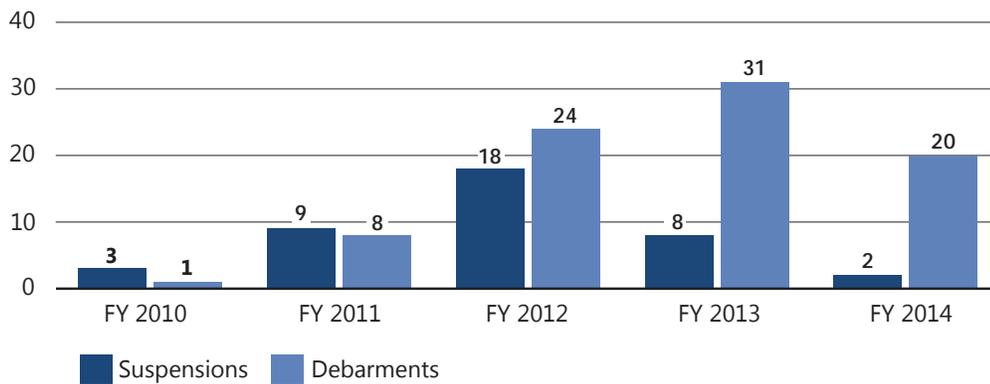
of complex procurement fraud and public corruption has resulted in a significant rise in recoveries, suspensions, and debarments, and investigators expect this trend<sup>7</sup> to continue in FY 2015. Because procurement and grant funds are a key component of foreign assistance, OIG's oversight responsibilities are critical to ensure that these funds are

**Table 7.1**  
**Resolutions Based on Investigative OIG Activity, 4/1/2014–9/30/2014**

<b>OIG Preliminary Inquiries</b>	
Opened	21
Closed	26
<b>OIG Investigations</b>	
Opened	29
Closed	38
Pending (9/30/2014)	139
<b>Criminal Actions</b>	
Indictments/Informations	6
Convictions	6
<b>Civil Actions</b>	
Civil Judgments	0
<b>Employee Administrative Actions by Department</b>	
Employee Removals	3
Employee Suspensions	1
Employee Reprimands/Admonishments	5
<b>Suspensions and Debarments Imposed by Department</b>	
Contractors/Grantees Suspended	0
Contractors/Grantees Debarred	17

<sup>7</sup> A report titled *Federal Contracts and Grants, Agencies Have Taken Steps to Improve Suspension and Debarment Programs*, published in May 2014 by GAO, noted that the Department had reported 96 suspension and debarment actions in FY 2013, up from only 8 actions in FY 2009. This is the largest number of reported suspension and debarment actions in FY 2013 among the six agencies reviewed.

**Figure 7.1**  
**Action Taken by the Department on Suspensions and Debarments, as a Result of OIG Referrals, FYs 2010–2014**



expended properly and are not subject to fraud, waste, or abuse. In addition, the Whistleblower Protection Enhancement Act of 2012 has expanded the OIG mandate to conduct investigations of allegations of whistleblower reprisal.

INV issued a management assistance report on June 25, 2014, to the Bureau of Consular Affairs regarding the misuse of the Consular Consolidated Database (CCD). The report was issued to alert senior Department management to the serious nature of access vulnerabilities in the CCD and provide recommendations to assist in eliminating or mitigating risks.

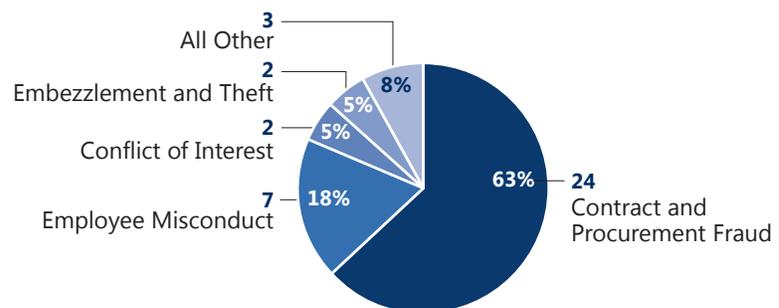
For a summary of resolutions based on investigative OIG activity related to Department operations and programs during this reporting period, see Table 7.1 on page 28.

Information on monetary recoveries resulting from OIG investigations is shown in Table 9.5 on page 38.

For suspensions and debarments obtained during FYs 2010–2014, see Figure 7.1 above.

For a categorical breakdown of OIG investigative cases related to Department operations and programs and closed during this reporting period, see Figure 7.2 below.

**Figure 7.2**  
**OIG Investigative Cases Closed, 4/1/2014–9/30/2014**



**Note:** Figures may not equal 100 percent due to rounding.

## Contract Fraud

OIG conducted an investigation of allegations that a contract employee working in Kyrgyzstan demanded and received discounted or free services from a local hotel that provided services to Embassy, Bishkek. The investigation determined that the contract employee was responsible for arranging hotel conferences for the embassy and then requested and received a complimentary stay at a resort and discounted hotel services. On August 11, 2014, the Department debarred the contract employee for 3 years.

OIG conducted a joint investigation with the FBI of allegations that a company contracted by the Department to supply computer equipment did not make payments to numerous subcontractors who actually provided the equipment. The owner of the company pled guilty to conspiracy to commit wire fraud. On April 29, 2014, he was sentenced in U.S. District Court to 57 months in prison and ordered to make restitution of \$218,893 to various subcontractors.

OIG conducted a joint investigation with the Special Inspector General for Afghanistan Reconstruction of a Department-funded contract in Afghanistan. The investigation determined that a U.S. Government contractor employee and co-conspirators supposedly created a company to provide products to the Department. They subsequently submitted false and fraudulent invoices to the Department seeking payment for goods that were not provided. On May 23, 2014, the contractor pled guilty to conspiracy to defraud the Department. On July 17, 2014, the Department debarred the contractor and the owner of the company for a period of 3 years.

## Employee Misconduct

OIG conducted an investigation of allegations of professional misconduct by a Department employee. Investigators determined that the employee provided her Government purchase card number to a coworker who, without authorization, used the card number to purchase items. The employee also improperly disposed of Government property and did not cooperate with OIG investigators during interviews. On July 25, 2014, the employee was terminated.

## Grant Fraud

OIG conducted an investigation of alleged fraud and misappropriation of Department grant funds. The investigation determined that the grant recipient program manager and two case workers forged documents to manufacture fictitious requests for assistance from the intended use of the grant funds. The brother of the grant manager assisted in cashing or depositing the funds. On April 16, 2014, all four defendants appeared in U.S. District Court, pled guilty to conspiracy to commit theft from a Federally funded program, and now await sentencing.

OIG conducted a joint investigation with the Special Inspector General for Afghanistan Reconstruction of allegations that a Department subgrantee had misappropriated funds. The investigation determined that the subgrantee executed a scheme to defraud the recipient of the grant by overstating its operating costs and depositing the funds in a separate account. On July 22, 2014, the subgrantee returned \$148,314 to the grantee to be used for legitimate program costs.

## Theft and Embezzlement

OIG conducted an investigation of a Department contract employee who stole Government property and sold the items for personal gain. The contract employee admitted to the theft and pled guilty in U.S. District Court. On July 25, 2014, the employee was sentenced to 12 months of probation and 100 hours of community service.

OIG conducted a joint investigation with the FBI and USAID OIG involving allegations of theft of public money by a Department employee working in Pakistan. The investigation determined that the employee stole \$1,598 from the Department when he created and submitted a fraudulent hotel receipt as part of supporting documentation to an official travel reimbursement voucher. On April 1, 2014, the employee was terminated because of the willful misappropriation of funds. Additionally, the employee's salary and annual leave payment was withdrawn to pay restitution of \$1,598 to the U.S. Government.

## Updates on Prior Cases

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.

On September 5, 2014, the Department of Justice entered into negotiations with the contractor concerning the overpayments identified in the investigation. These negotiations have superseded the contractor's previous discussions with the Department. For more details, see OIG's March 2014 *Semiannual Report to the Congress*.

## Hotline Complaints

During this reporting period, the OIG Hotline continued to facilitate the reporting of fraud, waste, abuse, mismanagement, and misconduct affecting the programs and operations of the Department and BBG. OIG Hotline complaints are received via OIG website, mail, telephone, and email.

For the status of OIG Hotline complaints received during this reporting period and through all of FY 2014, see Table 7.2 below.

**Table 7.2**  
**Summary of OIG Hotline Complaints**

	4/1/2014- 9/30/2014	FY 2014 Cumulative
Referred to Other Offices for Action	539	988
Held for Action Within INV	31	85
No Action Required	69	116
<b>Total Complaints Received</b>	<b>639</b>	<b>1,189</b>

## 8. OFFICE OF EVALUATIONS AND SPECIAL PROJECTS

In 2014, OIG established the Office of Evaluations and Special Projects (ESP) to strengthen OIG's oversight of the Department, as well as to improve OIG's capabilities to provide whistleblower protections.

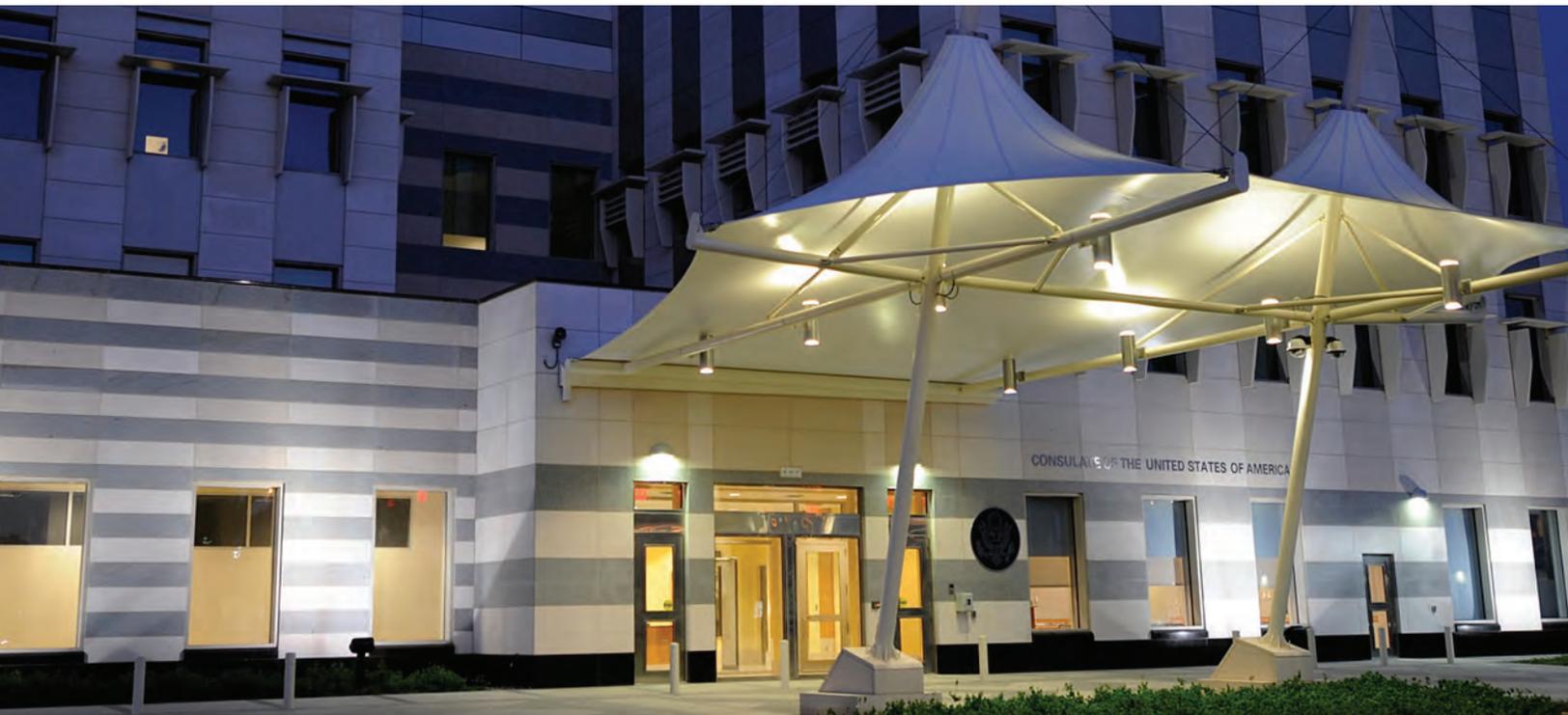
ESP also reviews allegations of administrative misconduct by senior officials and issues management alerts to highlight the urgent need for corrective actions and capping reports on thematic areas of concern. ESP is also responsible for special evaluations and reviews, including responses to congressional inquiries. The work of this new office complements the work of OIG's offices of audits, investigations, and inspections by developing a capacity to focus on broader systemic issues.

### Reports

#### ***Management Alert***

*Grants Management Deficiencies*  
(MA-14-03, 9/2014)

OIG issued a management alert that identified significant deficiencies in the Department's management of grant funds. These deficiencies include:



Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates (ISP-I-14-11A, 5/2014)  
For highlights of this inspection report, see page 24. (B.L. Harbert International photo)

- insufficient oversight, caused primarily by a small number of employees managing a large number of grants
- insufficient training of grants officials
- inadequate documentation and closeout of grants

In FY 2012, the Department obligated more than \$1.6 billion for approximately 14,000 grants and cooperative agreements worldwide. The failure to properly oversee these funds creates an unacceptable lack of internal control and exposes the Department to significant financial risk.

OIG recommended that the Under Secretary for Management institute a workforce planning effort to identify the appropriate numbers of grants management personnel required to ensure an accurate representation of grants workforce needs for management, tracking, training, and budgeting purposes. OIG also recommended that the Department's Bureau of Administration, Office of the Procurement Executive, develop and implement a process to randomly sample grant files to ensure that required documentation is included, that grants

whose period of performance has ended are closed out in a timely fashion, and that the Department determine whether funds remaining on expired grants can be deobligated. Finally, OIG recommended that the results of these reviews be provided to the appropriate bureaus and offices to ensure that grants management officials who do not provide appropriate oversight are held accountable.

## Whistleblower Ombudsman Activities

In 2014, the Inspector General named a new Whistleblower Ombudsman, to provide outreach to Department and BBG employees and contractors on policies and guidance related to OIG's Complaint Hotline and whistleblower rights and protections.<sup>8</sup> In response to additional educational responsibilities stated in the Whistleblower Protection Enhancement Act of 2012, OIG is producing posters for display in all bureaus, offices, and missions around the world and in contractor workplaces. OIG is also developing an educational video for publication on OIG's website.

### Ongoing Evaluations and Special Projects Work

ESP is reviewing allegations of undue influence and favoritism in eight high-profile, internal investigations conducted by the Department's Bureau of Diplomatic Security. ESP will issue its review of seven of the cases in October 2014. OIG is collaborating with the Department of Justice's OIG to review the eighth case, which involves the use of deadly force during counternarcotics operations in Honduras in 2012.

OIG initiated an inquiry into Department contractors' use of nondisclosure agreements, following media reports about the use of such agreements to limit the ability of contractor employees to report suspected fraud, waste, and abuse to Inspectors General or other oversight entities. OIG contacted the 30 companies that hold the Department's highest-dollar-value contracts to inquire about their use of nondisclosure agreements and their employee policies concerning the reporting of suspected fraud, waste, and abuse. OIG is currently reviewing responses from the companies.

<sup>8</sup> The Whistleblower Protection Enhancement Act of 2012 requires each Inspector General to designate an ombudsman to be responsible for educating agency employees about prohibitions on retaliation for protected disclosures and the rights and remedies against retaliation for protected disclosures.

## 9. FINANCIAL IMPACT OF OIG WORK RELATED TO THE DEPARTMENT OF STATE

As of the beginning of this reporting period, the Department had not yet made management decision on \$401 million<sup>9</sup> in questioned costs or funds that could be put to better use, as identified by OIG in prior reports.

During this reporting period, the Department made management decisions on \$69.1 million in recommendations issued prior to, and during, this reporting period involving questioned costs or potential funds put to better use for.

For a detailed summary of consolidated

Department and BBG totals of potential monetary benefits identified by OIG during this reporting period, see Section 3 of this report.

### Potential Monetary Benefits

For a summary of OIG’s work related to potential monetary benefits for the Department, see Tables 9.1 and 9.2.

**Table 9.1**  
**OIG Reports With Questioned Costs, 4/1/2014–9/30/2014**

Recommendation Status	# Reports	Questioned Costs \$ Thousands	Unsupported Costs <sup>b</sup> \$ Thousands
No management decision made by start of the reporting period	11	\$132,027 <sup>a</sup>	\$41,627
<b>Issued during the reporting period</b>			
Audits	1	\$503	\$0
<b>Total</b>	<b>12</b>	<b>\$132,530</b>	<b>\$41,627</b>
<b>Management decision made during the reporting period</b>			
Disallowed Costs		\$1,236	\$98
Costs Not Disallowed		\$2,974	\$1,545
<b>Subtotal</b>		<b>\$4,210</b>	<b>\$1,643</b>
<b>Total remaining for decision as of the end of the reporting period</b>	<b>9</b>	<b>\$128,320</b>	<b>\$39,984</b>
No management decision within 6 months of issuance	8	\$127,817 <sup>c</sup>	\$39,984

<sup>a</sup> The final amount reported in OIG’s March 2014 *Semiannual Report to the Congress* was adjusted based on updated information and analysis of open recommendations.

<sup>b</sup> “Unsupported Costs” is a subset of total “Questioned Costs.”

<sup>c</sup> Of \$127.8 million in total questioned costs awaiting management decision, \$120.9 million relates to the questioned costs that OIG identified in its audit report on the design and construction of the new embassy compound in Baghdad, Iraq (AUD/IQO-09-25, October 2009).

<sup>9</sup> The final amount reported in OIG’s March 2014 *Semiannual Report to the Congress* was adjusted from \$391 million based on updated information and analysis of open recommendations.

**Table 9.2**  
**OIG Reports Recommending Funds Be Put to Better Use, 4/1/2014–9/30/2014**

Recommendation Status	# Reports	Dollar Amount \$ Thousands
No management decision made by start of the reporting period	27	\$268,787 <sup>a</sup>
<b>Issued during the reporting period</b>		
Audits	4	\$27,650
Inspections	3	\$15,019
Subtotal	7	\$42,669
<b>Total</b>	<b>34</b>	<b>\$311,456</b>
<b>Management decision made during the reporting period</b>		
Dollar Value of Recommendations Agreed To by Management		\$59,895
Dollar Value of Recommendations Not Agreed To by Management		\$4,995
Subtotal		\$64,890
<b>Total remaining for decision as of the end of the reporting period</b>	<b>22</b>	<b>\$246,566</b>
No management decision within 6 months of issuance	18	\$226,333 <sup>b</sup>

<sup>a</sup> The final amount in OIG's March 2014 *Semiannual Report to the Congress* was adjusted based on updated information and analysis of open recommendations.

<sup>b</sup> Of \$226.3 million in funds that OIG determined as potentially being put to better use by the Department and that are still awaiting management decision, \$171 million relates to funds that OIG identified in its inspection report *Embassy Rabat and Consulate General Casablanca, Morocco* (ISP-I-13-30A, 6/2013).

### Office of Management and Budget Circular A-133 Audits

The audit requirements for state and local governments, colleges and universities, and nonprofit organizations receiving Federal awards are established by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 followup.

During this reporting period, the Office of Audits conducted followup on the 16 OMB Circular A-133 audit reports reviewed during the last reporting period, including 7 reports that identified questioned costs of approximately \$628,000. Table 9.3 summarizes the Department’s decisions during this period to allow or disallow the questioned costs.

**Table 9.3**  
**Inspector General-Referred A-133 Audit Reports With Questioned Costs**

	# Reports	Questioned Costs \$ Thousands
A. For which no management decision had been made by the commencement of the reporting period	7	\$628
B. Issued During Reporting Period	0	\$0
<b>Subtotal Questioned Costs (A + B)</b>	<b>7</b>	<b>\$628</b>
C. For which a management decision was made during the reporting period		
(i) dollar value of disallowed costs	1	\$28
(ii) dollar value of costs not disallowed	0	\$0
<b>Total Management Decisions</b>	<b>1</b>	<b>\$28</b>
D. For which no management decision has been made by the end of the reporting period	6	\$600

**Note:** Dollar amounts may be affected by rounding.

## Defense Contract Audit Agency Audits

The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (AQM), provided information that pertains to audits of contracts awarded by the Department. AQM's Business Opera-

tions Division, Quality Assurance Branch, 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 9.4 for the information AQM provided.

**Table 9.4**  
**Defense Contract Audit Agency Audit Reports With Questioned Costs**

	# Reports	Questioned Costs \$ Thousands
A. For which no management decision had been made by the commencement of the reporting period	5	\$9,431
B. Issued During Reporting Period		
<i>Independent Audit of Global Integrated Security (USA), Inc. (GIS)'s Partial Termination for Convenience of Contract No. SAQMMA10D0097, Task Order No. 6 (DCAA Report No. 2013R17100001, June 16, 2014)</i>		\$14,646
<i>Independent Audit of Global Integrated Security (USA), Inc. (GIS)'s Request for Equitable Adjustment (REA) for Partial Termination of Contract No. SAQMMA10D0097, Task Order No. 6 (DCAA Report No. 2013R17200001, June 16, 2014)</i>		\$2,039
<i>Audit of DynCorp International, LLC Other Direct and Subcontract Costs Incurred and Invoiced on Contract Number SAQMPD05C1103 for the period March 31, 2007 through March 28, 2008 (DCAA Report No. 2011D17900022, August 11, 2014)</i>		\$543
<i>Audit Report of DynCorp International, LLC Labor Form 1 No. 2014-002 (DCAA Report No. 2009D17900047, August 20, 2014)</i>		\$4,120
<i>Audit Report of DynCorp International, LLC Cost Reimbursable CLIN 34-41 (DCAA Report No. 2009D17900048, August 28, 2014)</i>		\$179
<i>Audit Report of DynCorp International, LLC Incurred Cost-CLIN 40 (DCAA Report No. 2011S17900005, August 29, 2014)</i>		\$1,638
<i>Audit Report of DynCorp International LLC Labor Invoiced at Contracted "ManDay" Rates &amp; Labor Related Other Direct Incurred &amp; Invoiced 09/01/2005 to 01/31/2010 (DCAA Report No. 2010D17900008, September 2, 2014)</i>		\$6,050
Total Issued During the Reporting Period	7	\$29,215
<b>Subtotal Questioned Costs (A + B)</b>	<b>12</b>	<b>\$38,646</b>
C. For which a management decision was made during the reporting period		
(i) Dollar value of disallowed costs	2	\$6,360
(ii) Dollar value of costs not disallowed	0	\$0
<b>Total Management Decisions</b>	<b>2</b>	<b>\$6,360</b>
D. For which no management decision has been made by the end of the reporting period	10	\$32,286

**Note:** Dollar amounts may be affected by rounding.

For an overview of potential monetary benefits achieved through OIG’s investigative work, see Figure 9.1 and Table 9.5.

**Figure 9.1**

**OIG Investigations: Monetary Results, FYs 2010–2014**  
\$ Thousands



**Table 9.5**

**OIG Investigations: Monetary Recoveries, 4/1/2014–9/30/2014**

Monetary Recoveries	Dollar Amount \$ Thousands
Criminal Fines/Recoveries	\$220
Civil Recoveries	\$0
Administrative Recoveries	\$150
<b>Total</b>	<b>\$370</b>

**Note:** Dollar amounts may be affected by rounding.

## 10. COMPLIANCE

OIG tracks and documents the status of OIG report recommendations and agency followup actions. OMB Circular A-50 requires prompt resolution and corrective action on OIG recommendations.

The circular further states that resolutions shall be made within 6 months after the final report is issued, with corrective action proceeding as rapidly as possible. The status of each OIG recommendation falls into one of the following categories:

- **Unresolved.** No agreement between OIG and management on the recommendation or proposed corrective action (remains open).
- **Resolved.** Agreement on the recommendation and proposed corrective action (remains open).
- **Closed.** Agreed-upon corrective action is complete.

### Report Recommendations Without Management Decision<sup>10</sup> For More Than 6 Months, as of September 30, 2014

#### Management Alerts

*Management Alert on Contract File Management Deficiencies*  
(MA-A-0002, 3/2014)

OIG recommended that the Under Secretary for Management ensure that contracting officers, their supporting personnel, and specialists from the Bureau of Administration, Office

of the Procurement Executive, who conduct oversight visits have sufficient resources to maintain adequate contract files in accordance with relevant regulations and policies. In his response on September 11, 2014, the Under Secretary for Management agreed with the recommendation and stated that the need for additional resources will become clearer as the file audit program of the Office of the Procurement Executive is deployed and the eFiling system is expanded. However, the response also stated that individual bureaus are responsible for the staffing of contracting officer representatives. The Under Secretary for Management did not provide a corrective action plan to address the recommendation. Therefore, Recommendation 3 remains unresolved.

*Management Alert: OIG Findings of Significant and Recurring Weaknesses in the Department of State Information System Security Program*  
(MA-A-0001, 1/2014)

OIG recommended that the Department, through the Management Control Steering Committee, elevate the existing FISMA significant deficiency designation of the Information System Security Program to a Federal Managers Financial Integrity Act (FMFIA) "material weakness."<sup>11</sup> On June 2, 2014, the Department reported that the committee voted to report the matter as an FMFIA significant deficiency instead of a material

<sup>10</sup> OIG defines recommendations in this category as unresolved for more than 6 months as of September 30, 2014.

<sup>11</sup> OMB Memorandum M-12-20, "FY 2012 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management" (Sept. 27, 2012), states that "FISMA requires agencies to report a significant deficiency as a material weakness under [FMFIA]."

weakness, as OIG advised. OIG's annual FISMA review is ongoing, and many of the security control weaknesses identified in OIG's prior FISMA reports continue to exist in FY 2014. These weaknesses significantly impact the information security program and could adversely affect the confidentiality, integrity, and availability of information and information systems. Therefore, Recommendation 1 remains unresolved.

**Audit Reports**

*Audit of Department of State Application of the Procurement Fee To Accomplish Key Goals of Procurement Services (AUD-FM-13-29, 5/2013)*

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 (PSS) service center. Both bureaus disagreed with this recommendation, stating that the Bureau of Administration had "its own unique allotment code" that would allow it to "track all revenue, obligations, liquidations, and carry forward" amounts. OIG's report found that the Department's current practice of consolidating revenue contributed to the practice of using funds collected by the PSS service center to subsidize other cost centers that consistently operate at a deficit. While this practice may not violate the law, it is not an effective way to manage the Working Capital Fund. 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 for the Department. OIG has requested that the



Embassy Kabul, Afghanistan (ISP-I-14-22A, 8/2014). For highlights of this inspection report, see page 24.

Department propose an alternative methodology that fulfills the intent of the recommendation. The bureau's last response, dated July 17, 2014, did not propose any alternative methodologies and reaffirmed its disagreement with the recommendation. Therefore, Recommendation 1 remains unresolved.

*Evaluation of Emergency Action Plans for U.S. Mission Afghanistan*  
(AUD-MERO-13-20, 3/2013)

OIG recommended that Embassy Kabul establish formal agreements on the roles and responsibilities of non-Department law enforcement agencies during events requiring implementation of the Emergency Action Plan. On May 22, 2014, Embassy Kabul responded that an informal information memorandum and Post Agreement had been completed and considered 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 want to respond to events requiring implementation of the Emergency Action Plan should state so in advance of an actual emergency. Also, they should have previously established formal agreements with the embassy to address their specific roles and responsibilities in an emergency. Such formal agreements have been developed and implemented at other posts. On October 1, 2014, Embassy Kabul reaffirmed its position. Therefore, Recommendation 6 remains unresolved.

*Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements*  
(AUD/CG-11-44, 8/2011)

OIG recommended that the Department of State identify and return funds to the DOD that were improperly obligated; 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. INL was requested to respond to the recommendations by January 9, 2012. As of the end of this reporting period, OIG had not received a response. Therefore, two recommendations remain unresolved: 1.d and 1.e.

*Department of Defense Funds Provided to Department of State for the Afghan National Police*  
(AUD/CG-11-30, 7/2011)

OIG recommended that the Department perform a joint investigation with the Defense Security Cooperation Agency of potential violations of the Antideficiency Act because of funds obligated outside the scope of the reimbursable agreements. The Bureau of the Comptroller and Global Financial Services was requested to respond to the recommenda-

tions by February 6, 2012. However, as of the end of this reporting period, OIG had not received a response. Therefore, six recommendations remain unresolved: A.8.a, A.8.b, A.8.c, A.8.d, A.8.e, and A.8.f.

**Inspection Reports**

*Inspection of Embassy Rabat and Consulate General Casablanca, Morocco (ISP-I-13-30A, 8/2013)*

OIG recommended that the Bureau of Near Eastern Affairs (NEA)—in coordination with Embassy Rabat, OBO, and the Under Secretary for Management—close Consulate General Casablanca due to its close proximity to Embassy Rabat and cancel the new consulate construction estimated at more than \$171 million. NEA requested additional time to review the recommendation to allow the new ambassador, who arrived in March 2014, to conduct an in-depth review to the recommendation, assess the status of Consulate General Casablanca, and forward a proposal to the bureau.

*Special Review of the Accountability Review Board Process (ISP-I-13-44, 9/2013)*

OIG recommended that the Department implement 20 recommendations in its special review of the Accountability Review Board (ARB) process report. The Department disagrees with the following 9 recommendations, which remain unresolved:

- Establish guidelines that broaden the Permanent Coordinating Committee’s ability to task alternative reviews.
- Implement a procedure to provide the Secretary and relevant bureaus with a

report on the outcome of alternative reviews in instances when an ARB is not recommended.

- Revise regulatory guidance stated in 1 FAM 30 to institutionalize the Deputy Secretary for Management and Resources’ responsibility for oversight of implementation of ARB recommendations.
- Revise regulatory guidance stated in 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 ARB recommendations.
- Annually task the Department under secretaries to provide potential nominees to serve on the ARB.
- Create a baseline list of congressional recipients to whom a copy of the Secretary’s Report to Congress is delivered.
- Develop minimum security standards that must be met prior to occupying facilities located in Department-designated high-risk, high-threat environments.
- Prepare clear guidelines for ARBs pertaining to the drafting and handling of recommendations dealing with issues of poor performance of Department personnel.
- Develop an annual report to the deputy secretary outlining implementation of ARB recommendations, with an emphasis on identifying problems, the way forward, and the impact of the Department’s global security program.

OIG will conduct a compliance followup review in the second quarter of FY 2015 to evaluate the Department’s compliance with all the recommendations in the report.

## Management Success in Resolving and Implementing Recommendations

### **Audit Reports**

#### *Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation* (AUD-FM-14-21, 5/2014)

OIG made recommendations to the Bureau of Information Resource Management (IRM) and NEA to review and deobligate \$981,012 in obligations questioned by OIG. In response to the recommendations, NEA and IRM reviewed these obligations, determined that \$694,520 were valid obligations, and provided evidence that they had deobligated or were in the process of deobligating the remaining \$286,492 determined to be invalid. In addition, NEA reported that it had enhanced its funds management oversight of unliquidated obligations and identified another \$15 million in unneeded obligations that could be put to better use.

### **Inspection Reports**

#### *Inspection of Embassy Panama City, Panama* (ISP-I-14-04A, 3/2014)

In the March 2014 inspection of Embassy Panama City, OIG reported that the public affairs section, with 18 positions, was the most heavily staffed section in Central America. In response to OIG's recommendation, a locally employed staff position was abolished on March 19, 2014, resulting in \$24,914 of available funds put to better use.

#### *Inspection of Embassy Kyiv, Ukraine* (ISP-I-13-45A, 9/2014)

In the September 2013 inspection of Embassy Kyiv, Ukraine, OIG found that OBO and Embassy Kyiv had not deobligated the reimbursements of value-added taxes for the completed new embassy compound and USAID annex construction projects. In response to this recommendation, in August 2014, OBO and Embassy Kyiv deobligated \$5,497,197: \$4,304,280 for the new embassy compound, and \$1,192,917 for the USAID annex building projects.

#### *Inspection of Embassy Manila, Philippines* (ISP-I-13-10A)

In the February 2013 inspection of Embassy Manila, OIG inspectors recommended that post review its dedicated internet network operations and consolidate or close redundant networks. In August 2014, Embassy Manila reported that it had brought its new consolidated internet service online, and it is currently serving multiple U.S. Government tenant agencies. The embassy is planning further network consolidation at the Embassy at an annual service cost savings of \$172,966.

#### *Inspection of Embassy Madrid, Spain and Constituent Posts* (ISP-I-12-52A)

In the September 2012 inspection of Madrid, Spain, and constituent posts, OIG recommended closing the consular agency in A Coruna, Spain. The Embassy complied, and the recommendation was closed in May 2014 with \$113,000 in funds put to better use.

*Inspection of the Office to Monitor and Combat Trafficking in Persons*  
(ISP-I-12-37, 6/2012)

In the June 2012 inspection of the Office to Monitor and Combat Trafficking in Persons (J/TIP), OIG recommended that J/TIP eliminate the backlog of delinquent grants closeouts. In response to the recommendation, J/TIP completed grants closeout for 248 grants and deobligated more than \$4.8 million in foreign assistance funding.

*Inspection of Embassy Paris, France*  
(ISP-I-12-25A, 5/2012)

In the May 2012 inspection of Embassy Paris, OIG recommended that the post determine an appropriate direct hiring mechanism for the ambassador's speechwriter and terminate the incumbent's employment as a member of the official residence staff. OIG closed the recommendation in June 2014 after Embassy Paris reported that the incumbent's employment was terminated, which resulted in \$79,030 in funds put to better use.

*Inspection of Embassy Port-au-Prince, Haiti*  
(ISP-I-12-24A, 5/2012)

In the May 2012 inspection of Embassy Port-au-Prince, OIG recommended that the budget committee of the International Cooperative Administrative Support Services exercise its responsibilities, including identifying areas of potential cost savings and efficiencies. Embassy Port-au-Prince achieved cost savings for American and locally employed staff overtime, purchase of office supplies, reduction in the size of the motor vehicle fleet, and the elimination of danger pay (effective November 2013), which resulted in approximately \$1,217,777 in funds put to better use.

*Inspection of the Tri-Mission Vienna Joint Management Office*  
(ISP-I-12-19, 3/2012)

In the March 2012 inspection of the Tri-Mission Vienna Joint Management Office, OIG reported that the Tri-mission's dedicated executive drivers were often working more than 10 hours daily, which exceeded requirements set by the Department's motor vehicle safety program and resulted in excessive overtime payments. The inspection estimated that approximately \$300,000 would be put to better use annually from reduced overtime charges. In response to OIG's recommendation, Tri-mission's Joint Management Office recently confirmed that it has assumed overall supervisory responsibility for all executive drivers, imposed driver-hour limitations, and adjusted late-driver shift hours.

*Inspection of Embassy Vienna, Austria*  
(ISP-I-12-16A, 3/2012)

In the March 2012 inspection of Embassy Vienna, OIG recommended that the embassy abolish three locally employed staff positions. The embassy complied, and the recommendation was closed in May 2014, reporting \$268,119 in funds put to better use.

*Inspection of the American Institute in Taiwan*  
(ISP-I-12-12A, 2/2012)

In the February 2012 inspection of the American Institute in Taiwan, OIG recommended the elimination of four locally employed staff positions in the Taipei immigrant visa unit. The reduction in locally employed staff by 18 positions in the consular section resulted in \$884,030 in funds put to better use.

*Inspection of Embassy Helsinki, Finland*  
(ISP-I-11-67A, 9/2011)

In the September 2011 inspection of Embassy Helsinki, OIG recommended that the embassy develop and submit to OBO a business case for selling one of four underused properties. In May 2014, the recommendation was closed based on Embassy Helsinki's report to OIG that one of the properties was sold for \$838,838.

## Significant Resolved Recommendations Pending Final Action

For significant audit and inspection report recommendations that have been resolved but are pending final action, see Tables 10.1 and 10.2.

**Table 10.1**  
**Significant Resolved Recommendations Pending Final Action From Audit Reports**

Report #	Rec. #	Recommendation Summary	First Reported
AUD-HCI-13-40		<i>Audit of Department of State Compliance With Physical Security Standards at Selected Posts Within the Bureau of African Affairs</i>	9/2013
	1	OIG recommended that the Bureau of African Affairs, in conjunction with the Bureau of Diplomatic Security and the Bureau of Overseas Buildings Operations, assess the security posture of all African posts awaiting relocation to New Embassy Compounds and develop a plan to correct or mitigate identified physical security deficiencies.	
	2	OIG recommended that the Bureau of African Affairs, in conjunction with the Bureau of Diplomatic Security and the Bureau of Overseas Buildings Operations, identify all personnel under chief of mission authority that are permanently located at off-compound facilities under the purview of AF posts and assess whether these facilities comply with physical security standards.	
	3	OIG recommended that the Bureau of Overseas Buildings Operations, in coordination with the Bureau of Diplomatic Security (DS) and the Bureau of African Affairs (AF), plan and execute any necessary upgrades to off-compound facilities where personnel under chief of mission authority are permanently located in accordance with current physical security standards.	

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Report #	Rec. #	Recommendation Summary	First Reported
AUD-MERO-13-37		<i>Audit of Department of Bureau of international Narcotics and Law Enforcement Affairs Corrections Systems Support Program in Afghanistan</i>	9/2013
	3	<p>OIG recommended that the Bureau of Budget and Planning, in coordination with the Director of Foreign Assistance, revise and reissue 18 FAM 300 to require mandatory use of supplemental program management guidance for all Department programs and projects;</p> <ul style="list-style-type: none"> <li>• require that all programs and projects prepare comprehensive management plans that include an overall strategy, goals, objectives, schedules, timelines, risks, and desired end state;</li> <li>• establish a threshold for programs and projects across all Department bureaus and offices for performance evaluation purposes;</li> <li>• require mandatory annual performance evaluations for all programs and projects that are high-risk or meet the designated threshold;</li> <li>• include guidance for evaluating sustainability of programs; and</li> <li>• require bureaus to provide the evaluations to the Office of Performance and Planning for review.</li> </ul>	
AUD-MERO-13-33		<i>Audit of the U.S. Mission Iraq Staffing Process</i>	8/2013
	2	OIG recommended that U.S. Embassy Baghdad, in coordination with the Bureau of Near Eastern Affairs and the Office of Management Policy, Rightsizing and Innovation, conduct a systematic analysis of staffing requirements based on the policy priorities, programs, operations, conditions, and other relevant factors specific to U.S. Mission Iraq.	
AUD-CG-13-31		<i>Audit of Grant Closeout Processes for Selected Department of State Bureaus</i>	6/2013
	1	OIG recommended that the Bureau of Educational and Cultural Affairs review the remaining eight expired grants from the March 1, 2012, OIG sample and (a) reconcile the approximately \$9.6 million in the Payment Management System (PMS) to the approximately \$3.3 million recorded in the Global Financial Management System to appropriately deobligate and potentially use available funds for other designated purposes and (b) subsequently close those grants in PMS to avoid unnecessary administrative fees.	
	4	OIG recommended that the Bureau of Population, Refugees and Migration review the remaining six expired grants from the March 1, 2012, OIG sample and (a) reconcile the approximately \$8.4 million in the Payment Management System (PMS) to the approximately \$6.1 million recorded in the Global Financial Management System to appropriately deobligate and potentially use available funds for other designated purposes and (b) subsequently close those grants in PMS to avoid unnecessary administrative fees.	
	5	OIG recommended that the Bureau of Population, Refugees, and Migration (a) review the remaining 202 expired grants, totaling approximately \$8.2 million, in the Payment Management System (PMS) as of March 1, 2012, to determine whether the funds associated with those grants can be deobligated in the Global Financial Management System and used for other purposes and (b) subsequently close those grants in PMS to avoid unnecessary administrative fees.	

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Report #	Rec. #	Recommendation Summary	First Reported
	7	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, review the remaining two expired grants from the March 1, 2012, OIG sample and (a) reconcile the approximately \$2.4 million in the Payment Management System (PMS) to the zero balances recorded in the Global Financial Management System and (b) subsequently close those grants in PMS to avoid unnecessary administrative fees.	
	8	OIG recommended that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, (a) review the remaining 248 expired grants, totaling approximately \$13.8 million, in the Payment Management System (PMS) as of March 1, 2012, to determine whether the funds associated with those grants can be deobligated in the Global Financial Management System and used for other purposes and (b) subsequently close those grants in PMS to avoid unnecessary administrative fees.	
	10	OIG recommended that the Bureau of Educational and Cultural Affairs; the Bureau of Population, Refugees, and Migration; and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Office of the Procurement Executive, establish specific procedures that require grants officers and grants officer representatives to periodically report to their respective bureau on the progress of completing timely closeout of expired grants.	
	11	OIG recommended that the Bureau of Educational and Cultural Affairs; the Bureau of Population, Refugees, and Migration; and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, in coordination with the Office of the Procurement Executive, develop performance metrics for bureau grants officers and grants officer representatives that will provide for timely grant closeout of expired grants while reducing the current backlog.	
	12	OIG recommended that the Bureau of Educational and Cultural Affairs; the Bureau of Population, Refugees and Migration; and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, each develop procedures to periodically review respective official grant files to determine bureau compliance with Grants Policy Directive (GPD) 23, Revision 2, "Federal Assistance File Folder – Form DS-4012," March 2008, and GPD 41, Revision 2, "Close-Out of Federal Assistance Awards," January 2, 2013, to ensure that timely, complete, and accurate grant closeout procedures can be applied as required.	
AUD-MERO-13-25		<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract – Task Order 5 for Baghdad Movement Security</i>	3/2013
	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.	

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Report #	Rec. #	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 on site 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.	
AUD-MERO-13-20		<i>Evaluation of Emergency Action Plans for U.S. Mission Afghanistan</i>	3/2013
	8	OIG 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.	
AUD-MERO-13-18		<i>Compliance Followup Review of Department of State Internal Controls Over the J. William Fulbright Scholarship Fund in Pakistan</i>	12/2012
	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-HCI-13-02		<i>Audit of U.S. Department of State Use of Short-Term Leases Overseas</i>	12/2012
	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.	

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Report #	Rec. #	Recommendation Summary	First Reported
AUD-SI-12-49		<i>Outline for Action: Physical Security Concerns at Embassy Quito</i>	9/2012
	4	OIG recommended that Embassy Quito consider options to mitigate the setback deficiency.	
AUD-MERO-12-43		<i>Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract</i>	8/2012
	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/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>	4/2012
	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 Antiterrorism Assistance program, consistently apply that definition to country programs, and ensure that partner country sustainability timelines are established for developmental ATA programs.	
AUD/HCI-12-30		<i>Audit of Department of State Drug-Free Workplace Program Plan</i>	2/2012
	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.	
AUD/IP-12-02		<i>Audit of Bureau of East Asian and Pacific Affairs Compliance With Trafficking in Persons Requirements</i>	10/2011

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Report #	Rec. #	Recommendation Summary	First Reported
	1	OIG recommended that the Office to Monitor and Combat Trafficking in Persons include, in the <i>Foreign Affairs Manual</i> , 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.	
	2	OIG recommended that the Office to Monitor and Combat Trafficking in Persons, in consultation with the Office of the Legal Adviser 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/CG-11-44		<i>Afghan National Police Training Program Would Benefit From Better Compliance With the Economy Act and Reimbursable Agreements</i>	8/2011
	1	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: <ol style="list-style-type: none"> <li>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.</li> <li>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.</li> <li>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.</li> </ol>	
	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.	

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Report #	Rec. #	Recommendation Summary	First Reported
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>	7/2011
	A.1.b	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 \$1.15 million obligated for the Department of Justice Federal Prosecutors Program that were outside the scope of the reimbursable agreement.	
	A.2	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: <ul style="list-style-type: none"> <li>a. Determine how much of the \$68.21 million of unexpended obligations remaining on task order S-AQMPD-05F-4305 can be deobligated.</li> <li>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.</li> </ul>	
	A.5	OIG recommended that the Executive Director, Bureau of International Narcotics and Law Enforcement Affairs: <ul style="list-style-type: none"> <li>a. Return to DOD and properly record the \$3.99 million of unobligated DOD funds, unless INL provides documentation, and DOD officials agree, that the obligations were within the scope of the reimbursable agreements.</li> <li>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 document the appropriate use. Specifically, officials should: <ul 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> </ul> </li> </ul>	
	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 \$9.5 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 \$9.5 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.	

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OVERSIGHT OF DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

Report #	Rec. #	Recommendation Summary	First Reported
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>	2/2011
	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.	
MERO-I-11-05		<i>Performance Evaluation of PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan</i>	1/2011
	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).	
AUD/IQO-09-25		<i>Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq</i>	10/2009
	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.	
	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.	

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Report #	Rec. #	Recommendation Summary	First Reported
	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 related 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).	
	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.	
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>	1/2007
	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.	

**Table 10.2**  
**Significant Resolved Recommendations Pending Final Action From Inspection Reports**

Report #	Rec. #	Recommendation Summary	First Reported
ISP-I-13-44A		<i>Special Review of the Accountability Review Process</i>	9/2013
	4	OIG recommended that the Office of the Under Secretary of State for Management, in coordination with the Office of 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.	
ISP-I-13-24		<i>Review of the Process for Establishing Language Designated Positions</i>	9/2013
	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.	
	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 training costs associated with their language designated positions.	
ISP-I-13-23		<i>Review of Department of State Implementation of Jeddah ARB</i>	9/2013
	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 this additional requirement for compound emergency sanctuaries.	
ISP-I-11-55A		<i>Inspection of Embassy Seoul, Korea</i>	8/2011
	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.	

**Revised Management Decisions**  
 None.

**Significant Management Decisions With Which the Inspector General Is In Disagreement**  
 None.

# OVERSIGHT OF BROADCASTING BOARD OF GOVERNORS PROGRAMS AND OPERATIONS

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## 11. OFFICE OF AUDITS

OIG conducts audits of BBG programs and operations to ensure that they are as effective, efficient, and economical as possible and executed in compliance with applicable laws and regulations.

From April 1, 2014, to September 30, 2014, OIG's Office of Audits (AUD) issued four reports on BBG programs and operations.

### Contracts and Grants

*Audit of the Broadcasting Board of Governors Administration and Oversight of Acquisition Functions*  
(AUD-CG-IB-14-26, 6/2014)

OIG audited BBG's acquisition functions to evaluate whether BBG had adequate acquisi-

tion policies and procedures and to assess the efficacy of those policies and procedures. Based on a review of a sample of 34 contracts, totaling \$7.8 million, OIG identified notable areas of concern about BBG's Office of Contracts, including noncompliance with Federal regulations, a lack of contract oversight, and violations of the Antideficiency Act (ADA).

Specifically, OIG determined that BBG routinely entered into personal services contracts that exceeded its statutory authority. As a result, BBG violated the ADA, which prohibits



Members of the Broadcasting Board of Governors meet in Miami at the headquarters of the Office of Cuba Broadcasting, June 20, 2014. (BBG photo)

“employ[ing] personal services exceeding that authorized by law.” BBG also obligated funds before the funds were available by allowing contractors to work without contracts in place via a pre-approval process, which resulted in two reportable violations of the ADA.

Further, BBG did not comply with Federal regulations for conducting selected acquisition functions in support of the BBG mission, including contract oversight. Specifically, BBG did not follow regulations during the pre-solicitation, pre-award, and contract administration phases of the acquisition process. As a result, BBG did not have reasonable assurance that its needs were met in the most effective, economical, and timely manner. Because of this noncompliance, OIG identified \$419,020 in funds that could be put to better use relating to contracts that were never executed, possibly because of lack of planning; \$24,325 in questioned costs attributable to a lack of contract oversight; and \$475,347 in unauthorized commitments.

Finally, OIG determined that there was a systemic failure of BBG’s acquisition function, indicating that BBG is at extreme risk for fraud, waste, and abuse in its acquisition function and is vulnerable to potential conflicts of interest.

OIG made recommendations to improve BBG’s acquisition functions and ensure compliance with Federal regulations, many of which address the development and implementation of policies and procedures for the pre-award, award, and administration stages of the contract lifecycle. OIG also made recommendations for BBG to report on the ADA violations identified, to ensure that funds are available before it enters into contracts, to develop an action plan to enhance the acquisition process, and to develop and implement

enforcement mechanisms to ensure enhanced accountability for compliance with the action plan and procurement regulations.

*FY 2013 Risk Assessment of Travel and Purchase Card Programs at the Broadcasting Board of Governors*  
(AUD-CG-IB-14-28, 6/2014)

The Government Charge Card Abuse Prevention Act of 2012 requires OIG to conduct periodic risk assessments of agency travel- and purchase-card programs to identify and analyze risks of illegal, improper, or erroneous purchases and payments. OIG will use these risk assessments to determine the scope, frequency, and number of periodic audits of these programs. The FY 2013 risk assessments were the first such reviews conducted of these programs for BBG.

The risk assessments were designed to identify programs on which AUD should focus its limited resources. Based on the results of its reviews, OIG gave each program an overall risk assessment rating, ranging from very low to very high. The results of the assessments should not be interpreted to conclude that programs with lower risk are free of illegal, improper, or erroneous use or internal control deficiencies. Conversely, a higher-risk program may not necessarily signify illegal, improper, or erroneous use—only that conditions are conducive to those activities. Regardless of the risk assessment results, if the programs were to be audited, a team may identify such issues through independent testing of travel- and purchase-card data.

The results of OIG’s FY 2013 risk assessments showed that BBG’s travel- and purchase-card programs were rated at medium or lower risk for illegal, improper, or erroneous use and

therefore were not recommended for audit consideration in FY 2015. However, the results do not preclude OIG from reviewing these programs for any entity during FY 2015 or any other time, and OIG suggested that managers for BBG travel-card and purchase-card programs take appropriate actions to improve oversight of the programs.

## Financial Management

*Audit of Broadcasting Board of Governors FY 2013 Compliance With Improper Payments Requirements*  
(AUD-FM-IB-14-22, 4/2014)

OIG conducted this third annual audit to assess BBG's compliance with improper payments requirements in FY 2013, to comply with the Improper Payments Information Act of 2002 (IPIA) as amended by the Improper Payments Elimination and Recovery Act of 2010.

BBG was in substantial compliance with IPIA requirements; however, BBG's improper payments risk assessment identified high improper payment error rates, including a 15.7 percent error rate and a potential \$7.8 million in improper payments for one program. These high error rates occurred primarily because of insufficient or incomplete supporting documentation, which prevented BBG from verifying that payments were proper. In addition, BBG did not notify OMB and OIG of its decision not to perform payment recapture audits and did not provide the analysis used by BBG to reach this decision, as required by OMB guidance. BBG planned to make the notifications after it had updated the process and the risk analysis documentation used to support its cost-benefit analysis. But without

the proper notifications, OMB and OIG could not independently assess and validate BBG's determination that payment recapture audits would not be a cost-effective method for identifying and recapturing improper payments.

OIG made recommendations for BBG to strengthen its controls to ensure that it obtains and maintains sufficient and complete supporting documentation for payments and to make the required notifications of its decision not to perform payment recapture audits.

*Audit of Radio Free Europe/Radio Liberty After-employment Benefits*  
(AUD-FM-IB-14-34, 9/2014)

OIG contracted with an independent certified public accounting firm to conduct this audit to determine the extent to which costs related to Radio Free Europe/Radio Liberty (RFE/RL) after-employment benefits were allowable under Federal grant regulations and the grant agreement.

The independent certified public accounting firm concluded that the costs related to RFE/RL's after-employment benefits provided to its U.S. and overseas employees were generally in accordance with Federal grant regulations and its grant agreement with BBG, and that the severance plans for U.S. and overseas employees were allowable. Although the plans were in accordance with requirements, RFE/RL had an unfunded liability of approximately \$88 million as of September 30, 2013, related to after-employment benefits. BBG did not have sufficient oversight of RFE/RL.

Because it was not effectively monitoring the financial condition of RFE/RL, BBG was not appropriately managing risks. The RFE/RL unfunded liability does not represent a legal

liability to the Federal Government, and Federal Government officials have indicated that the Government will not provide additional funding to cover any shortfalls. However, the Federal Government may elect to provide additional funding to avoid the unfavorable outcome of discontinuing benefits.

OIG made recommendations for BBG to improve its oversight of RFE/RL's financial operations.

### **Planned Audits**

The Office of Audits plans to initiate FY 2014 audits of BBG's compliance with the Improper Payments Information Act, financial statements, and the information security program as well as risk assessments of BBG travel and purchase-card programs.

## 12. OFFICE OF INSPECTIONS

OIG conducts inspections of BBG programs and operations to address systemic deficiencies and identify remedies.

From April 1, 2014, to September 30, 2014, the Office of Inspections issued one report on BBG programs and operations.

*Inspection of the Office of Cuba Broadcasting*  
(ISP-IB-14-15, 7/2014)

In its inspection of the Office of Cuba Broadcasting (OCB), OIG found that OCB was implementing successfully the BBG's 5-year strategic plan goals for 2012–2016. OCB had created innovative programming on subjects generally censored by the Cuban Government and made its digital platforms more robust. Aero Martí, a leased, aircraft-based television broadcast program, officially ended in 2014.

OIG identified several administrative weaknesses in OCB's processes for contracting, human resources, unliquidated obligations, property management, and travel. In addition, the security program at the Miami office required attention. OIG made recommendations to address these issues.

### Current Inspections

The Office of Inspections is currently finalizing reports on a limited-scope review of BBG operations in Baku, Azerbaijan. In addition, OIG inspection teams are currently on site inspecting BBG operations in Kabul, Afghanistan.

## 13. OFFICE OF INVESTIGATIONS

OIG investigates suspected instances of fraud, waste, and mismanagement that may constitute either criminal wrongdoing or violation of BBG regulations.

During this reporting period, the Office of Investigations conducted 1 preliminary inquiry, opened 7 investigations, and continued work on 10 investigations. The Office of

Investigations did not report potential monetary benefits resulting from investigations of BBG programs and operations during this reporting period.

## 14. FINANCIAL IMPACT OF OIG WORK RELATED TO THE BROADCASTING BOARD OF GOVERNORS

During this reporting period, BBG made management decisions on recommendations issued by OIG during the reporting period involving \$8,000 in questioned costs and \$419,000 in potential funds put to better use.

As of the close of the reporting period, BBG had not made a management decision on approximately \$204,000 in questioned costs or funds that could be put to better use.

For a detailed summary of consolidated Department and BBG totals of potential monetary benefits identified by OIG during this reporting period, see Section 3.

### Potential Monetary Benefits

For a summary of OIG's work related to potential monetary benefits for BBG, see Tables 14.1 and 14.2 below.

**Table 14.1**  
OIG Audit Reports With Questioned Costs, 4/1/2014–9/30/2014

Recommendation Status	# Reports	Questioned Costs \$ Thousands	Unsupported Costs <sup>a</sup> \$ Thousands
No management decision made by start of the reporting period	0	\$0	\$0
Issued during the reporting period			
Audits	1	\$24	\$24
<b>Total</b>	<b>1</b>	<b>\$24</b>	<b>\$24</b>
Management decision made during the reporting period			
Disallowed Costs		\$0	\$0
Costs Not Disallowed		\$8	\$8
<b>Subtotal</b>		<b>\$8</b>	<b>\$8</b>
<b>Total remaining for decision as of 9/30/2014</b>	<b>1</b>	<b>\$16</b>	<b>\$16</b>

<sup>a</sup> "Unsupported Costs" is a subset of total "Questioned Costs."

**Table 14.2**  
**OIG Reports Recommending Funds Be Put to Better Use, 4/1/2014–9/30/2014**

Recommendation Status	# Reports	Dollar Amount \$ Thousands
No management decision made by 4/1/2014	0	\$0
Issued during the reporting period		
Audits	1	\$419
Inspections	1	\$188
Evaluations	0	\$0
Subtotal	2	\$607
<b>Total</b>	<b>2</b>	<b>\$607</b>
<b>Management decision made during the reporting period</b>		
Dollar Value of Recommendations Agreed To by Management		\$419
Dollar Value of Recommendations Not Agreed To by Management		\$0
Subtotal		\$419
<b>Total remaining for decision as of 9/30/2014</b>	<b>1</b>	<b>\$188</b>
<b>No management decision within 6 months of issuance</b>	<b>0</b>	<b>\$0</b>



U.S. Embassy Kampala, Uganda (ISP-I-14-18A, 7/2014). For highlights of this inspection report, see page 24.

### Office of Management and Budget Circular A-133 Audits

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 significant areas of internal control weaknesses, noncompliance, and questioned costs for resolution or followup.

In this reporting period, OIG’s Office of Audits conducted followup on the two OMB Circular A-133 audit reports reviewed during the last reporting period, including one report that identified questioned costs of nearly \$85,000. Table 14.3 summarizes BBG’s decisions during this period to allow or disallow the questioned costs.

**Table 14.3**  
**Inspector General-Referred A-133 Audit Reports With Questioned Costs**

	# Reports	Questioned Costs \$ Thousands
A. For which no management decision had been made by the commencement of the reporting period	1	\$85
B. Issued During Reporting Period	0	\$0
Subtotal Questioned Costs (A + B)		\$85
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	\$0
D. For which no management decision has been made by the end of the reporting period	1	\$85

**Note:** Dollar amount may be affected by rounding.

## 15. COMPLIANCE

OIG tracks and documents the status of OIG report recommendations and the agency's followup actions. OMB Circular A-50 requires prompt resolution and corrective action on OIG recommendations.

The circular further states that resolution shall be made within 6 months after the report is issued with corrective action proceeding as rapidly as possible. The status of each OIG recommendation falls into in one of the following categories:

- **Unresolved.** No agreement between OIG and management on the recommendation or proposed corrective action (remains open).
- **Resolved.** Agreement on the recommendation and proposed corrective action (remains open).
- **Closed.** Agreed-upon corrective action is complete.

### Report Recommendations Without Management Decision<sup>12</sup> For More Than 6 Months, as of September 30, 2014

*Management Attention Needed To Improve Broadcasting Board of Governors Acquisition Functions*  
(AUD-C6-IB-13-43, 9/2013)

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 Antideficiency 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." On September 2, 2014, the Director of the International Broadcasting Bureau stated that BBG's concurrence with the number of personal service contractors may not exceed legal limits and provided an action plan for the transition of its contractor workforce to a staffing agency. However, although the Director stated that BBG was aware OIG recommended that the agency report the alleged ADA violations, it had not yet agreed to report the violations. Therefore, Recommendation 1 remains unresolved.

### Management Success In Resolving and Implementing Recommendations

None.

<sup>12</sup> OIG defines recommendations in this category as unresolved for more than 6 months as of September 30, 2014.

**Significant Resolved  
Recommendations Pending  
Final Action**

For significant report recommendations that have been resolved but are pending final action, see Table 15.1.

**Table 15.1  
Significant Resolved Recommendations Pending Final Action**

Report #	Rec. #	Recommendation Summary	First Reported
AUD-CG-IB-13-43		<i>Outline for Action: Management Attention Needed To Improve Broadcasting Board of Governors Acquisition Functions</i>	9/2013
	2	OIG recommended that the Director of the International Broadcasting Bureau immediately cease the use of pre-approval for contracts, which violates 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 Title 31 U.S. Code Section 1351, "Reports on violations."	
	3	OIG 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. The assessment should include, at a minimum: a determination of the extent and full impact of noncompliance with Federal Acquisition Regulation; an action plan for the development and implementation of policies and procedures that ensure acquisition functions are performed in accordance with the Federal Acquisition Regulation; a training curriculum for all contracting officials to enhance education of acquisition regulations and policies; and performance evaluation standards for all pertinent contracting officials which hold officials accountable for the implementation of acquisition policies and procedures.	

**Revised Management  
Decisions**

None.

**Significant Management Decisions  
With Which the Inspector General  
Is In Disagreement**

None.

# APPENDICES

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A. OIG REPORTS RELATED TO DEPARTMENT OF STATE PROGRAMS AND OPERATIONS	68
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## APPENDIX A. OIG REPORTS RELATED TO DEPARTMENT OF STATE PROGRAMS AND OPERATIONS

From April 1, 2014, to September 30, 2014, OIG published 41 reports related to Department programs and operations, including 29 unclassified and 12 classified products.

For a list of all OIG reports relating to Department programs and operations that were issued during the reporting period, see Table A.1.

For summaries of each unclassified report, see Sections 5–8.

**Table A.1**  
**OIG Reports Issued 4/1/2014–9/30/2014**

Report #	Report Title	Date Issued
Office of Audits		
AUD-ACF-14-32	<i>Compliance Followup Audit of Department of State Actions To Address Weaknesses in the Ownership, Award, Administration, and Transfer of Overseas Construction Funded by the President's Emergency Plan for AIDS Relief</i>	8/2014
AUD-CG-14-27	<i>FY 2013 Risk Assessment of Travel and Purchase Card Programs at the Department of State</i>	6/2014
AUD-CG-14-29	<i>FY 2013 Risk Assessment of Travel and Purchase Card Programs at the International Boundary and Water Commission</i>	6/2014
AUD-CG-14-31	<i>Audit of the Administration and Oversight of Contracts and Grants Within the Bureau of African Affairs</i>	8/2014
AUD-CG-14-37	<i>Management Assistance Report – Termination of Construction Grants to Omran Holding Group</i>	9/2014
AUD-FM-14-11	<i>Management Letter Related to the Audit of the Department of State 2013 and 2012 Financial Statements</i>	4/2014
AUD-FM-14-21	<i>Audit of Department of State Use of Appropriated Funds Prior to Expiration and Cancellation</i>	5/2014
AUD-FM-14-23	<i>Audit of Department of State FY 2013 Compliance With Improper Payments Requirements</i>	4/2014
AUD-HCI-14-24	<i>Audit of Contractor Compliance With and Department of State Oversight of the Process Required for Vetting Local Guards</i>	6/2014
AUD-IT-14-33	<i>Audit of International Boundary and Water Commission, United States and Mexico, U.S. Section, Information Security Program</i>	9/2014
AUD-MERO-14-18	<i>Audit of Personal Property Accountability at U.S. Mission Iraq</i>	6/2014
AUD-SI-14-30	<i>Audit of the Department of State Management of the Marine Security Guard Program and Plans for Program Expansion</i>	9/2014

(continued on next page)

Report #	Report Title	Date Issued
Office of Inspections		
ISP-C-14-13	<i>Compliance Followup Review of the Bureau of International Information Programs</i>	6/2014
ISP-I-14-08	<i>Management Assistance Report—Direct Payment of Official Residence Expenses Staff Salaries</i>	4/2014
ISP-I-14-09A	<i>Inspection of Embassy Bridgetown Barbados, and Embassy St. George's, Grenada</i>	4/2014
ISP-I-14-10A	<i>Inspection of U.S. Interests Section Havana, Cuba</i>	5/2014
ISP-I-14-11A	<i>Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates</i>	5/2014
ISP-I-14-12A	<i>Inspection of Embassy Lima, Peru</i>	6/2014
ISP-I-14-14A	<i>Inspection of the Bureau of Arms Control, Verification, and Compliance</i>	6/2014
ISP-I-14-16A	<i>Inspection of Embassy La Paz, Bolivia</i>	7/2014
ISP-I-14-17	<i>Review of Gifts to Embassy Employees</i>	7/2014
ISP-I-14-18A	<i>Inspection of Embassy Kampala, Uganda</i>	7/2014
ISP-I-14-19	<i>Inspection of the Bureau of International Security and Nonproliferation</i>	7/2014
ISP-I-14-20A	<i>Inspection of Embassy Bujumbura, Burundi</i>	7/2014
ISP-I-14-21	<i>Review of Remote Voucher Processing</i>	7/2014
ISP-I-14-22A	<i>Inspection of Embassy Kabul, Afghanistan</i>	8/2014
ISP-I-14-23	<i>Inspection of the Bureau of Diplomatic Security, High Threat Programs Directorate</i>	9/2014
ISP-I-14-24	<i>Inspection of the Bureau of International Narcotics and Law Enforcement Affairs</i>	9/2014
Office of Investigations		
M2014-001	<i>Management Assistance Report (Misuse of Consular Consolidated Database)</i>	6/2014
Office of Evaluations and Special Projects		
MA-14-03	<i>Management Alert (Grants Management Deficiencies)</i>	9/2014
Reports Contained in the Classified Semiannual Report to the Congress		
AUD-IT-14-36	<i>Audit of the Information Security Program for Sensitive Compartmented Information Systems at the Department of State</i>	9/2014
AUD-SI-14-25	<i>Audit of Department of State's Use of Threat Information To Enhance Security at High-Threat Overseas Posts Security and Intelligence</i>	5/2014
ISP-S-14-09A	<i>Inspection of Embassy Bridgetown, Barbados, and Embassy St. George's, Grenada</i>	4/2014
ISP-S-14-10A	<i>Inspection of U.S. Interests Section Havana, Cuba</i>	5/2014
ISP-S-14-11A	<i>Inspection of Embassy Abu Dhabi and Consulate General Dubai, United Arab Emirates</i>	5/2014
ISP-S-14-12A	<i>Inspection of Embassy Lima, Peru</i>	6/2014
ISP-S-14-14A	<i>Inspection of the Bureau of Arms Control, Verification, and Compliance</i>	6/2014
ISP-S-14-16A	<i>Inspection of Embassy La Paz, Bolivia</i>	7/2014
ISP-S-14-18A	<i>Inspection of Embassy Kampala, Uganda</i>	7/2014
ISP-S-14-20A	<i>Inspection of Embassy Bujumbura, Burundi</i>	7/2014
ISP-S-14-22A	<i>Inspection of Embassy Kabul, Afghanistan</i>	8/2014

## APPENDIX B. OIG REPORTS RELATED TO BROADCASTING BOARD OF GOVERNORS PROGRAMS AND OPERATIONS

From April 1, 2014, to September 30, 2014, OIG published 5 reports related to Broadcasting Board of Governors programs and operations.

For a list of all OIG reports relating to Broadcasting Board of Governors programs and operations that were issued during the reporting period, see Table B.1.

For summaries of each unclassified report, see Sections 11–13.

**Table B.1**  
**OIG Reports Issued 4/1/2014–9/30/2014**

Report #	Report Title	Date Issued
<b>Office of Audits</b>		
AUD-CG-IB-14-26	<i>Audit of the Broadcasting Board of Governors Administration and Oversight of Acquisition Functions</i>	6/2014
AUD-CG-IB-14-28	<i>FY 2013 Risk Assessment of Travel and Purchase Card Programs at the Broadcasting Board of Governors</i>	6/2014
AUD-FM-IB-14-22	<i>Audit of Broadcasting Board of Governors FY 2013 Compliance With Improper Payments Requirements</i>	4/2014
AUD-FM-IB-14-34	<i>Audit of Radio Free Europe/Radio Liberty After-employment Benefits</i>	9/2014
<b>Office of Inspections</b>		
ISP-IB-14-15	<i>Inspection of the Office of Cuba Broadcasting</i>	7/2014

## APPENDIX C. PEER REVIEWS

Federal audit organizations can receive a rating of pass, pass with deficiencies, or fail.

The U.S. Government Accountability Office's (GAO) *2011 Revision of Generally Accepted Government Auditing Standards* defines the pass with deficiencies rating as follows: "The audit organization's system of quality control was suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with applicable standards in all material respects, except for a deficiency or deficiencies."

GAO defines the fail rating as follows: "The audit organization's system of quality control did not provide the audit organization with reasonable assurance of performing or reporting in conformity with applicable standards in all material respects due to a significant deficiency or significant deficiencies in the design of or the audit organization's compliance with its system of quality control."

The Office of Audits did not undergo a peer review during this reporting period. The last peer review was conducted by the Department of the Interior (DOI) OIG for the reporting period from 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 OIG finalized implementation of the recommendation as of September 30, 2014.

During this reporting period, the Office of Investigations did not have an external peer review of its investigative operations. 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.

From April 1, 2013, to September 30, 2013, OIG conducted a peer review of the system of quality control of the Federal Deposit Insurance Corporation (FDIC) OIG, which received a peer review rating of pass. The letter of comment accompanying the system overview report contained six recommendations. Based on FDIC OIG's corrective actions, OIG considers all six recommendations closed as of September 30, 2014.

## APPENDIX D. ABBREVIATIONS

Abbreviation	Full Name
AIG	Assistant Inspector General
AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
AF	Bureau of African Affairs
ARB	Accountability Review Board
AVC	Bureau of Arms Control, Verification and Compliance
BBG	Broadcasting Board of Governors
CIGIE	Council of the Inspectors General on Integrity and Efficiency
DCAA	Defense Contract Audit Agency
Department	U.S. Department of State
DOD	Department of Defense
DOI	Department of the Interior
DS	Bureau of Diplomatic Security
ESP	Office of Evaluations and Special Projects
FAM	Foreign Affairs Manual
FBI	Federal Bureau of Investigation
FDIC	Federal Deposit Insurance Corporation
FISMA	Federal Information Security Management Act of 2002
FMFIA	Federal Managers Financial Integrity Act
GAO	U.S. Government Accountability Office
GC	General Counsel
GSS	General Support System
HTP	High Threat Programs
INL	Bureau of International Narcotics and Law Enforcement Affairs
INV	Office of Investigations
IPIA	Improper Payments Information Act
IRM	Bureau of Information Resource Management
ISN	Bureau of International Security and Nonproliferation
ISP	Office of Inspections
J/TIP	Office to Monitor and Combat Trafficking in Persons
MOC	Media Operations Center
MSG	Marine Security Guard

*(continued on next page)*

<b>Abbreviation</b>	<b>Full Name</b>
NEA	Bureau of Near Eastern Affairs
OBO	Bureau of Overseas Buildings Operations
OCB	Office of Cuba Broadcasting
OHG	Omran Holding Group
OIG	Office of Inspector General
OMB	Office of Management and Budget
ORE	Official Residence Expenses
PEPFAR	President's Emergency Plan for AIDS Relief
PSS	Procurement Shared Services
RFE/RL	Radio Free Europe/Radio Liberty
SAR	Semiannual Report to the Congress
SCADA	Supervisory Control and Data Acquisition
USAID	U.S. Agency for International Development
USIBWC	International Boundary and Water Commission, United States and Mexico, U.S. Section

## APPENDIX E. INDEX OF REPORTING REQUIREMENTS UNDER THE INSPECTOR GENERAL ACT OF 1978

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## APPENDIX F. SPECIAL ACKNOWLEDGEMENTS

OIG would like to individually recognize each employee that received a Council of the Inspectors General on Integrity and Efficiency (CIGIE) award during this reporting period.

Awardee	Title
<b>Audit Award for Excellence</b>	
Ernest Arciello	Statistician, Audit Compliance and Followup Division
Yvonne Athanasaw	Audit Manager, Middle East Region Operations Directorate
Melissa Bauer	Audit Manager, Human Capital and Infrastructure Division
David (Sam) Bernet	Director, Middle East Region Operations Directorate
Denise Colchin	Director, Human Capital and Infrastructure Division
Nancy Coonley	Audit Manager, Financial Management Division
Yvens Dalmeida	Senior Auditor, Human Capital and Infrastructure Division
Frank Forgione	Senior Auditor, Human Capital and Infrastructure Division
Joseph Hamrock	Management Analyst, Security and Intelligence Division
David Hilburg	Analyst, Middle East Region Operations Directorate
Doug Hundley	Senior Auditor, Human Capital and Infrastructure Division
William Irving	Audit Manager, Security and Intelligence Division
Rachel Kell	Senior Auditor, Security and Intelligence Division
Nina Lin	Senior Auditor, Security and Intelligence Division
Regina Meade	Director, Security and Intelligence Division
Laura Miller	Management Analyst, Security and Intelligence Division
Meredith Needham	Management Analyst, Human Capital and Infrastructure Division
James Pollard	Director, Middle East Region Operations Directorate
Celia Powell	Senior Auditor, Security and Intelligence Division
J. Addison Ricks	Audit Manager, Middle East Region Operations Directorate
Brian Stratton	Senior Auditor, Human Capital and Infrastructure Division
Zorayma Torres-Alvarez	Audit Manager, Human Capital and Infrastructure Division
Upeksha Van Der Merwe	Senior Auditor, Security and Intelligence Division
Alexandra Vega	Management Analyst, Human Capital and Infrastructure Division
Soraya Vega	Audit Manager, Security and Intelligence Division
Gayle Voshell	Deputy Assistant Inspector General for Audits

(continued on next page)

<b>Awardee</b>	<b>Title</b>
Christopher Yu	Management Analyst, Security and Intelligence Division
<b>Evaluations Award for Excellence</b>	
Don Hays	Senior Inspector
David Bocskor	Inspector
Robyn Hinson-Jones	Inspector
George Moose	Team Leader
Ashea Riley	Inspector
Richard Sypher	Deputy Team Leader
Bill Urbanski	Senior Inspector
<b>Investigations Award for Excellence</b>	
Jeff Whitney	Special Agent
<b>Special Act Award for Excellence</b>	
Harrison Ford	Associate Counsel
Wesley Kilgore	Deputy Assistant Inspector General for Investigations
Melinda Perez	Division Director, Contracts and Grants Division/ National Single Audit Coordinator
David Stewart	Associate Counsel

OIG would like to thank its publications team members for their dedication to the delivery of the fall 2014 *Semiannual Report to the Congress*: Dorris Lin, Writer-Editor; Heather McDaniel, Writer-Editor; and Bonnie Stephens, Visual Information Specialist.

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United States Department of State  
Broadcasting Board of Governors